

Sangachal Terminal Extension & Offshore Works

Resettlement Action Plan For Public Disclosure

***Azeri Chirag
Gunashli Phase 1 &
Shah Deniz Stage 1***

**PLANNING &
RESETTLEMENT
SOLUTIONS PTY LTD**

PO Box 8101
Wynnum North
Queensland 4178
Australia

April 2003

Sangachal Terminal Extension & Offshore Works

Resettlement Action Plan

*For
Lenders Group*

*Azeri Chirag Gunashli
Phase 1 &
Shah Deniz Stage 1*

April 2003

Abbreviations

ACG	Azeri-Chirag-Gunashli (offshore oil field, Caspian Sea)
AIOC	Azerbaijan International Operating Company
BTC	Baku-Tbilisi-Ceyhan (oil pipeline)
EBRD	European Bank of Reconstruction and Development
EOP	Early Oil Project
ESIA	Environmental and Social Impact Assessment
IFC	International Finance Corporation (World Bank Group)
MENR	Ministry of Environment and Natural Resources
OD 4.30	World Bank Group Operational Directive 4.30
PAP	Project Affected Population
PDQ	Drill-Production-Quarters Platform (kind of offshore drilling platform)
PSA	Production Sharing Agreement
RAP	Resettlement Action Plan
SCCA	State Committee of Construction and Architecture
SCGMR	State Committee of Geology and Mineral Resources
SD	Shah Deniz
SLCC	State Land and Cartography Committee
SOCAR	State Oil Company of the Azerbaijan Republic
TPAO	Turkish Petroleum Anonim Ortagylygy
USD	United States Dollars

Table of Contents

ABBREVIATIONS

EXECUTIVE SUMMARY	1
1. INTRODUCTION.....	9
1.1 Background.....	9
1.2 Brief Description of the Projects.....	10
1.3 Project Sponsors.....	12
1.4 Land Acquisition and Resettlement Objectives	12
1.5 Attention to Vulnerable Groups	13
1.6 Schedule for Implementation.....	14
1.7 Scope of this RAP.....	14
1.8 Organization of the RAP	15
1.9 Other Project Social and Environmental Assessment Documents.....	16
1.10 Glossary.....	17
2. PROJECT DESCRIPTION	18
2.1 General.....	18
2.2 Project Location	18
2.3 Existing Site Conditions	19
2.4 Sangachal Terminal Extension.....	19
2.5 Sub-Sea Pipelines	20
2.6 Offshore Platforms	20
2.7 Pipeline Exclusion Zones	21
2.8 Downstream Pipelines.....	21
2.9 Schedule for Implementation.....	23
2.10 Consideration of Alternatives/Minimization of Resettlement Impacts.....	23
3. POLICY, LEGISLATIVE AND REGULATORY FRAMEWORK	25
3.1 General.....	25
3.2 National Legislation relating to Land Acquisition	26
3.3 Project Agreements.....	30
3.4 World Bank / IFC Involuntary Resettlement Policies and Guidelines	31
OD 4.30.....	31
3.5 Gaps in Azerbaijan Legislation Relating to Involuntary Resettlement.....	32
3.6 Project Measures to Support Compliance with World Bank/IFC Requirements	34
4. LAND ACQUISITION AND RESETTLEMENT PROCEDURES AND IMPLEMENTING RESPONSIBILITIES.....	36
4.1 General.....	36
4.2 Land Acquisition Procedure	36
4.3 Procedure for Land Valuation and Compensation Assessment	36
4.4 Basis for Valuation	38
4.5 Summary of Roles and Responsibilities.....	39
5. CAFÉ / GARAGE: PROJECT IMPACTS AND MITIGATION MEASURES.....	41
5.1 Background.....	41
5.2 Site Location.....	41
5.3 Property Description.....	41
5.4 Project Affected People	43
5.5 Enterprise Activities	43
5.6 Project Impacts and Mitigation Measures.....	44

6.	MENR FISH BREEDING FACILITY: PROJECT IMPACTS AND MITIGATION MEASURES.....	49
6.1	Background.....	49
6.2	Description of the Fish Acclimatization Pens and their Function	49
6.3	Project Impact and Mitigation Measures.....	49
6.4	Summary of Entitlements	50
7.	AHMEDOV CATTLE BREEDING GROUP INFORMAL LAND USERS: PROJECT IMPACTS AND MITIGATION MEASURES	51
7.1	General.....	51
7.2	Existing Use Area.....	52
7.3	Project Affected People	53
7.4	Socio-Economic Profile of the Herder Group.....	55
7.5	Project Impacts and Mitigation Measures.....	59
7.6	Relocation Site Selection and Evaluation.....	62
7.7	Summary of Entitlements	65
8.	OTHER FISHING INTERESTS: PROJECT IMPACTS AND MITIGATION MEASURES.....	66
8.1	General.....	66
8.2	Commercial Fishing Interests	66
8.3	Impacts on Informal Fishing Activities.....	70
8.4	Community Investment Program (CIP).....	72
8.5	Summary of Mitigation Measures	73
9.	CONSULTATION AND DISCLOSURE.....	74
9.1	Public Consultation and Disclosure Plan	74
9.2	RAP Consultation Activities.....	74
9.3	Consultation and Disclosure for Informal Fishing Interests.....	75
9.4	RAP Disclosure.....	75
9.5	Grievances and Dispute Resolution	76
10.	MONITORING AND EVALUATION.....	81
10.1	General.....	81
10.2	Monitoring Roles.....	81
10.3	Monitoring by Sangachal Terminal Community Liaison Officer	81
10.4	Expert Monitoring	82
10.5	Monitoring Program.....	82
10.6	Reporting.....	83
10.7	Resettlement Final Completion Audit	83
11.	COSTS AND BUDGETS.....	84
11.1	Source of Funds.....	84
11.2	Responsibility for Disbursement	84
11.3	Allowance for Contingency.....	85
12.	SCHEDULE FOR IMPLEMENTATION.....	86
13.	CONCLUSION.....	88
	Appendix A Log of Consultations Completed During RAP Preparation.....	90
	Appendix B Extent of Land Acquisition for Sangachal Terminal Extension	95
	Appendix C Income and Expenses Reported by the Café-Garage Enterprise.....	96
	Appendix D Income and Expenses Reported by the Ahmedov Family	97

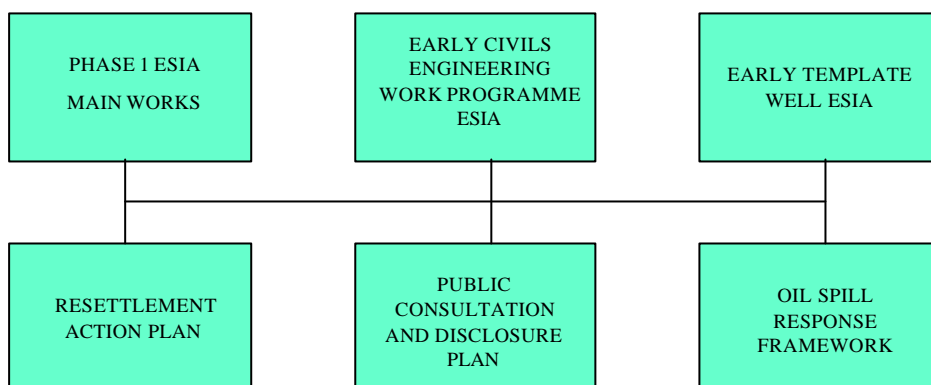
List of Figures

Figure 1	Location of Project Components	10
Figure 2	Implementation Schedule	14
Figure 3	Proposed Sangachal Oil & Gas Reception Terminal Layout.....	19
Figure 4	Land Acquisition for the Terminal Expansion.....	22
Figure 5	Implementation Schedule	23
Figure 6	Land Acquisition and Resettlement Procedure.....	37
Figure 7	Aygun Small Enterprise Café and Garage Buildings	43
Figure 7-1	Location of Café-Garage in relation to ACG and Shah Deniz Pipelines	42
Figure 8	Ahmedov Group Summer and Winter Pastures	56
Figure 9	Locations of Commercial Fishing Grounds in the Vicinity of the ACG and Shah Deniz Offshore Works	67
Figure 10	Grievances Process	77
Figure 11	Avenues for Project Affected People to Seek Redress	78
Figure 12	Resettlement Implementation Schedule	87

List of Tables

Table 1	Summary of Resettlement Impacts.....	11
Table 2	Summary of Project Affected Vulnerable Groups	13
Table 3	Summary of Considered Alternatives.....	24
Table 4	Selected Legislation Relevant to Land Acquisition and Resettlement	26
Table 5	World Bank/IFC Policy and Guidelines Referred to for Project RAP Preparation.....	31
Table 6	Project Measures to Support Compliance with WB/IFC Requirements	35
Table 7	Summary of Roles and Responsibilities.....	40
Table 8	Census of Affected People in Café-Garage Enterprise.....	43
Table 9	Summary of Entitlements	48
Table 10	Agreed Basis for Compensation with Azerbalyk State Fisheries Concern.....	50
Table 11	Summary of Entitlements of the MENR Fish Breeding Facility	50
Table 12	List of Buildings in the Ahmedov Winter Settlement	53
Table 13	Census of Ahmedov Cattle Breeding Group	54
Table 14	Livestock Owned by the Ahmedov Family	56
Table 15	Area Lost for Winter Grazing Use	60
Table 16	Evaluation of Grazing Area Alternatives	63
Table 17	List of Buildings on the Gum Ataki Site	64
Table 18	Comparison of Sangachal and Gum Ataki Grazing Area Amenities	65
Table 19	Grievance Roles and Responsibilities.....	79
Table 20	Summary of Project Resettlement Monitoring Reports	83
Table 21	Budget for Private Land Acquisition and Resettlement.....	84
Table 22	Summary of Monthly Operating Expenses	96
Table 23	Summary of Ahmedov Group Income and Expenditures	98

Project Social and Environmental Assessment Documents



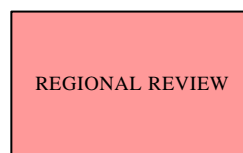
Key



Documents specific to Phase 1 of ACG Full Field Development



Addresses Azerbaijan Business Unit Development (voluntary document offered by BP, not a policy commitment to lending institutions)



Executive Summary

Background

- This Resettlement Action Plan (RAP) describes the framework and procedures that are being followed to address land acquisition and resettlement required for two projects, namely: Phase 1 of Azerbaijan International Operating Company's Azeri Chirag and Deep Water Gunashli (ACG) Full Field Development Project, and upstream works of the Shah Deniz Stage 1 Gas Export Project.
- The RAP has been prepared in accordance with the laws of the Republic of Azerbaijan and *World Bank Operational Directive 4.30 Involuntary Resettlement* as part of the Project Sponsors' commitment to ensuring that project resettlement is undertaken in accordance with good international practice and to meet the requirements of international financing institutions.

Project Sponsors

- Project Sponsors for ACG Phase 1 and Shah Deniz Stage 1 are as follows:
 - The Project Sponsors for ACG Phase 1 are the parent companies of the ACG Production Sharing Agreement (PSA) parties and State Oil Company of Azerbaijan (SOCAR). The PSA parties' parent companies are as follows: BP, Unocal, Lukoil, Statoil, Exxon Mobil, TPAO, Devon, Itochu and Delta Hess
 - The Project Sponsors for the Shah Deniz Stage 1 Gas Export Project are the parent companies of the Shah Deniz PSA parties and SOCAR. The Shah Deniz PSA parties' parent companies are BP, Statoil, Total Fina Elf, TPAO, LukaAgip, and NICO
- All resettlement activities are being carried out on behalf of the PSA parties by BP as "Operator"

Project Description (see Chapter 2)

- The Azeri-Chirag-Gunashli oil field lies some 120 kilometres off the coast of Azerbaijan under 120 metres of water. Initially discovered and developed in the Soviet era, it contains at least 5.2 billion barrels of recoverable oil. The field is the subject of a world-scale development by the Azerbaijan International Operating Company (AIOC). It currently produces around 140,000 barrels of oil each day (bpd). Approval was given in mid-2001 for a Phase 1 expansion, which will increase production to 400,000 bpd by 2005. Phases 2 and 3 will eventually lead to production of over one million barrels per day by 2009. Overall investment in this development will amount to some \$10 billion.
- Shah Deniz is a world-class gas and condensate field located under the seabed of the Caspian Sea in water depths of up to 600 metres, about 100 kilometres south of Baku. It was discovered in 1999 and is estimated to contain more than 400 billion cubic metres of gas. Development plans drawn up by Shah Deniz partners envisage the building of a fixed production platform, seabed pipelines and extension of the Sangachal Terminal to produce up to seven billion cubic metres of gas per year by 2005 at a cost of almost \$1 billion. A subsequent stage of development would require the installation of sub-sea facilities in deeper water. Sales contracts with Turkey and other potential customers for the gas are at an advanced stage.

- ACG Phase 1 and the Shah Deniz Stage 1 Gas Export Project involve four principal components:
 - Fixed offshore platforms for drilling and production operations within the ACG Contract Area.
 - Fixed offshore platform for drilling and production operations within the Shah Deniz Contract Area.
 - Sub-sea pipelines for the transportation of oil and gas from the offshore platforms in the respective fields to the Sangachal Terminal
 - Extension of the existing Sangachal Terminal to increase its processing and storage capacity to accommodate the increased production of oil and gas from the ACG field and new production from the Shah Deniz field.
- Extension of the Sangachal Terminal will entail permanent acquisition of about 472 hectares of State land and temporary use of a further 57 hectares of land during construction (see Appendix B).

Project Affected Population

- Forty-one people will experience physical or economic displacement as a result of the Sangachal Terminal extension and related offshore works. In addition, a small number of fishermen (estimated to be less than 20 individuals) who illegally use a fish trap and gill nets in the near-shore pipeline corridor may also be affected, though it is hoped that these individuals will respond to widespread publicity and relocate their nets prior to sub-sea pipeline installation commencing.
- Project affected groups include the following:
 - A roadside café and garage enterprise (see Chapter 5)
 - Ministry of Environment and Natural Resources (MENR)'s fish breeding operation at Sangachal (formerly part of the Azerbalyk State Fisheries Concern)- see Chapter 6
 - An extended family of graziers who have used land near the Sangachal Terminal for winter grazing on an informal basis for an extended period (see Chapter 7)
 - A small number of fisherman who illegally use a fish trap and gill nets within near-shore areas within the sub-sea pipeline construction corridor (see Section 8.3)

Policy, Legislative and Regulatory Framework (see Chapter 3)

- Project obligations concerning land acquisition and involuntary resettlement are defined by the following instruments:
 - Legislation of the Azerbaijan Republic (see Section 3.1)
 - Project specific agreements between the Azerbaijan State and the two consortia (see Section 3.3)
 - Policies and guidelines of the World Bank Group and International Finance Corporation (IFC) – see Section 3.4
- An analysis was undertaken of potential gaps between the laws of the Republic of Azerbaijan and requirements of the World Bank Involuntary Resettlement Policy (OD4.30). Principal areas of difference were in the following areas: (i) resettlement planning and procedural requirements; (ii) categories of people eligible for compensation; and (iii) in the extent of compensation and types of assistance to be offered. Project commitments to address differences and ensure compliance with OD 4.30 are outlined in Section 3.6.

Land Acquisition and Resettlement Procedures (see Chapter 4)

- Land acquisition for the project will be undertaken following the procedures defined in Cabinet of Minister's Resolution No. 42 *On Some Normative and Legal Acts Relating to the Land Code of the Azerbaijan Republic*. This involves two stages: (i) application for approval for siting of the facility; followed by, (ii) application for legal formalization of the allocated land plot. SOCAR (as representative of the State), with assistance from BP (as operator for the Project Sponsors), prepares the applications and obtains all necessary supporting approvals from government agencies. Final approval for each of the applications is formalized through a Cabinet of Ministers' Decree.
- For impacts involving land acquisition, the local Executive Authority (Baku City), establishes a "Valuation Commission" which conducts hearings with all interested parties and determines an appropriate compensation package. The Valuation Commission takes into account the preferences of affected landowners and users and is empowered to award replacement land and premises. The projects will be the first time that a Valuation Commission has been used to assess private land.
- In the event an affected landowner disagrees with the assessment of the Valuation Commission, the first recourse is to the opinion of an independent specialist valuer. If agreement still cannot be reached, the owner may take the dispute to the Minister of Lands or City or District Court for resolution. The complainant has appeals rights.
- Where project impacts do not involve formal acquisition of land, SOCAR and BP have negotiated compensation directly with the project affected parties based on full replacement cost or full costs incurred by a party in relocating assets.

Café-Garage Enterprise Impacts and Mitigation Measures (see Chapter 5)

- The land and buildings of a café-garage are situated directly over the proposed Shah Deniz Stage 1 26" gas pipeline and a 12" condensate pipeline. The café-garage also falls within the protection zone of the ACG 28" gas pipeline. It will be necessary to relocate the café-garage in order to construct the pipeline and to meet safety requirements during operations. A range of alternative alignments were explored in an attempt to avoid relocation, however none of these were feasible due to constraints on locations where the pipelines can be brought onshore.
- The café-garage is owned by the Aygun Small Enterprise. The enterprise has registerable land ownership documents, but the two buildings on the site have been constructed without design or building approval. The enterprise has ten full and part time employees. Baku City Executive Authority has established a Valuation Commission to make a recommendation on compensation for the land and buildings.
- Based on the recommendations of the Valuation Commission, which will take into account the preferences of the enterprise owner, BP (on behalf of the Project Sponsors) will negotiate the final compensation package for the enterprise. Dependent on the outcome of the Valuation Commission hearing, compensation for the enterprise may include (i) equivalent replacement land, or cash payment based on market value; (ii) replacement buildings built by the project on the replacement land, or cash payment based on their full replacement cost; (iii) a relocation allowance; (iv) cash compensation for any enterprise downtime; and, (v) monitoring to check that there are no adverse impacts following relocation. In the event the enterprise owner opts for cash compensation in lieu of replacement land and premises, provision has been made for employees to receive alternative employment with the project for a provisional period of not less than 6 months.

MENR Fish Breeding Facility (formerly the Azerbalyk State Fisheries Concern¹) at Sangachal: Impacts and Mitigation Measures (see Chapter 6)

- Survey for the ACG sub-sea pipeline construction corridor revealed that fish acclimatization pens operated by the MENR near Sahil extended out into the proposed construction area. The fish pens are used for three to six months starting in November each year, to acclimatize Caspian Salmon fry prior to their release into the Caspian Sea. Caspian Salmon is an endangered species and this program forms part of an MENR conservation effort.
- SOCAR (as representative of the State) and BP (as operator for the Project Sponsors) negotiated a lump sum cash compensation amount to cover the cost of lifting and reinstalling the fish acclimatization pens. The lump sum fee included a consideration for disruption to the Sangachal facilities operation. There was no loss of income or employment experienced by MENR workers as a result of the relocation. The acclimatization pens were lifted late in September 2001.

Ahmedov Cattle Breeding Group: Impacts and Mitigation Measures (see Chapter 7)

- Land acquisition for the Sangachal Terminal extension and associated 'no development' zone will alienate some of an area that has been used for winter grazing by the Ahmedov family, a group of pastoralists. The Ahmedovs, an extended family of thirty people, are a production group of the Gobu State Cattle Breeding Enterprise based in Gobu Village, Absheron District. They have been using the Sangachal land for winter pasture since about 1961.
- In the past, the Ahmedov family's use of the Sangachal land had for periods been sanctioned through short term grazing leases (12–18 months), but these have all lapsed. The Gobu State Cattle Breeding Enterprise and Ahmedov family currently have no formal rights for use of the land at Sangachal.
- Working with the Ahmedovs, the Gobu State Cattle Breeding Enterprise, Absheron District and Garadagh District, the project will assist the Ahmedovs to make use of alternative, equivalent winter pasture at Gobustan, 25 kilometres to the south of the Sangachal land. The Ahmedov family selected the land after consideration of three other potential grazing areas. The Gobu State Cattle Breeding Enterprise has formal use rights to this replacement land, so unlike on their previous land, the Ahmedov family will have security of tenure.
- The projects will provide resettlement assistance to the Ahmedovs to help them in relocating and adjusting to the replacement grazing area. Project assistance has or will include: (i) assistance with obtaining sanction from local executive authorities for use of the replacement land; (ii) use of equivalent winter pasture at Gobustan with a useable land area significantly larger than that at their original location in Sangachal; (iii) construction of replacement dwellings at the replacement site; (iii) labour and materials to make good shelters and yards for livestock at the replacement site; and, (iv) monitoring, with provision to provide additional in-kind assistance in the event the Ahmedovs experience any short-term income losses in marketing their produce from their replacement site, or other unforeseen re-establishment difficulties.

¹ At the time the project met with and negotiated compensation for relocation of the fish acclimatization pens, the facility was being operated by the Azerbalyk State Fisheries Concern. Late in 2002, the functions of the Azerbalyk State Fisheries Concern were assumed by the MENR. The fish acclimatization facility is now operated by MENR.

- As an outcome of recent consultation and discussion, the pastoralist family has agreed to relocate to the replacement winter pasture in March 2003.

Commercial Fishing: Impacts and Mitigation Measures (see Chapter 8)

- An assessment was undertaken of the potential for the project to cause impacts on the assets and livelihoods of commercial fishing interests operating in the vicinity of the ACG and Shah Deniz sub-sea pipelines.
- Principal commercial fishing grounds in the broad vicinity of the ACG and Shah Deniz sub-sea pipelines are as follows:
 - Karagedov Shoals
 - Borisov Shoal
 - Makarov Banks
 - Oil Rocks
 - Chirkli Vulkan ('Mud Volcano')
 - Andreev
- Licensed fishing vessels from Russia, Kazakhstan, and Turkmenistan, as well as Azerbaijan, undertake sprat fishing at these locations. The areas that can be fished are controlled by licenses. Vessels that undertake this type of fishing tend to be large (25 metres or so in length displacing 85 tonnes or more) and equipped for offshore operation. The MENR Fisheries Licensing Department and Caspian Fish Company indicated that the Early Oil Project pipeline exclusion area is clearly demarcated on maritime charts and that fishermen working in those areas are thoroughly familiar with its location.
- Principal impacts of the sub-sea pipelines may result from pipeline installation. While being laid within the existing Early Oil Pipeline sub-sea pipeline corridor, the ACG pipeline will pass through the Makarov Banks and Oil Rocks fishing grounds. During laying, exclusion buoys will be laid to form a box about 2,000 metres by 1,500 metres around the lay barge to keep vessels clear of positioning anchors and warps. The lay barge will move forward at a rate of up to 3 kilometres per day, so impacts on navigation and fishing activities at any given location will be localized and short in duration. The conclusion from discussions with fishing stakeholders was that pipe-laying operations will have little or no impact on commercial fleet navigation and fishing activities.
- Principal mitigation measures to minimize construction impacts on commercial fishing operations will include (i) liaison with the MENR Fisheries Licensing Department regarding marine advisories to warn all vessels of changed navigation conditions during the pipeline laying; (ii) deployment of warning buoys consistent with international maritime convention to demarcate the pipeline laying area; and, (iii) close liaison with the major commercial fishing operators to be sure that installation of the pipelines over the Makarov Banks and Oil Rocks areas is timed to avoid peak sprat fishing periods at these grounds.
- Exclusion zones are imposed by the Ministry of Navy around sub-sea pipelines and offshore platforms. The ACG Phase 1 pipelines will be laid within the 500-metre wide exclusion zone of the Early Oil Project sub-sea pipeline so will not entail creation of any additional restricted area. Some new exclusion zones will need to be imposed where the Shah Deniz Stage 1 sub-sea pipelines do not follow the Early Oil Project sub-sea corridor. With the exception of 500 metre wide "no go" areas around the offshore platforms which lie outside of recognized fishing areas, the sub-sea pipeline exclusion zone will pose minimum constraints to commercial fishing vessels. Vessels cannot anchor within the

zones, but may sail through them. Generally, they are permitted to carry out fishing activities other than trawling or other bottom based techniques.

Informal Fishermen: Impacts and Mitigation Measures (see Section 8.3)

- While offshore fishing in the Caspian Sea is prohibited for local people and subject to heavy penalties, informal fishing forms an important source of income for many households in the coastal towns in the vicinity of the projects. In vicinity of the Sangachal Terminal, these include the towns and villages of Sahil, Umid, and Sangachal. The majority of informal fishing occurs within the 2-3 kilometres of the shoreline.
- The most common form of informal fishing is use of hook and line from small outboard engine powered boats. This type of fishing will not generally be affected by pipeline laying or pipeline operations. Other informal fishing is conducted using moveable gill nets that are deployed from small boats, and fixed fish traps that extend from the shore.
- The majority of fish traps and nets were removed from the pipeline corridor during construction of the Early Oil Pipeline in 1996-7. Only one fixed fish trap was found within the proposed construction corridor for ACG Phase 1, but following advice about the extent of the construction corridor, the net was relocated by its owners in September 2001. A small number of gill nets (less than 20) have also been observed in the Shah Deniz construction corridor.
- The Project Sponsors and their government partner cannot condone or support fishing activities that are deemed illegal and are prohibited. Direct compensation to informal fishermen cannot therefore be supported by the project but indirect measures will be implemented to mitigate impacts. Mitigation measures for informal fishermen have and will involve (i) widely publicizing the need for informal fishermen to remove their nets from the construction corridor to avoid the risk of losing them during pipeline construction; (ii) creating opportunities for local workers to be employed in the Sangachal Terminal construction and operations; and (iii) supporting a program of social investment in local coastal communities that creates economic opportunities for local people to help reduce their reliance on informal or illegal fishing.
- Project Sponsors of ACG Phase 1 have committed to spending USD 2.0 million on local community and social investments based on community priorities. Subject to their project being sanctioned, Shah Deniz sponsors will commit a similar amount. The process being followed to allocate community development spending is described in the RAP.

Vulnerable Groups (see Section 1.5)

- With the exception of the MENR Fish Breeding Facility, all the groups directly affected by the Sangachal Terminal and offshore works are potentially vulnerable. To varying degrees, each group is reliant on informal relationships that give them access to land or fisheries, or they are engaged in activities that are prohibited or unlawful.
- Close attention has been paid to consulting and understanding the very different needs of the five project affected groups, and to tailoring compensation measures and assistance that are responsive to each group's particular needs and circumstances.

Consultation and Disclosure (see Chapter 9)

- Public and stakeholder consultation for the ACG Phase 1 and the Shah Deniz Stage 1 Gas Export Projects has been thorough. This has included (i) numerous meetings and discussions with each of the project affected groups; (ii) meetings with state, district and municipal officers and other stakeholders with responsibilities for various aspects of land acquisition and fisheries management; and, (iii) public meetings in adjacent communities (Sahil, Sangachal and Umid). All consultations have been documented in a Consultation Log (see Appendix A).
- The RAP will be disclosed internationally in the World Bank Group's InfoShop, EBRD's Business Information Centre and Baku Resident Office, and on the project website for 120 days in accordance with requirements of international lenders. A local language Summary of the RAP will be made available at project information centres operated by the Project Sponsors in Sangachal, Umid and Sahil. Copies of the full RAP will be presented to and discussed with each of the project affected groups to ensure that they fully understand their entitlements, the RAP process and planned outcomes.

Monitoring and Evaluation (see Chapter 10)

- The project has established a two-tier framework for monitoring implementation of the RAP and the effectiveness of measures for restoring project affected people's living standards and income levels. The two tiers are (i) internal monitoring to be undertaken by the Sangachal Terminal Community Liaison Officer; and, (ii) external monitoring to be undertaken by an expert RAP Monitoring Panel.
- Internal monitoring will focus on measuring performance against the activities and schedules defined in the RAP. External monitoring will assess the effectiveness of standard of living and income restoration measures as well as verifying compliance with World Bank involuntary resettlement standards.
- Monitoring will commence in January 2003 and will continue for 24 months after the last physical relocation has been completed, or until such time as the Expert Monitoring Panel is satisfied that affected peoples' livelihoods have been fully restored, whichever occurs soonest. Quarterly internal monitoring reports and six monthly external monitoring reports will be produced.
- A resettlement completion audit to be conducted by the Expert RAP Monitoring Panel will take place not later than mid 2005. This will confirm the extent to which Project Sponsors have delivered commitments defined in the RAP. A satisfactory completion audit will signify the end of the Project Sponsors' obligations arising from the resettlement process.

Costs and Budgets (see Chapter 11)

- Project budgets for land acquisition, compensation, resettlement planning and monitoring have been prepared. These have been disclosed to SOCAR and project international lenders. Overall budget for land acquisition, compensation, and resettlement activities is USD 151,000. In addition, the Project Sponsors will fund community development activities in the order of USD 2.2 million. The sources of funds and channels for disbursement have also been defined.

Schedule for Implementation

No.	Task Name	2001		2002				2003				2004				2005				2006					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
1	Resettlement Action Plan Preparation																								
2	MENR Fish Acclimatization Pen Relocation																								
3	Ahmedov resettlement preparation & shift to replacement winter pasture																								
4	Café-Garage compensation negotiation, replacement site preparation & relocation																								
5	Design and implementation of social investment for fishermen																								
6	Resettlement Monitoring (24 months after relocation of café-garage)																								
7	Completion Audit (24 months after last physical relocation)	◇																							
8	Terminal land acquisition																								
9	Early Civil Engineering / Site Preparation																								
10	Terminal Construction and Commissioning																								
11	Operations																								

1. Introduction

1.1 Background

This “Resettlement Action Plan for Sangachal Terminal Extension and Offshore Works” (hereinafter referred to as the “RAP”) describes the framework and procedures that are being followed to address land acquisition and resettlement required for Phase 1 of AIOC’s Azeri Chirag and Deep Water Gunashli (ACG) Full Field Development Project. BP has been appointed as the operator of AIOC. The project involves installation of offshore platforms, sub-sea pipelines, and extension of the existing Sangachal Oil and Gas Reception and Storage Terminal.

This RAP also covers resettlement impacts associated with upstream works of the Shah Deniz Stage 1 Gas Export Project, which, if sanctioned, will also be operated by BP. Gas and oil condensate from the Shah Deniz field will be transported by sub-sea pipelines to processing facilities that will be sited adjacent to the extended Sangachal Terminal. Land acquisition for the Sangachal Terminal extension, as described in this RAP, includes area to accommodate the Shah Deniz processing facilities.

The RAP has been prepared in accordance with World Bank Group’s *Operational Directive 4.30 Involuntary Resettlement*² (OD 4.30) as part of Project Sponsors’ commitment to ensuring that project resettlement is undertaken in accordance with good international practice and to meet the requirements of international financing institutions. It also forms part of Project Operator, BP’s overarching corporate commitment to health, safety and environmental performance that incorporates the policy goal of “no accidents, no harm to people and no damage to the environment”.

The following groups will be affected by the extension of the Sangachal Terminal and installation of onshore and offshore feeder pipelines from the Shah Deniz and ACG projects:

- A roadside café and garage
- The MENR fish breeding facility at Sangachal
- An extended family of graziers who have used land near the Sangachal Terminal for winter grazing for an extended period
- A small number of fisherman who illegally use gill nets within near-shore areas of the sub-sea pipeline corridor

The RAP describes compensation and other forms of assistance that Project Sponsors will provide to compensate project-affected people and assist with restoration of their living standards and income levels.

² *Operational Directive 4.30 Involuntary Resettlement* was the World Bank Group’s involuntary resettlement policy in force at the time that the International Finance Corporation’s Letter of Mandate for the project was signed. *World Bank OD 4.30* will remain the reference policy for the duration of International Finance Corporation’s involvement.

1.2 Brief Description of the Projects

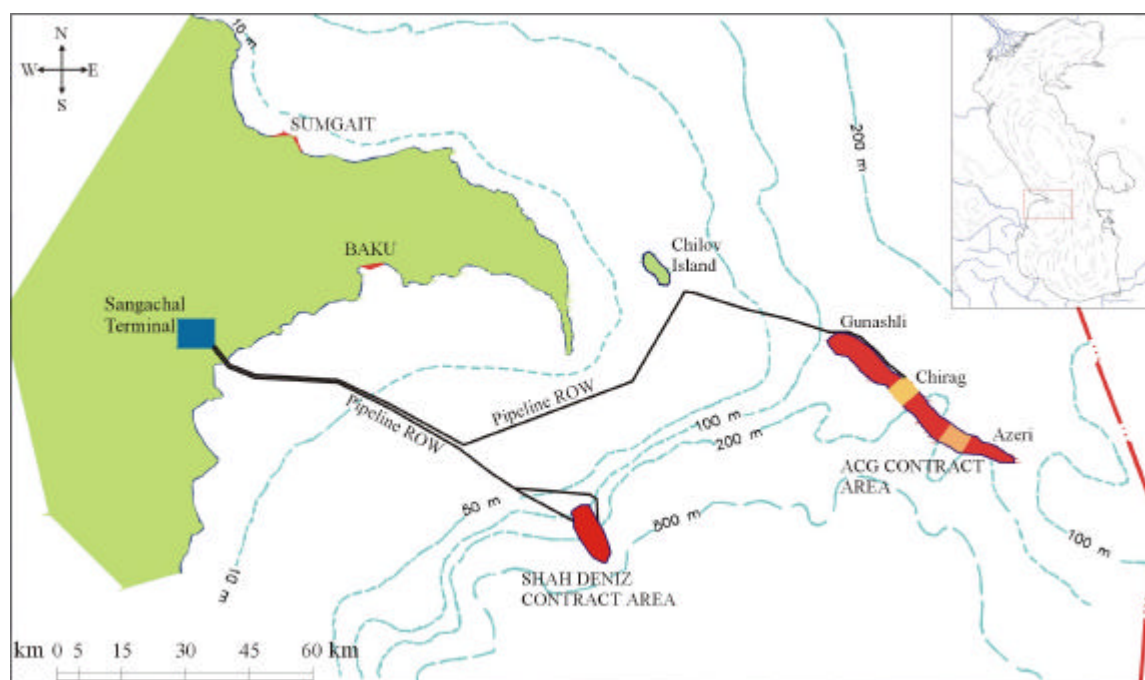
The RAP addresses resettlement impacts arising from two projects, namely:

- Azeri Chirag and Deep Water Gunashli (ACG) Phase 1 Project; and,
- Shah Deniz Stage 1 Gas Export Project.

Onshore hydrocarbon reception and processing facilities for both ACG and Shah Deniz will be incorporated in an extension to the existing Sangachal Terminal. The locations of the ACG Contract Area, the Shah Deniz Contract Area and the Sangachal Terminal are shown in Figure 1.

In association with the expansion of the Sangachal Terminal, two new export pipelines will also be developed. Oil from the Sangachal Terminal will be exported via the proposed Baku-Tbilisi-Ceyhan (BTC) pipeline through Azerbaijan, Georgia and Turkey to a Mediterranean Sea port at Ceyhan. Gas will be transported by the South Caucasus pipeline through Azerbaijan and Georgia to the border with Eastern Turkey for distribution to local markets. Other companies are developing these pipelines, though it is envisaged that BP will be the operator. Resettlement impacts of these pipeline projects are described in separate BTC Pipeline RAP that is being exhibited concurrently with this document.

Figure 1 Location of Project Components



The projects involve four principal components:

- Fixed offshore platforms for drilling and production operations within the ACG Contract Area.
- Fixed offshore platform for drilling and production operations within the Shah Deniz Contract Area.

- Sub-sea pipelines for the transportation of oil and gas from the offshore platforms in the respective fields to the Sangachal Terminal
- Extension of the existing Sangachal Terminal to increase its processing and storage capacity to accommodate the increased production of oil and gas from the ACG field and new production from the Shah Deniz field.

Principal resettlement impacts have, or will, result from the following:

- The need to relocate fish acclimatization pens operated by MENR to avoid their being destroyed by pipeline construction activities (completed late in 2001).
- The need to relocate a café and garage from within an onshore pipeline corridor that connects the sub-sea pipelines to the Sangachal Terminal.
- The loss of part of an area used informally as winter pasture by a grazier family as a result of land acquisition and construction activities for extension of the Sangachal Terminal.
- The need to remove unclaimed illegal fishing nets (if any remain) and a fish trap from within the 1,000-metre wide sub-sea pipeline construction corridor.

Consultations have been held with Azeri government agencies responsible for administering commercial fishing and with commercial fishing fleet operators to ascertain whether the project offshore works will have any direct impact on commercial fishing operations, either during construction or operations. Consultations reveal that other than localised, short duration constraints on navigation during offshore pipeline installation, the project will not result in any curtailment of commercial fishing operations.

Table 1 Summary of Resettlement Impacts

Affected Group	No. of Affected People	Status	Nature of Resettlement Impacts
MENR Fish Breeding Facility	No impact on workers	Licensed State facility	Short duration disruption of fish acclimatization operations.
Café and Garage owner	Owner and 10 employees	Formal landowner; no planning or building permits for structures	Loss of buildings, structures and land improvements. Need to relocate the café-garage to a replacement site. Possible short duration enterprise downtime during physical relocation.
Ahmedov grazier family (part of the Gobu Village Cattle Breeding Enterprise)	An extended family group of 30 members	No formal title or use rights over the subject land	Permanent loss of access to part of land used for winter grazing for 30-40 years. Family preference to relocate winter grazing activities to a replacement grazing area. Relocation of a winter settlement. Possible transitional income loss from sale of dairy produce until new customers are found nears the replacement site.
Informal fish trappers	Number unknown (believed to be less than 20 fishermen)	Prohibited activity	Possible loss of any fishing nets not moved from the pipeline construction corridor at time of construction start (note: attempts will be made to salvage any remaining nets prior to construction commencement – see Section 8.3.5)
Total Project-Affected Population	41 (known)		

The project affects 41 people living permanently or seasonally in Garadagh District of Baku City, and an unknown number of illegal fishermen (estimated at less than 20 individuals). Resettlement impacts of the project are summarised in Table 1. The project affects formal (with legal title or licenses to use resources), informal and illegal land and resource users.

1.3 Project Sponsors

Project Sponsors for ACG Phase 1 and Shah Deniz Stage 1 are as follows:

- The Project Sponsors for ACG Phase 1 are the parent companies of the ACG PSA parties and SOCAR. The PSA parties' parent companies are BP, Unocal, Lukoil, Statoil, Exxon Mobil, TPAO, Devon, Itochu and Delta Hess
- The Project Sponsors for the Shah Deniz Stage 1 Gas Export Project are the parent companies of the Shah Deniz PSA parties and SOCAR. The Shah Deniz PSA parties' parent companies are BP, Statoil, Total Fina Elf, TPAO, LukaAgip, and NICO

For the purposes of the RAP, these two groups will be referred to collectively as the "Project Sponsors". The ACG PSA partners operate as the Azerbaijan International Operating Company. The Shah Deniz PSA partners have yet to establish an operating entity but have been granted the rights to develop and manage hydrocarbon reserves in the Shah Deniz field.

AIOC member companies signed a PSA with SOCAR in September 1994. The PSA grants AIOC owners rights to develop and manage the hydrocarbon reserves found in the ACG field (referred to as the "ACG Contract Area") for 30 years. A PSA granting the Shah Deniz consortium rights to develop and manage the reserves of the Shah Deniz gas-condensate field was signed in 1996.

BP as the "Operator" is carrying out all resettlement activities on behalf of the PSA parties.

1.4 Land Acquisition and Resettlement Objectives

The overall goal for the projects' land acquisition and resettlement is as follows:

To ensure that people and enterprises affected by the projects are compensated in accordance with good international practice and have the opportunity to fully restore or improve their living standards and income earning capacity to at least pre-project levels

This goal will be realised through meeting the following objectives. The project undertakes to:

1. Minimise land acquisition (temporary and permanent) for the projects in order to minimize livelihood impacts and the requirement for physical relocation of people.
2. Carry out project land acquisition and resettlement in accordance with the laws and regulations of the Republic of Azerbaijan, applicable project agreements, and in accordance with World Bank/International Finance Corporation (IFC) policies and guidelines on involuntary resettlement.
3. Undertake land acquisition through negotiation with affected landowners, users, and occupiers thereby to avoid the need to exercise powers of eminent domain.

4. Compensate project affected people in accordance with the compensation norms set out in the legislation and regulations of the Republic of Azerbaijan, except in specific cases where requirements under *OD 4.30* are more extensive. In such cases, the project shall establish entitlements in accordance with World Bank principles.
5. Pay special attention to vulnerable and disadvantaged groups including those without formal title to land.
6. Conduct full and thorough consultation with affected people throughout the land acquisition and resettlement process.
7. Monitor the full and effective implementation of the RAP.
8. Wherever possible, explore avenues for affected people to participate and benefit from the project's construction and operations.

1.5 Attention to Vulnerable Groups

With the exception of the MENR Fish Breeding Facility, the other three groups addressed by this RAP are potentially vulnerable (see Glossary, Section 1.10). Special attention has been paid to consulting with each group using participatory methodologies and developing an understanding of the informal activities and relationships that underpin their access to resources and livelihood. Project measures to mitigate against project impacts on these groups are summarised in Table 2 and are covered in detail elsewhere in this RAP.

Table 2 Summary of Project Affected Vulnerable Groups

Project Affected Group	Potential Vulnerability	Project Measures to Mitigate Potential Risks
Café-garage enterprise	Buildings do not have planning or building approval Informal enterprise (unregistered)	Compensation for buildings will be paid irrespective of informal status Replacement land and buildings will be registered and will have all necessary approvals
Ahmedov pastoralist extended family	Very poor Informal users of land with no legal entitlement to compensation	Project Operator supported the Ahmedov family to have replacement land allocated over which their employer has security of use Project will construct new replacement winter dwellings Project will monitor the family's adjustment to their replacement site and provide additional assistance if difficulties are experienced
Informal fishermen	Livelihood is reliant on a prohibited activity	Project Sponsors will support a Community Investment Program to create economic opportunities and reduce reliance on prohibited activities

Where appropriate to protect the interests of these vulnerable groups, information has been divulged to the project lenders on a need to know basis, but will not be publicly disclosed.

1.6 Schedule for Implementation

The timing of land acquisition and resettlement activities in relation to the overall construction program is shown in Figure 2.

Figure 2 Implementation Schedule

No.	Task Name	2001		2002				2003				2004				2005				2006							
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
1	Resettlement Action Plan Preparation	█																									
2	MENR Fish Acclimatization Pen Relocation	█																									
3	Ahmedov resettlement preparation & shift to replacement winter pasture	█																									
4	Café-Garage compensation negotiation, replacement site preparation & relocation			█																							
5	Design and implementation of social investment for fishermen			█																							
6	Resettlement Monitoring (24 months after relocation of café-garage)							█																			
7	Completion Audit (24 months after last physical relocation)																			◇							
8	Terminal land acquisition	█																									
9	Early Civil Engineering / Site Preparation			█																							
10	Terminal Construction and Commissioning			█																							
11	Operations											█															

1.7 Scope of this RAP

An international resettlement consultant working in close cooperation with the projects' social and environmental teams, land acquisition team and the Sangachal Terminal community liaison officer prepared the RAP. In-country social assessment consultant, Synergetics, carried out the census and socio-economic surveys.

The RAP was prepared between November 2001 and June 2002. Specific activities that were undertaken in preparing the RAP included: (i) field inspection and discussion with potentially affected communities in the vicinity of the Sangachal Terminal extension site, feeder pipeline corridors and Sangachal Bay foreshore; (ii) completion of a census of all project affected families and enterprises; (iii) socio-economic surveys, focus group discussions and follow up interviews with each of the project affected groups; (iv) numerous discussions with representatives from Garadagh and Absheron Executive Powers, the City of Baku City Executive Power, Azerbalyk Fisheries Institute (now part of the MENR), and the Gobu State Cattle Breeding Enterprise to clarify land ownership, use rights and fishing issues; (v) discussions with the MENR (responsible for fisheries and licensing) and a cross section of commercial fishing operators to determine the potential for livelihood impacts on fishing enterprises; (vi) prediction of project social impacts on each affected group and, where applicable, negotiation with them to reach agreement on appropriate mitigation measures; (vii) definition of project resettlement activities and implementing responsibilities; (viii)

estimation of resettlement costs and budgets; and finally, (ix) preparation of a RAP to document resettlement activities for local and international disclosure.

Full and thorough consultations were conducted with all project-affected groups with the exception of the owners of a small number of illegal gill nets in Sangachal Bay. Through possible fear of sanction, the owners of these nets have not come forward and cannot otherwise be identified through the local community. In order to inform these owners, information about the projects' works and the need to relocate nets to avoid their destruction has been widely disseminated through public meetings and through contact with local community leaders and fishermen.

In order to meet project programs, some of the land acquisition and compensation activities described in this RAP were undertaken in parallel with RAP preparation and before completion of the final RAP. Such activities have been documented and are described herein.

1.8 Organization of the RAP

This RAP is organised into thirteen sections and four Appendices. These are outlined below. There is little commonality in the types of impacts and negotiated mitigation measures between the project affected groups (café/garage enterprise, fisheries institute, seasonal graziers and illegal fishermen), so impacts and mitigation measures for each group have been described in four separate chapters.

Executive Summary	A précis of the RAP.
Introduction	A brief overview of the project, its resettlement impacts and the Project Sponsors as well as a statement of the goals and objectives of the RAP.
Project Description	A summary description of the project components including the Sangachal Terminal extension, offshore platforms and sub-sea pipelines.
Policy, Legislative and Regulatory Framework	An outline of the policy and legislative framework governing project land acquisition, displacement of households and associated compensation.
Land Acquisition Procedures and Implementing Responsibilities	A description of the procedures that have been followed for project land acquisition and resettlement with definition of the roles and responsibilities for implementing each activity.
Impacts and Mitigation Measures for the Café/Garage Enterprise	A description of the café/garage enterprise, its workers and assets, summary of project impacts and agreed compensatory measures.
Impacts and Mitigation Measures for the MENR Fish Breeding Facility	A description of the impacts and mitigation measures agreed with the Azerbalyk Fisheries Institute for relocation of fish breeding cages and traps.

Impacts and Mitigation Measures for the Ahmedov Grazier Family	A socio-economic profile of the Ahmedov grazier family, description of project impacts and agreed compensatory measures.
Impacts and Mitigation Measures for Other Fishing Interests	A description of project livelihood impacts on other fishing groups and associated compensatory measures.
Consultation and Disclosure Activities	A description of the consultation and disclosure activities that have been carried out during RAP preparation and the avenues that are available to project affected people for grievance redress.
Monitoring and Evaluation	A description of resettlement monitoring roles, activities and reporting requirements.
Costs and Budgets	A summary of costs and budgetary provision for compensation and completing resettlement actions.
Schedule for Implementation	A summary of the timing of resettlement and monitoring activities
Conclusions	Conclusions arising from the resettlement planning process.

The following information is contained in Appendices:

Appendix A	A summary of consultation activities undertaken during RAP preparation.
Appendix B	Plan showing extent of Sangachal Terminal land acquisition.
Appendix C	Income and expenses reported by the Ahmedov pastoralist group (not publicly disclosed).
Appendix D	Income and Expenses reported by the Aygun Small Enterprise (not publicly disclosed).

1.9 Other Project Social and Environmental Assessment Documents

This RAP is one of several documents that together comprise the Environmental and Social Impact Assessment for ACG Full Field Development Phase 1. Some other relevant documents are listed below:

- *Azeri, Chirag & Gunashli Full Field Development Phase 1 Environmental & Social Impact Assessment*, February 2002.
- *Environmental and Social Impact Assessment Azeri-Chirag-Gunashli Early Civil Engineering Work Program*, November 2001
- *Azeri, Chirag & Gunashli Full Field Development Phase 1 Public Consultation and Disclosure Plan*, January 2002.
- *Environmental and Social Impact Assessment Azeri-Chirag-Gunashli Regional Seismic*, March 2002
- *Environmental and Social Impact Assessment Azeri-Chirag-Gunashli Early Template Well*, February 2002

- *Azeri, Chirag & Gunashli Full Field Development Phase 1 Framework Oil Spill Response Plan*, July 2002
- *Environmental, Social and Economic Review of Azeri, Chirag & Gunashli Full Field Development and Export in the Regional Context*, (Pending)

For the Shah Deniz Stage 1 Gas Export Project, other available project documents include:

- *Shah Deniz Stage 1 Gas Export Project Environmental and Socio-Economic Impact Assessment*, March 2002.

All the above documents can be accessed on: <http://www.caspiandevlopmentandexport.com/>

1.10 Glossary³

The following terms are frequently referred to in the RAP. Their definitions are as follows:

Involuntary Resettlement	Resettlement is involuntary where it occurs without the informed consent of the displaced person or, if they give their consent without having the power to refuse resettlement. Resettlement refers to the economic and/or physical displacement of people.
Project affected person (PAP)	Any person who as a result of the implementation of a project, loses the right to own, use, or otherwise benefit from a built structure, land (residential, agricultural, or pasture), annual or perennial crops and trees or any other fixed or moveable asset, either in full or in part, permanently or temporarily.
Vulnerable groups	People who by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status may be more adversely affected by resettlement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits. Vulnerable groups are a specific focus of this RAP.

³ Definitions are derived from: International Finance Corporation. 2002. *Handbook for Preparing a Resettlement Action Plan*. Washington, DC.

2. Project Description

2.1 General

A short description of the Sangachal Terminal extension and the offshore works follows. Emphasis is placed on those project components with potential to contribute to the physical and livelihood displacement of people. These components are principally the terminal extension itself, pipeline corridors leading to the terminal and associated use restrictions, and near shore works for laying sub-sea pipelines in Sangachal Bay.

For a detailed project description, reference should be made to the *Azeri, Chirag & Gunashli Full Field Development Phase 1 Environmental & Socio-Economic Impact Assessment*, and the *Shah Deniz Stage 1 Gas Export Project Environmental and Socio-Economic Impact Assessment*, available on the project website (see Section 1.8).

2.2 Project Location

The project is located near Baku, in the Republic of Azerbaijan. Locations of the principal project components are shown in Figure 1.

The ACG Contract Area is situated 120 kilometres south east of Baku in the Caspian Sea. It has a total area of 423 square kilometres. Water depths over the field range from 100 to 400 metres. The ACG Contract Area has estimated oil reserves of 5.2 billion barrels of oil and 3.5 trillion cubic feet of associated natural gas, representing roughly half of the proven oil reserves in Azerbaijan's offshore fields. The objective of Phase 1 of the ACG Full Field Development project is to extract the recoverable reserves in the central part of the Azeri Field. Phase 1 production is anticipated to be over 400,000 barrels of oil per day projected to last for at least 20 years.

The Shah Deniz Contract Area lies approximately 100 km south of Baku, also in the Caspian Sea, in water depths ranging from 50 m to 500 m. Early appraisal well drilling indicates that Shah Deniz is a world-class gas condensate field.

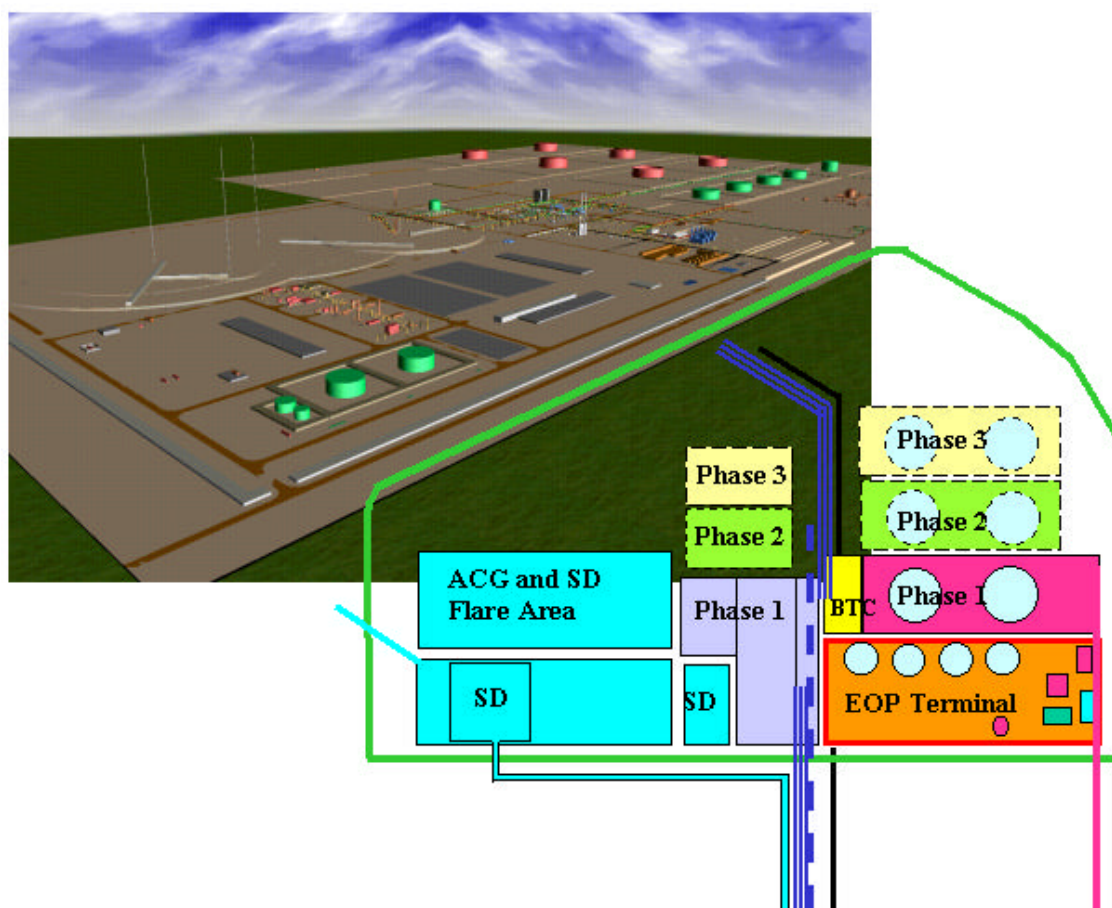
The existing Sangachal Terminal is situated in Garadagh District, 38 kilometres south of Baku. It occupies a 256-hectare site about 1.7 kilometres inland from Sangachal Bay. Sangachal Terminal is 190 kilometres to the west of the ACG Contract Area and 90 kilometres north west of the Shah Deniz Contract Area. The terminal site is to the south of the settlement of Umid and to the north of the township of Sangachal. Umid and Sangachal are not impacted by project land acquisition.

Alignments of the export sub-sea pipelines that will feed gas and oil from the Shah Deniz and ACG Contract Areas to Sangachal Terminal are indicated in Figure 1. In Phase 1, two new sub-sea pipelines (a new 30" oil pipeline and a 28" gas pipeline) will transport oil and gas from the ACG Contract Area to the Sangachal Terminal, together with the existing 24" oil line. In Phases 2 and 3, two additional 30" pipelines may be installed. In Stage 1 of the Shah Deniz Gas Export Project, gas and condensate from the Shah Deniz Contract Area will be transported to the Sangachal Terminal by new 26" gas and 12" condensate sub-sea pipelines.

2.3 Existing Site Conditions

The Sangachal Terminal site is situated on a gently sloping coastal plain bounded to the southeast by the Baku-Alyat Highway and to the north and west by steep sided hills rising to a height of about 100 metres.

Figure 3 Proposed Sangachal Oil & Gas Reception Terminal Layout



2.4 Sangachal Terminal Extension

The existing Sangachal Terminal was completed in 1997 as part of the ACG Early Oil Project⁴. It has a developed footprint of about 40 hectares within a previously acquired site area of 256 hectares. Terminal extension is required to expand the present facility to accommodate the increased production of oil and gas that will result from Full Field Development of the ACG Contract Area and from proposed development of the nearby Shah Deniz gas field.

ACG Phase 1 expansion of the EOP Sangachal Terminal will involve augmenting the existing facility with two new oil production trains that will support an additional throughput of 360,000 barrels per day. Combined with the existing oil processing train, the expanded

⁴ The Early Oil Project (EOP) consists of the Chirag 1 offshore platform that supplies oil and gas to the Sangachal Terminal via sub-sea pipelines. Current EOP oil production is about 125,000 barrels per day. Oil from Chirag 1 is exported via the Sangachal Terminal by the Northern Export Route pipeline across Russia to Novorossiysk and by the Western Export Route (WER) to Supsa in Georgia. About 100 million standard cubic feet of gas per day is also produced for the local market.

Sangachal Terminal will be able to receive up to 490,000 barrels per day. Two new oil storage tanks with a capacity of 800,000 barrels each will also be constructed. Facilities to handle associated gas flows from the ACG field of approximately 250,000 standard cubic feet per day will also be developed.

In the event the Shah Deniz project is sanctioned, the Shah Deniz gas and processing terminal will be built adjacent to the ACG Phase 1 terminal. The Shah Deniz component of the expanded Sangachal Terminal will have two process trains with capacity to treat 900 million standard cubic feet of gas per day.

An indicative layout of the extended Sangachal Terminal is shown in Figure 3.

Extension of the Sangachal Terminal for ACG Full Field Development and Shah Deniz will require 169.6 hectares of state land to be acquired for the site expansion, a new access road and site drainage works. A further 302 hectares of land will be acquired to form a “no development” and security zone around the terminal. Following construction completion, grazing will be allowed to resume within the “no development” zone. A further 57 hectares of land will be subject to clearing and temporary use during construction. Temporary works will include a construction camp and associated sewage treatment facilities. The extent of land to be acquired in relation to the existing Sangachal Terminal site is shown in Figure 4.

All the land to be acquired for the terminal extension is presently vacant state land controlled by the Baku City Executive Authority. The subject land will be transferred to the ownership of SOCAR for development of the extended terminal.

An Early Civil Works Engineering Program to undertake earthworks, install flood control measures and construct a new access road in preparation for the terminal extension was commenced in January 2002.

2.5 Sub-Sea Pipelines

An existing 24” sub-sea pipeline constructed during the Early Oil Project transports oil from the Chirag 1 offshore platform to the existing Sangachal Terminal. As part of ACG Phase 1, a new 30” sub-sea oil pipeline and a 28” gas pipeline will be laid parallel to the existing 24” oil pipeline. Length of the new pipelines will be 188 kilometres.

For Shah Deniz Stage 1, gas and condensate from the Shah Deniz Contract Area will be transported via a 26” gas pipeline and a 12” condensate line to the extended Sangachal Terminal. About 35 kilometres of these pipelines will occur in a new corridor. The remaining 55 kilometres of pipeline will follow the existing Early Oil Project corridor.

2.6 Offshore Platforms

Offshore drilling and production operations for the ACG contract area will be carried out from a new drilling, production and quarters (PDQ) platform to be installed over the ACG field. Prior to installation of the PDQ, a number of wells will be drilled from a semi-submersible drilling rig. To optimise production from the reservoir it will be necessary to maintain pressure within it. A compression and water injection platform will be installed alongside the PDQ for this purpose, about one year later.

Offshore drilling and production operations for the Shah Deniz contract area will be carried out from a TPG500 platform. An early drilling program will be carried out prior to the installation of the TPG platform, using a semi-submersible drilling rig.

2.7 Pipeline Exclusion Zones

The Ministry of Navy imposes exclusion zones. They are intended to control activities that may threaten the integrity of the pipelines. Generally they require any third party wishing to carry out any activities in the exclusion zone to get permission from the pipeline operator. This includes activities such as dredging, digging, blasting, trawling, sampling, dumping, anchoring, and any construction such as piling or crossings. Marine activities above the pipeline that pose no real risk, such as ships sailing across the pipeline route, are generally permitted.

An existing 500-metre wide exclusion zone is in place over the Early Oil Pipeline. New exclusion zones will need to be applied where the Shah Deniz sub-sea pipeline does not follow the Early Oil Project sub-sea pipeline corridor.

2.8 Downstream Pipelines

To augment the existing Northern Export Route pipeline and Western Export Route pipeline, two new pipelines will be constructed in parallel with the Sangachal Terminal extension. These are as follows:

- Baku-Tbilisi-Ceyhan Export pipeline
- South Caucasus Gas pipeline

Land acquisition and resettlement impacts of these two pipeline projects are described in a separate RAP⁵.

2.8.1 Baku-Tbilisi-Ceyhan Export Pipeline

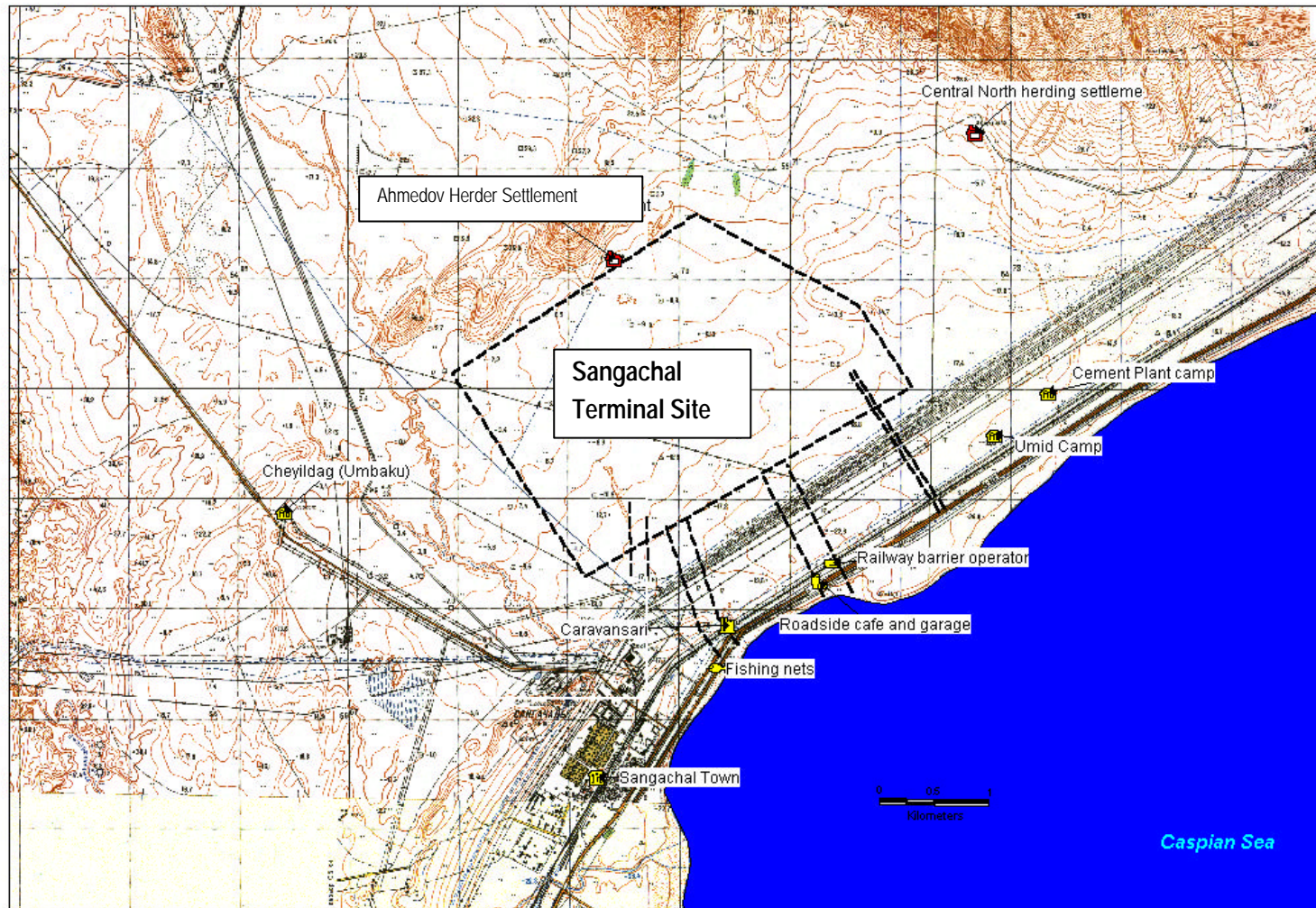
The Baku-Tbilisi-Ceyhan (BTC) pipeline will transport oil from the Sangachal Terminal through Azerbaijan, Georgia and Turkey to the Mediterranean Sea port at Ceyhan. The length of the pipeline is about 1,760 kilometres. It will have a diameter of 46", with a peak capacity of one million barrels of oil per day. At present the pipeline is in the detailed engineering stage. It is planned that the BTC pipeline will be completed in time to deliver the first oil from ACG Phase 1 in 2005.

2.8.2 South Caucasus Gas Pipeline

Gas from the Shah Deniz field will be transported by the South Caucasus gas pipeline through Azerbaijan and Georgia to Erzurum in Eastern Turkey, for distribution to local markets. The pipeline is designed to transport approximately 7.3 billion cubic meters of gas per year. It will be constructed in the same corridor as the BTC pipeline with first gas to be delivered in 2005/6.

⁵ Resettlement Action Plan for the BTC Pipeline, December 2002, available on the project website: <http://www.caspiandevlopmentandexport.com/>

Figure 4 Land Acquisition for the Terminal Expansion



2.9 Schedule for Implementation

The schedule for construction of the first phase of the ACG Full Field Development and the Shah Deniz Gas Export Project is shown in Figure 5. First Oil from ACG Phase 1 will leave the extended Sangachal Terminal in 2005. First gas from Shah Deniz Stage 1 will flow a little later in 2005/6.

Figure 5 Implementation Schedule

No	Task Name	2001		2002				2003				2004				2005			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Land Acquisition	■																	
2	Early Civil Engineering Work Program			■															
3	Terminal Construction, installation & commissioning			■															
4	Terminal Operations													■					

2.10 Consideration of Alternatives/Minimization of Resettlement Impacts

A number of alternative siting and engineering design options were considered for the project including a “no development” option. Options were evaluated using a range of screening criteria including social and environmental impacts. Some of the alternatives that were considered and their resettlement implications are summarised in Table 3. For a detailed consideration of alternatives, reference should be made to the ESIA’s for the respective projects.

The coordinated ACG and Shah Deniz terminal, based around the Early Oil Project terminal at Sangachal, minimises the requirement for land acquisition. At the Sangachal site, the Project Sponsors (through SOCAR⁶) had previously acquired 216 hectares of land that is not presently developed. Synergies in managing process chains, storage facilities and flare areas and avoidance of the need to duplicate access roads, safety buffers, administrative and support functions also contribute to a significantly reduced land take when compared to “stand-alone” terminal options.

Alternatives to sub-sea pipelines, such as use of shuttle tankers, were evaluated but rejected due to higher environmental risks. Sub-sea pipelines that so far as possible utilize the existing Early Oil Project sub-sea pipeline corridor are preferred as they minimize alienation of potential commercial fishing areas by reducing the need to apply new marine exclusion zones. An alternative pipeline route that included more extensive on-shore alignment was also rejected due to the greater need for land acquisition and associated environmental and social impacts.

The chosen sub-sea pipeline route for the ACG project will follow the existing Early Oil Project pipeline alignment and largely avoided new impacts on commercial fishing or the need for new land acquisition. So far as feasible, the Shah Deniz sub-sea pipelines will also be routed in the existing Early Oil Project corridor. The Shah Deniz sub-sea pipelines will, however, involve creation of a new marine exclusion area over about 35 kilometres of new sub-sea pipelines not within the Early Oil Project corridor. This new exclusion area will fall

⁶ The land was originally acquired by SOCAR. Rights to use the land have been vested to the Project Sponsor.

outside of established commercial fishing grounds. In any event, as noted in Section 2.7, exclusion zone status is not expected to preclude use of common locally practiced fishing techniques.

Table 3 Summary of Considered Alternatives

Project Component	Alternatives Considered	Resettlement Screening Criteria ¹
Transfer of hydrocarbons from offshore platforms to shore.	<p>Shuttle tankers (ships)</p> <p>Sub-sea pipeline following EOP pipeline route.</p> <p>Sub-sea pipeline following alternative routes to the EOP pipeline.</p> <p>Sub-sea pipeline to north of Baku and onshore pipeline 120 km to Sangachal</p>	<p>Sub-sea pipelines following the EOP route were the preferred option on grounds of lowest environmental impact and because they minimized the need for new marine exclusion zones.</p> <p>By following the EOP corridor to landfall, this option also minimized the number of fish traps to be relocated from the near shore zone.</p> <p>Shuttle tankers were rejected due to a lack of suitable vessels and higher environmental risks during operations.</p> <p>Sub-sea pipelines along new alignments would entail a need to create more extensive marine exclusion zones.</p> <p>The sub-sea plus onshore pipeline was rejected due to the higher number of project affected landowners.</p>
Hydrocarbon reception	<p>Stand alone terminals for ACG Phase 1 and Shah Deniz (400 Ha. required for terminals, plus 400 Ha. 'no development' zones)</p> <p>Integrated EOP/ACG/Shah Deniz terminal at Sangachal (170 ha. land required for terminal expansion plus 302 ha. for 'no development' zone)</p>	<p>BP already controlled more than 210 hectares of unutilised land adjacent to the EOP Sangachal Terminal, so using this location minimized need for further land acquisition.</p> <p>Project land-take was lower for the integrated terminal option because it avoids the need to duplicate areas required for access roads, 'no development' zones, safety and areas required for administration and support services.</p> <p>Synergies in managing process chains, storage facilities and flare areas further reduced land take of an integrated facility.</p>

¹ Impacts arising from land acquisition, physical displacement of people, and economic or livelihood displacement

3. Policy, Legislative and Regulatory Framework

3.1 General

Obligations of the projects relating to land acquisition and involuntary resettlement are defined by the following instruments:

- Legislation of the Azerbaijan Republic
- Project specific agreements between the Azerbaijan State and the two consortia
- Policies and guidelines of the World Bank Group and International Finance Corporation (IFC)

Azerbaijan's legislative framework is in a state of transition as the Republic shifts from a Soviet controlled command economy to a market oriented system governed by an elected executive. A new *Land Code*, enacted in 1999, establishes the framework and principals for land ownership, land transfer and related compensation. Implementing regulations, however, are still at a formative stage with detailed administrative procedures and agency responsibilities for many types of land transaction yet to be defined.

Since the land privatization process commenced in 1996, outside of Baku there have been very few secondary market land transactions⁷. Whilst the new *Land Code* requires that land compensation be based on market prices, in reality, in most districts there have been too few transactions to establish market-based land or other property valuations. Land values and compensation therefore remain at least partially reliant on Soviet-era "normative" or standard land prices that are determined for each district by the government. The legislative framework has characteristics of both Soviet and free market systems. These are sometimes conflicting.

The Project Sponsors are currently negotiating financing with a number of international financial institutions. In connection with any financing, lenders such as the International Finance Corporation (IFC), part of the World Bank Group, the European Bank for Reconstruction and Development (EBRD) and export credit agencies require compliance with specified environmental and social policies during the term of any financing provided by them. IFC has indicated that they would apply the World Bank Group's Operational Directive 4.30 Involuntary Resettlement in the context of financing for ACG Phase 1. Accordingly, ACG Phase 1 has also designed this RAP with the aim of complying with *OD 4.30*.

In a number of areas, requirements under *OD 4.30* are more extensive than is currently provided for in the applicable legislation of the Azerbaijan Republic. These areas are outlined in Section 3.5. Specific measures that will be adopted by the project to promote compliance with World Bank Group requirements are described in Section 3.6.

Summaries of laws and other legal documents in the following sections are qualified in their entirety by the relevant provisions of law or the relevant document.

⁷ The majority of private landowners retain land that they were allocated from government or collective land as part of land reforms commencing in 1996. So-called "secondary market" transactions refer to the on-sale of that land from one private owner to another.

3.2 National Legislation relating to Land Acquisition

Some principal legislative instruments relevant to project land acquisition are summarised in Table 4. This list is not exhaustive. Selected provisions of these instruments of relevance to land acquisition and involuntary resettlement for the Sangachal Terminal extension and associated offshore works are cited below.

Table 4 Selected Legislation Relevant to Land Acquisition and Resettlement

Law/Regulation	Application to the Project
<i>Azerbaijan Constitution (12 November 1995)</i>	Establishes the right of individuals or entities to possess property and that such 'property rights' shall be protected by law; also, establishes that no-one will be dispossessed of land without a 'decision of court', and that alienation of property for state needs shall only be allowed upon 'fair reimbursement of its value' (article 29).
<i>Land Code of Azerbaijan Republic (25 June 1999)</i>	Defines proprietary rights of the state, municipalities, private individuals and entities; empowers state and municipalities to resume land for municipal and public needs; sets out basis to be used for land valuation; provides for rental of state and municipal lands; defines responsibilities for imposition of land taxes and payments associated with land agreements; sets out roles and responsibilities for resolving land disputes and establishes penalties for violation of land legislation.
<i>Law on Land Market (7 May 1999)</i>	Establishes requirements for land transactions such as for purchasing and selling of land, mortgages, transferring of rights to other users and lessees, and transfer of land through inheritance; makes recommendations on the nature of land market agreements and contracts; requires registration of all land rights and sets out documentation requirements; and, outlines penalties for failure to comply with regulations.
<i>Resolution No. 42 of "On Some Normative and Legal Acts Relating to the Land Code of the Azerbaijan Republic" (15 March 2000)</i>	Expands on provisions of the <i>Land Code</i> with respect to the following areas: (a) procedures for determining payments for agricultural and forestry production losses and damage resulting from restrictions of use, or change in land use; (b) procedures for resumption of private land for state of public needs; (c) procedures for granting leases for grazing and hayfield use; and, (d) procedures for allotting land for industrial, transportation, communications and other purposes, including 'expansion activities'.
<i>Cabinet of Ministers' Decree No. 158 on Normative Costs of Land (1998)</i>	Sets out standard or normative values of land for each district in Azerbaijan.
<i>Civil Code (2000)</i>	Defines types of legal interest in property (full ownership, lease, third party). Requires proprietary rights and other rights for immovable property, as well as any restrictions, formation, assignment or transfer of rights to be registered with the state. Use rights, servitude rights and mortgages must also be registered. Requires that land acquired for state or public needs shall be purchased by 'an authorized body of the Azerbaijan Republic' or municipality, by paying the market price in advance. Provides a landowner who is unhappy with the purchase of his or her land for state or municipal needs recourse to the civil court.
<i>Civil Procedures Code (2000)</i>	Sets out procedures and applicable timeframes for actions and appeals through the courts. Compulsory acquisition orders and the basis of any land valuation may be appealed within one month of notice of the compensation order.

3.2.1 Azerbaijan Constitution

The Azerbaijan Republic adopted a new Constitution by national referendum on 12 November 1995. The Constitution came into force on 27 November 1995 and establishes the requirement for payment of compensation where property is compulsorily acquired for state needs.

Article 29 of the Constitution establishes the right of individuals to possess movable or immovable property, including "...the owner's right to possess, use and dispose of the property, individually or jointly". Article 29 establishes that property rights shall be protected by law and that "...no one shall be dispossessed without the decision of court". Furthermore, "...the alienation of...property for...state needs or social needs shall be allowed only upon...fair reimbursement of its value".

3.2.2 Land Code

Law No. 695, *Land Code of the Azerbaijan Republic*, was promulgated on 25 June 1999. The *Land Code* establishes the primary legislative framework governing land ownership, transfer, resumption and related compensation. The principles established in the *Land Code* form the basis for a series of Cabinet of Minister's decrees that describe more detailed requirements and procedures for implementing the code. Some key provisions of the *Land Code* are summarized below.

Article 70 describes procedures for resumption of land for state, municipal and public needs. Article 70 provides for land plots to be acquired through agreement based on landowners, users or lessee's consent (article 70.2) or through expropriation that must be implemented on the basis of a court decision (article 70.3). Expropriation is only permitted for important state, municipal and public facilities. Where privately owned plots are purchased for state needs, the holder of an interest in the property must be compensated by either payment of the full market value of the lot at the date of acquisition (article 70.5) or, through grant of another land plot of equal size and quality based on mutual consent (article 70.8). Complaints relating to resumption of land can be lodged in accordance with the *Civil Procedures Code*.

Article 96 outlines the approach to be used for determining the market price of land. In cases where a land plot is purchased for state needs, article 96 indicates the market price should be determined on the basis of the parties' mutual consent by taking an independent valuer's opinion into account (article 96.6). Any dispute shall be resolved in court. Provision is also made to value 'use rights' or 'lease rights' based on market price and mutual agreement between the government agency instigating the purchase and those with an interest in the property (article 96.7).

Chapter XXI Articles 103-108 - describe avenues for the resolution of land related disputes. Generally, responsibility for resolving land disputes rests with executive authorities, municipalities and district courts.

3.2.3 Resolution No. 42 "On Some Normative and Legal Acts Relating to the Land Code"

Resolution of the *Cabinet of Minister's Resolution No. 42 "On Some Normative and Legal Acts Relating to the Land Code"*, 15 March 2000, expands on the *Land Code* to define procedures for: (i) determining payments for agricultural and forestry production losses and damage resulting from restrictions of use, or change in land use; (ii) recall and allotment of land for state or public needs; (iii) granting leases for grazing and hayfield use; and, (iv)

allotment of land for industrial, transportation, communications and other purposes, including 'expansion activities'.

Procedures for Application and Consideration of Requests for the Recall and Allotment of Land Plots for State and Public Needs – describes the process and documentation requirements for filing an application for allotment of land for state or public purposes.

Article 2 – requires that land plots for the construction of industrial enterprises, railways, roads, power and communication lines and trunk pipelines shall "...mainly be allotted from land plots that are unfit or less fit for agricultural purposes." Similar provisions apply to use of forest fund lands.

Article 5 – requires that "...mandatory recall of land plots subject to ownership, utilization or lease shall be implemented in accordance with a court decision on the basis of a request from the Cabinet of Ministers of the Azerbaijan Republic...or the relevant municipality".

Article 7 – describes the two-stage process that must be followed for the allocation of land for non-agricultural and non-forestry purposes. The two stages are as follows:

- Approval of the location of the facility (design)
- Legal formalization of the allocation of the land plot

Articles 8-15 – describes the documents that must be prepared and approvals that need to be sought by the state authority that plans to design and construct the facility in order to get approval to proceed to design. The key steps are as follows:

- (i) The state authority that plans to design and construct the facility lodges a request for the allotment of land with the local executive authority or municipality, including a statement about their purpose for the request. The documents to be submitted are listed (article 8).
- (ii) The local executive authority or municipal body considers the request with the participation of any affected landowners, users, lessees and the requesting state authority. In the event consent is given, the executive authority or municipal body issues specific documents describing the allotted land together with a statement of consent to the applicant (article 9).
- (iii) The state authority that plans to design and construct the facility then must obtain agreements from the MENR, the state Committee for Geology and Mineral Resources, and State Committee of Construction and Architecture (where the facility is to be located within the limits of a city or settlement) (article 10).
- (iv) The applicant must then submit all consents and agreements from relevant local and state bodies to the State Land and Cartography Committee together with an explanatory note about the facility and a letter of guarantee committing to make payment for all losses and damage relating to the allotment of land. The State Land and Cartography Committee will then submit a recommendation to the Cabinet of Ministers which, if it so considers, will issue permission for facility design (article 11). This permission shall not be construed as permission to proceed to construction (article 12).

Articles 16 – 20 – describe the process that must be followed to submit a request for issue of legal title for the subject land. Consents must be obtained from the local executive authority or municipalities as well as the nominated government agencies. Consents must be submitted to the State Land and Cartography Committee. The State Land and Cartography Committee

shall carry out an expert examination and forward a recommendation to the Cabinet of Ministers. The State Land and Cartography Committee will then prepare a State Act or Certificate describing the ownership and use rights for the land plot based on a Cabinet of Ministers decision to recall or allot the land for state or public needs. The State Land and Cartography Committee then forwards this to the relevant town or district land department for state registration and issue to the requesting state authority.

3.2.4 Civil Code

The *Civil Code* defines the types of legal interest that can apply to immovable property. These are explained further in Section 3.2.6. The *Civil Code* also requires that most legal interests must be registered, otherwise there is no obligation to compensate the landowner, user or lessee in the event that the land needs to be compulsorily purchased by the state or municipality. It can be argued, however, that the State cannot dispossess land from those who have legally obtained the right to register their title, but whom for some reason have not completed their registration. The project has made provision to compensate owners and users, whether registered or not, above the minimum obligations defined under Azeri law.

Article 139 – requires that ownership rights and other rights for immovable property, as well as restrictions, formation, assignment or termination of these rights should be registered with the State. Use rights, mortgages and servitude rights (a form of easement rights) for immovable property must also be registered.

Article 157.9 – requires that where property is alienated for state or public needs, this may only occur following payment of “...the amount of its market price in advance of the event for which it is required...”

Article 246.4 – requires that an executive authority that has adopted a decision to purchase a land plot must submit written notice to the owner stating its intentions.

Article 248.1 – makes provision for an executive authority to file a claim with a court for compulsory acquisition of land in cases where a land owner is unhappy with a decision by the state or municipality to purchase his or her land for state or public needs or where agreement cannot be reached on its purchase price.

3.2.5 Civil Procedural Code

The *Civil Procedural Code* expands on the *Civil Code* by defining in greater detail judicial processes, appeal rights, and the time frames within which actions must be initiated. Appeals regarding purchase price or appeals against state or municipal purchase of land must be lodged within one month of the notice of the compensation order (article 360).

3.2.6 Land Tenure and Title

The following discussion of land tenure and title draws on analysis undertaken for BP by legal consultants, Baker Botts.

Under Azerbaijan law, there are four main types of legal interest in land: (i) full ownership; (ii) right of use – either temporary (short term (15 years) or long term, with a maximum (renewable) term of 99 years) or permanent; and, (iii) lease (can be concluded for any term, but can be terminated by either party after 30 years); (iv) third party rights such as usufruct, servitude and interests of pledge holders. The proof of title to most legal interests in land requires registration (*Civil Code*, article 139; *Land Code*, article 67.3). Thus, if the property is not registered, under law there will be no obligation for the State to compulsorily purchase or compensate the landholder. Persons who do not have registered land rights can be divided

into those who do not have any right to register their title, and those who have legally obtained the right to register their title, but for some reason have not completed the registration. It can be argued that the State cannot dispossess the latter from their lands without payment of compensation on the basis that they have not completed their registration.

Types of formal land title are as follows:

Ownership Title to Land: The State Land Committee issues a certificate of ownership in respect of privately held land (*Land Code*, article 66.2). Owners are required to register the certificate and other documents of title with the State Land Cadaster and the State Land Register (both of which are kept by the State Land Committee) and the State Register of Immovable Property held by the Ministry of Justice (*Land Code*, article 67.1, *Civil Code*, article 141).

Titles to Lease of Land: Leases must be registered with the State Land Cadaster and the State Land Register, under the State Land Committee, and the State Register of Immovable Property held by the Ministry of Justice (*Land Code*, article 67.1, *Law on Land Lease*, article 12). Lease is the only right that a foreign entity or person can obtain in land in Azerbaijan (*Land Code*, article 48.3).

Right of Use: Right of Use must be registered with the State Land Cadaster and the State Land Register, under the State Land Committee and the State Register of Immovable Property held by the Ministry of Justice (*Land Code*, article 67.1).

Third Party Rights: Rights of usufruct (such as grazing rights) and servitude are registerable with the State Register of Immovable Property (*Land Code*, article 67.1, *Civil Code*, article 141).

3.2.7 Power of Eminent Domain

Under ACG and Shah Deniz project agreements, all land acquisition for the ACG and Shah Deniz project must be undertaken through SOCAR. As an agency of the state, SOCAR is empowered to undertake mandatory acquisition of land where it is for "...important state, municipal and public facilities..."(*Land Code* (article 70)). Acquisition requires a court decision based on a petition submitted by the applying state authority (*Civil Code* (Section 248.1)). The compulsory acquisition order may be appealed. Power of Eminent Domain will only be exercised after all other reasonable avenues have been exhausted. Based on negotiations to date, its use on the current project appears unlikely.

3.3 Project Agreements

3.3.1 ACG PSA

The PSA for the ACG Contract Area was enacted into Azerbaijan Law in December 1994. Under the provisions of the PSA, SOCAR has responsibility, subject to its best lawful endeavour, for making available for use any land and sea beds under its control so that AIOC can carry out construction, operation and maintenance of facilities necessary for its petroleum operations (PSA, Article 8).

Ownership of any land that needs to be acquired for the project (such as the area acquired for the Sangachal Terminal extension) remains vested with SOCAR.

3.3.2 Shah Deniz PSA

The Shah Deniz PSA has similar provisions with respect to land use as those described for the ACG Contract Area, though applying to the Shah Deniz member companies.

3.4 World Bank / IFC Involuntary Resettlement Policies and Guidelines

The policies and guidelines of the World Bank are generally accepted as providing a good practice benchmark for projects involving involuntary resettlement. For the purposes of the RAP, the following documents have been referred to:

Table 5 World Bank/IFC Policy and Guidelines Referred to for Project RAP Preparation

Policy or Guideline Document	Application to the Sangachal Terminal Extension Project
<i>World Bank Operational Directive 4.30 Involuntary Resettlement</i>	Defines objectives, principles and recommends procedures to be followed for resettlement.
International Finance Corporation “ <i>Handbook for Preparing A Resettlement Action Plan</i> ”	Provides guidance on preparing RAPs for private sector projects
International Finance Corporation Good Practice Manual “ <i>Doing Better Business through Effective Public Consultation and Disclosure</i> ”	Recommends procedures and good practice for public consultation and information disclosure

3.4.1 OD 4.30

This directive describes the World Bank’s policy and procedures on involuntary resettlement and also sets out the conditions that sponsors are expected to meet in projects involving displacement of communities. *OD 4.30* has sections outlining policy objectives, the resettlement planning process and documentation requirements for resettlement projects.

Under the Policy Objective section (para. 3), the directive sets out six key points to be taken into account during project preparation and design:

Avoidance or minimization of involuntary resettlement (clause 3a) - establishes that wherever feasible, involuntary resettlement should be avoided or minimized. Project design should explore all viable project alternatives to reduce the need for resettlement.

Compensation at full replacement cost and restoration of living standards and livelihood (clause 3b) - indicates that where resettlement is unavoidable, a RAP should be conceived and executed. This should result in displaced persons being (i) compensated for their losses at full replacement cost prior to the actual move; (ii) assisted with the move and supported during the transition period; and, (iii) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them.

Community participation in the planning process (clause 3c) - advocates that community participation should be an integral part of planning and implementing resettlement. Wherever possible existing social and cultural institutions of the resettlers and their hosts should be used to the greatest possible extent.

Integration with host communities (clause 3d) - establishes that resettlers should be integrated socially and economically into their host communities so that impacts on host communities are minimized.

Absence of legal title to land should not be a bar to compensation (clause 3e) - states that land, housing infrastructure and other compensation should be provided to adversely affected populations, ethnic minorities, and pastoralists with customary rights to the land or other resources to be taken by the project. Absence of legal title to land by such groups should not be a bar to compensation.

The needs of vulnerable groups such as the very poor, landless, ethnic minorities and women are singled out as requiring special attention during project consultation and in designing resettlement and livelihood restoration measures (clauses 3b, 8, 16).

The principle expressed in clause 3(b), that project affected people should be assisted *“to improve their former living standards, income earning capacity and production levels”* or *“...at least to restore them”* is a crucial tenet of the World Bank’s policy. Further, the directive emphasizes the need to not only compensate for loss of assets, but to re-establish the economic base and livelihood of affected people as part of the resettlement process. For people displaced from agricultural settings, the policy recommends that land-based strategies are the preferred basis for compensation, or if suitable land is unavailable, strategies should be developed around opportunities for employment or self-employment.

OD 4.30 establishes the requirement to prepare a RAP for any project with significant resettlement, and the content of that plan is specified.

3.4.2 IFC Good Practice Manual on Public Consultation and Disclosure

The IFC has published guidelines for private sector developers on disclosing information and consulting with the public. Key principles established by the guidelines include:

- Information about the project should be disclosed as early as possible
- Disclosure of project environmental and social information should be an integral part of the public consultation process, with information being provided about both benefits and disadvantages of the project
- Information should be clearly presented in appropriate local languages and dialects and in modes that are sensitive to local communities
- Information should be disclosed in locations that are open to the public and that are readily accessible to project affected people

3.5 Gaps in Azerbaijan Legislation Relating to Involuntary Resettlement

3.5.1 General

Many of the key precepts of *OD 4.30* are covered in full or in part by current Azerbaijan Law. These include the requirement to pay compensation (in advance) where land is compulsorily acquired (*Land Code*, article 70.5); the need to compensate based on full market value, or through grant of another land plot or building of equal quality, size and value (*Land Code* (articles 8 and 70.5)); the need to avoid, wherever possible, impacts on agricultural land and forests (*Cabinet of Minister’s Decree No. 42*, Section I, article 2); the requirement to compensate for losses (whether temporary or permanent) in production or damage to productive assets and crops (*Cabinet of Minister’s Decree No. 42*, Sections I and II); and provision for pre-judicial and judicial avenues for resolution of disputes and rights of appeal.

There are, however, four broad areas where the sponsor's obligations under *OD 4.30* extend beyond those required under Azerbaijan legislation. These areas are as follows:

- Resettlement planning procedural and documentation requirements
- Categories of people eligible for compensation
- Treatment of vulnerable groups
- Extent of compensation and types of assistance to be offered

3.5.2 Resettlement Planning and Procedural Requirements

There is presently no requirement to prepare a RAP under Azerbaijan law, nor to undertake such associated activities as a 'census', 'socio-economic survey', 'consultation' with project affected people, 'monitoring' or 'reporting'. There are no specific references in the legislation to "involuntary resettlement".

Core World Bank resettlement planning requirements such as avoidance or minimization of resettlement, the need for community participation in the resettlement planning process, and the requirement to improve or enhance project affected people's living standards and income and production levels are also not explicitly addressed in current legislation.

Whilst Azeri legislation is silent on involuntary resettlement, the ACG PSA does oblige the ACG consortium to conduct petroleum operations in accordance with "...generally accepted principles of the international petroleum industry..." which arguably would include preparation of a RAP to international standards where involuntary resettlement is carried out.

3.5.3 Compensation Eligibility

The categories of people who must be compensated under Azerbaijan legislation are much narrower than those defined under *OD 4.30*. Under the legislation, the only people and entities entitled to compensation are those with registered property rights i.e. registered landowners, leaseholders and those with registered third party use rights.

OD 4.30 indicates that land, housing, infrastructure and other forms of compensation should be provided to the "...adversely affected population, indigenous groups, ethnic minorities, and pastoralists who may have customary rights to the land or other resources..." *OD 4.30* goes on to specifically state "...the absence of legal title to land by such groups should not be a bar to compensation..."(Clause 3(e)). Under the World Bank policy, the basic criterion for eligibility is to be adversely affected (physically or economically) by the project. In practice, the compensation entitlements of different classes of project-affected people will vary, but lack of a legal title in-itself must not preclude any person experiencing losses as a result of a project receiving some form of compensation.

3.5.4 Vulnerable Groups

The World Bank policy also singles out as requiring particular attention what the policy terms "vulnerable groups" which are at particular risk in the resettlement process. Vulnerable groups may include not only ethnic minorities but also the elderly, very poor, landless and semi-landless, and households headed by females (see also the IFC definition of vulnerable groups in Section 1.).

3.5.5 Extent of Compensation and Resettlement Assistance

Under current legislation of the Azerbaijan Republic, compensation is payable for loss of land, buildings, crops, assets, profit and other damages arising from the acquisition of land for a project.

In addition to compensation for losses of land and productive assets, *OD 4.30* requires that (i) resettled people should be assisted with their move and supported during their transition period at the resettlement site; and, (ii) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them. The latter requirement implies an ongoing commitment from the sponsor. The World Bank policy notes that cash compensation alone is seldom adequate to restore lost production.

Other types of loss that are recognized under the World Bank policy as needing to be addressed, though not by Azerbaijan law, are loss of access to (i) public services; (ii) customers and suppliers; and, (iii) fishing, grazing, forest areas. The policy recognizes that such losses cannot be easily evaluated or compensated in monetary terms, but emphasises the requirement for attempts to be made to establish access to equivalent resources.

3.6 Project Measures to Support Compliance with World Bank/IFC Requirements

The Project Sponsors have committed to meet the requirements of both Azerbaijan Law and *OD 4.30*, whichever are more extensive. Specific project responses to limitations in the project legislative framework are summarised in Table 6.

Table 6 Project Measures to Support Compliance with WB/IFC Requirements

Compliance Issue	Project Commitment
No Azerbaijan legislative requirement for preparation of a RAP	The Project Sponsors (with the support of SOCAR) undertake to carry out resettlement planning activities and to prepare a RAP in accordance with the policies and guidelines as set out in <i>OD 4.30</i> .
World Bank requirement for avoidance/ minimization of resettlement	The Project Sponsors have thoroughly explored alternative options for the layout and siting of the facilities. The selected option minimises the project land take, the need to relocate near-shore fish traps and limits area of new marine exclusion zone over sub-sea pipelines.
Compensation at full replacement cost	Wherever possible and where it is consistent with the preferences of project affected people, SOCAR and the Project Sponsors will endeavour to provide land for land and replacement structures equivalent or better than those lost to the project. In other cases, the Project Sponsors will compensate at or above government normative rates for land, buildings and other assets to be lost to the project.
Improve (or at least restore) living standards and livelihood	The Project Sponsors have adopted this as a core goal of the project RAP. In all cases, project affected people will be assisted with livelihood restoration measures. Monitoring for effective livelihood restoration will be conducted for 24 months after the last physical relocation. At this time, an independent third party will conduct a completion audit to confirm living standards and income levels of project-affected people have been fully restored.
Absence of legal title to land should not be a bar to compensation	For project affected groups without legal title, the Project Sponsors will provide appropriate resettlement assistance, and where feasible will help affected people to achieve improved security of tenure. (Eg. replacement grazing area covered by formal grazing rights for the pastoralist family).
Azerbaijan law does not recognize need to provide compensation to people or entities without registered title to land or immovable assets	The Project Sponsors and SOCAR will assist any project affected landowner, leaseholder or those with third party rights with the required ownership documents to register their titles in order to formalise their right to compensation.
Compensation for loss of access fishing and grazing areas.	The Project Sponsors will initiate social investments in coastal towns (Sangachal, Sahil) directed toward creating employment opportunities for local people to help reduce reliance on illegal fishing. The Project Sponsors will assist directly affected pastoralists to find replacement grazing land elsewhere.
Special attention to vulnerable groups	Through the census and socio-economic surveys, the Project Sponsors have identified a number of vulnerable groups and the RAP has given specific focus to these.

4. Land Acquisition and Resettlement Procedures and Implementing Responsibilities

4.1 General

This chapter describes the principles and procedures for valuing and acquiring land from formal landowners and users (i.e. those with legally recognized ownership or third party use rights). These are the procedures that have been or will be followed for the acquisition of land from Baku City and the café-garage land parcel.

Under the ACG and Shah Deniz PSAs, SOCAR has responsibility for making available any land necessary for AIOC or Shah Deniz to carry out construction and operation of any facilities necessary for their gas and oil operations. SOCAR, therefore, has overall responsibility for land acquisition. Ownership of all land acquired for the project remains vested with SOCAR.

4.2 Land Acquisition Procedure

As noted in Chapter 3, procedures for acquiring land for state needs are defined in *Cabinet of Ministers Resolution No. 42*. The application to acquire land must occur in two stages:

- Application for approval for siting of the facility
- Application for legal formalization of the allocated land plot

The steps that are required to complete the land acquisition procedure are illustrated in Figure 6.

Where SOCAR is acquiring municipal land, the change in land ownership is a transaction between one arm of government and another so in practice, there is no financial consideration associated with the land transfer.

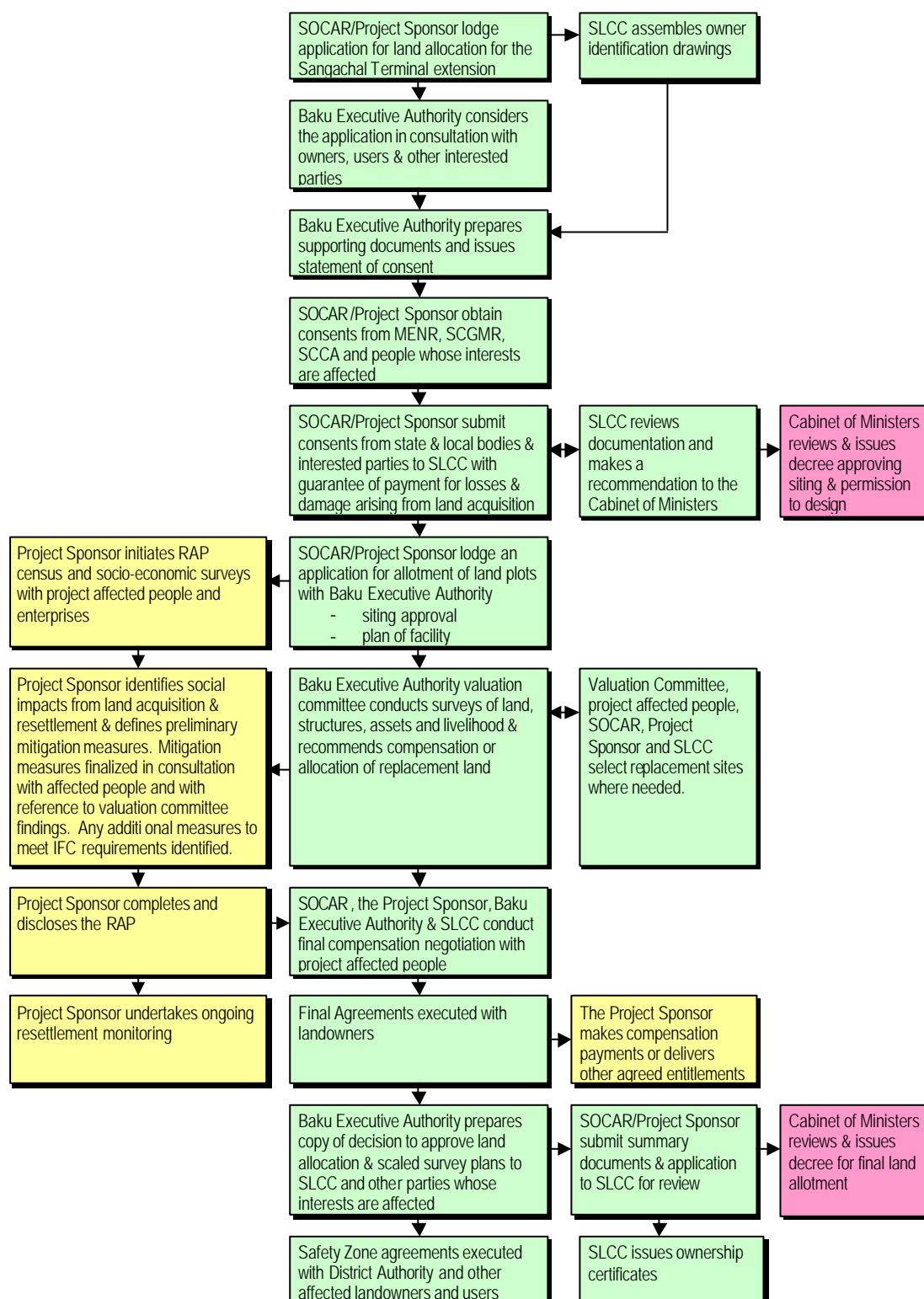
Where SOCAR is purchasing the privately owned land, compensation is payable for the loss of the land, assets and any loss of profit incurred by the enterprise. A Valuation Commission, convened by the Baku City Executive Authority, conducts detailed surveys and assessments of the land, buildings, assets, lost profit and any other damages, and recommends compensation.

4.3 Procedure for Land Valuation and Compensation Assessment

The procedure for loss assessment and valuation is as follows:

- (i) following Cabinet of Ministers approval for design to proceed, Baku City Executive Authority appoints a “Valuation Commission” to conduct appraisals and hearings to determine an appropriate compensation package;
- (ii) the Valuation Commission, with the participation of all interested parties (eg the state authority seeking to acquire the land, the owner, local executive authority), surveys the land buildings and other assets as the basis for determining compensation;

Figure 6 Land Acquisition and Resettlement Procedure



Abbreviations:

RAP: Resettlement Action Plan

SCCA: State Committee of Construction & Architecture

SLCC: State Land & Cartography Committee

MENR: Ministry of Environment & Natural Resources

SCGMR: State Committee of Geology & Mineral Resources

SOCAR: State Oil Company of Azerbaijan Republic

- (iii) the Valuation Commission uses technical experts from the Baku Lands and Building Departments to value the land and establish the replacement cost of all buildings and assets using market rates (where available) and normative construction costs from Baku City;
- (iv) the Valuation Commission in consultation with the owners makes an estimate of any lost profit arising from the land acquisition or relocation of the enterprise, as the case may be;
- (v) the Valuation Commission prepares a recommendation on an appropriate compensation package taking into account the views and preferences of the owners and other interested parties;
- (vi) the recommendation is reviewed by the Baku City Executive Authority which, if it so considers, endorses the recommendation; and,
- (vii) using the Valuation Commission's recommendation as a starting point, SOCAR and the Operator together with the SLCC negotiate a final compensation package with the landowners, which is summarized in a signed land acquisition agreement.

Under Azerbaijan law, there is provision for compensation to take the form of cash or equivalent replacement land and facilities, or some combination of these. A final decision on the form of compensation will depend on negotiation with the affected owner and the findings of the Valuation Commission.

4.4 Basis for Valuation

The Valuation Commission will establish the value of land and buildings based on:

- Market price where sales or other market evidence for analogous land and locations exists
- Normative construction rates from building and other construction cost data collated by Baku City Building Department
- Normative rates for land based on the “the natural and economic potential of the land plot (*Land Code*, article 96)

As the legislation is very recent, the Sangachal Terminal will be the first occasion on which a Valuation Commission has been used for acquisition of privately owned land (for the café-garage site). As noted in Chapter 3, there are as yet no implementing regulations in place to define the detailed principles and procedures for valuing commercial premises or operations. For example, *Cabinet of Ministers Decree No. 42* identifies “loss of profit” as one of the matters to be addressed in assessing compensation. There are neither guidelines nor precedent for determining how this is to be calculated. As interested parties, both SOCAR and BP will have representation at the Valuation Commission hearings. In line with World Bank requirements, SOCAR and BP will strongly advocate the use of “full replacement cost” as the basis for determining compensation for lost land, structures and other assets.

If the affected landowner disagrees with the Valuation Commission's assessment, the *Land Code* requires that “...the price of any plot purchased from landowners for the purpose of meeting state and public requirements shall be determined with the parties' consent by taking expert independent opinion into account...” In the event a valuation still cannot be agreed, the landowner can appeal to the Minister of Lands, or pursue judicial action through the District or City Court with rights of appeal through the Appellate Court or Supreme Court.

Procedures for pre-judicial and judicial action are defined in the *Land Code*, *Civil Code* and *Civil Procedures Code*.

4.5 Summary of Roles and Responsibilities

Roles and responsibilities for undertaking the various land acquisition and resettlement activities are summarised in Table 7. Roles of the key agencies and parties involved in land acquisition are also described below.

SOCAR – under the terms of ACG and Shah Deniz PSAs, SOCAR is responsible on behalf of the Azerbaijan Government for acquiring the land for the extension of the Sangachal Terminal and related works. Ownership of the acquired land remains vested with SOCAR. As the acquiring agency, SOCAR is formally responsible for lodging land allocation applications and for obtaining necessary agreements and consents from other state and municipal agencies.

SLCC (State Land and Cartography Committee) - is responsible for verifying all land titles and ownership information. SLCC also prepares recommendations on applications for siting and for the allocation of land for consideration by the Cabinet of Ministers. SLCC prepares all land ownership documents for the project and for affected landowners. An SLCC representative is a signatory to the final land acquisition agreement between SOCAR, the Operator and the landowner.

The State - is the current nominal owner of the majority of the land to be acquired for the Sangachal Terminal expansion.

Baku City Executive Authority - is responsible for consenting to the facility siting and preparing documentation to support land acquisition applications to the SLCC and Cabinet of Ministers. Baku City Executive Authority is responsible for appointing the Valuation Commission and endorsing the final valuation.

Valuation Committee - convened by the Baku City Executive Authority is responsible for conducting hearings with all affected parties, conducting surveys and loss assessments and preparing recommendations on compensation. The Valuation Commission includes specialists from the Baku Building Department and Lands Department to assist with valuation.

Cabinet of Ministers of the Republic of Azerbaijan – is responsible for giving formal approval for the siting of the facility and for ratifying any allocation of land parcels to SOCAR or as replacement land to people affected by land acquisition. Cabinet of Ministers' decisions are passed down as decrees.

Project Sponsors – have overall responsibility to project international lenders for delivering the commitments outlined in the RAP.

Project Operator – the Project Sponsors' operator, BP, will assist SOCAR in preparing land acquisition applications and assembling necessary supporting documentation. BP is also responsible for preparing the RAP and for facilitating all activities necessary to support compliance with *OD 4.30* such as the census, socio-economic surveys, consultation activities, monitoring and grievance management. BP is also responsible for the physical disbursement of any compensation monies and facilitating delivery of non-cash based resettlement assistance.

Table 7 Summary of Roles and Responsibilities

Activity	Purpose	Period	Responsible Authority	Implementation
Application for land allocation for terminal expansion	To secure Azerbaijan Government approval for acquisition of land	Project preparation	Baku City Executive Authority/SLCC	SOCAR & the Operator prepare the application
Land title & owner identification	To identify registered owners, leaseholders & users of land to be acquired	Survey/loss assessment	Baku City Executive Authority/SLCC	SLCC, with Baku & Garadagh Lands Departments
Assistance to register land titles	To formalize land owners right to compensation	Survey/loss assessment	SLCC	SOCAR/Project Sponsors through the State Land Cadaster and State Land Register
Review of land application	To seek project affected people, local executive authority, & state government agency endorsement of the land allocation.	Project preparation	Baku City Executive Authority/SLCC	Baku City Executive Authority with Garadagh District; various State Committees, project affected people & other interested parties
Final approval of siting of terminal extension	Government sanction of the proposed siting & granting of permission to proceed to design	Project preparation	Azerbaijan Cabinet of Ministers	State Land and Cartography Committee prepares State Act
Census of affected people	To identify PAPs for determining eligibility for compensation	Project preparation	Operator	Operator's resettlement consultant with local social assessment company
Socio-economic survey of affected people	To define PAP household characteristics, living standards & livelihood sources as basis for identifying project resettlement impacts & monitoring.	Project preparation	Operator	Operator's resettlement consultant with local SIA consultants, Synergetics
Measurement & valuation of land, assets & livelihood impacts from the project	To assess value of affected land, buildings, assets & loss of livelihood. To hold hearings to get opinions & preferences of PAPs. To recommend compensation.	Survey/loss assessment	Baku City Executive Authority	Valuation Committee appointed by Baku City Executive Authority with technical specialists from Lands & Building Departments.
RAP preparation	To identify land acquisition & resettlement impacts & in consultation with affected people, to develop mitigation measures. To document resettlement actions	Project preparation	Operator	Operator's resettlement consultant
Negotiation of final land purchase & compensation agreements	To reach agreement on the compensation basis with each affected landowner, leaseholder & other user.	Survey/loss assessment	SOCAR	SOCAR, with representatives from the Operator, SLCC, Baku City Executive Authority, the owner & any other interested parties.
Selection of replacement land (if applicable)	To select relocation sites where project affected people or enterprises elect to receive replacement land	Survey/loss assessment	City Executive Authority, SLCC	Affected landowner, representatives from Baku City Executive Authority, SLCC
Selection of replacement land	To select relocation site, obtain necessary permits & approvals, for replacement building.	Survey/loss assessment	Valuation Commission, SOCAR	SOCAR and the Operator will obtain necessary approvals and ownership certificates
Payment of compensation	To deliver cash compensation to PAPs.	Survey/loss assessment	SOCAR	Operator disburses funds direct to affected people & enterprises
Construction of replacement facilities & services	Site preparation, installation of services, construction of replacement buildings & premises.	Construction	SOCAR/ Operator	Construction contractor
Monitoring	To monitor effectiveness of living standards & livelihood restoration	All phases	Operator	Operator's Community Liaison Officer & third party external monitor

5. Café / Garage: Project Impacts and Mitigation Measures

5.1 Background

A roadside café, which also has basic facilities for motor vehicle repair, will have to be relocated because it is situated directly over a proposed Shah Deniz Stage 1 26” gas pipeline and a 12” condensate pipeline. The café is owned by the Aygun Small Enterprise and operates 24 hours a day. Ten people work on a casual basis in the café.

A thorough investigation of alternatives was conducted in an effort to avoid relocation of the café-garage. The location of the Shah Deniz corridor is primarily dictated by selection of a suitable landfall location for where the sub-sea pipelines leaves the Caspian Sea. Consideration was given to moving the pipeline to the west of the café-garage, however it was found that this not possible due to insufficient width of beach and outcropping rock at the landfall. While it is technically possible to build the pipeline underneath the café-garage leaving the buildings intact, this was deemed undesirable on safety grounds⁸ and due to the need to construct further pipelines in the corridor to accommodate future development of the Shah Deniz field. Figure 7-1 shows the café-garage buildings in relation to the Stage 1 and other future pipelines. Overall, it was considered that there was no option but to relocate the enterprise.

These issues and alternatives have been presented to the café enterprise owner. He has acknowledged that it is undesirable for the café to remain in its present location.

5.2 Site Location

The café-garage is located 43 kilometres south of Baku with frontage to the Baku-Alyat Highway. It is in the District of Garadagh. The café is about 450 metres to the south of the existing Sangachal Terminal entrance road.

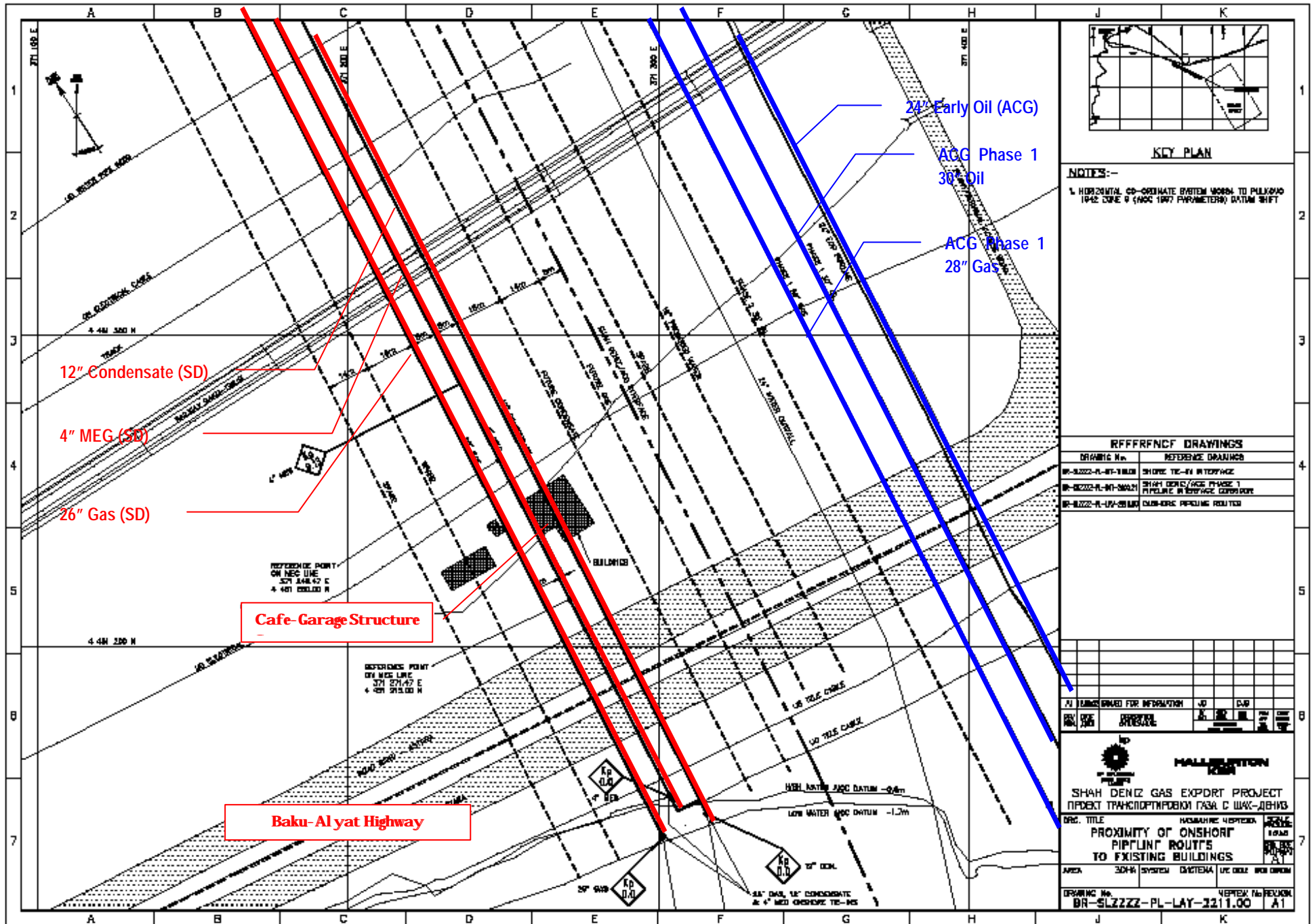
5.3 Property Description

The café-garage is situated on a parcel of land 0.13 hectares in area. Baku City Executive Authority formally allocated the land to its present owner by Executive Order No. 531, dated 22 April 1996. Under the Executive Order, the land parcel was allotted to the Aygun Small Enterprise “...for the provision of cultural and social services for people as well as maintenance services to cars...”

Title deeds for the land parcel have not been registered as required under *Civil Code* (art. 139) and *Land Code* (art. 67.3), but otherwise are in order. Baku City Executive Authority advises the two principal buildings on the site have been constructed without design or building approval. Baku City Executive Authority has conceded, however, it will permit compensation for the buildings in spite of their being unapproved. SOCAR and the Operator will assist the owner to complete registration formalities in order to legitimise the enterprise’s entitlement to compensation for land.

⁸ Assuming the café-garage to be a “normally occupied building”, according to BS8010-2.8 Section 2.4.2.3, the gas pipeline would require a safe distance of about 90 metres, based on the adopted pipeline wall thickness. If the pipeline wall thickness was doubled, a gas pipeline could safely be positioned within 3 metres of a building. However, this does not solve the problem that there is insufficient space to deviate the four pipelines that will be required for Shah Deniz future development around the café-garage.

Figure 7-1 Location of Café-Garage in relation to ACG and Shah Deniz Pipelines



There are two principal structures on the land. These consist of a basic café building with indoor and outdoor seating areas (floor area of about 150 square metres), and a garage building with three bays for repair of vehicles (floor area of about 60 square metres). Both structures are of concrete block construction. There are also two moveable roadside stalls, each about 6 square metres in area.

Figure 7 Aygun Small Enterprise Café and Garage Buildings



a) Garage structure & moveable stalls



b) Cafe

The café has mains supply electricity. Water is transported by car from Sangachal. Bottled gas, kerosene and wood are used for cooking and heating. Solid wastes are disposed of by burial on the property.

5.4 Project Affected People

Badalov Rasim and another shareholder own the café-garage enterprise, together with its land and assets. It is managed by Badalov Rasim's brother-in-law, Hashimov Alizadeh. Hashimov Alizadeh has seven full-time and two part-time employees. Employees are engaged on the basis of informal agreements. A census of the people associated with the café-garage enterprise was conducted in February 2002. Results are summarised in Table 8.

Table 8 Census of Affected People in Café-Garage Enterprise

Census Code	Role	Gender	Year of Birth	Marital Status	Educational Attainment
CG-01	Owner	M	1959	Married	Secondary
CG-02	Manager	M	1953	Married	Secondary specialized
CG-03	Employee	M	1951	Married	Uncompleted High
CG-04	Employee	M	1951	Married	Secondary
CG-05	Employee	M	1979	Married	High
CG-06	Employee	M	1982	Married	Secondary
CG-07	Employee	F	1932	Married	Secondary
CG-08	Employee	F	1942	Married	Secondary
CG-09	Employee	F	1961	Married	Secondary
CG-10	Employee (part-time)	F	1965	Married	Secondary
CG-11	Employee (part-time)	M	1939	Married	Secondary specialized

Source: RAP census, February 2002

5.5 Enterprise Activities

According to the café manager, Hashimov Alizadeh, the majority of the café's trade comes from sale of food and beverages to truck drivers using the Baku-Alyat Highway. Passing trade from the highway is crucial to the café's business. Income from vehicle repairs is minor. Income comes mainly from renting garage space to enable vehicle owners to make

their own repairs. Data on monthly income and expenditures for the café-garage enterprise have been presented to the IFC and other project financiers under separate cover. This information will not be publicly disclosed to protect the interests of the enterprise owners.

5.6 Project Impacts and Mitigation Measures

Resettlement impacts of the ACG and Shah Deniz project on the café-garage enterprise will include the following:

- Loss of land
- Loss of buildings and attachments

If the enterprise selects to relocate to a replacement site, other impacts will include:

- Cost of relocating and setting up the enterprise in replacement premises
- Possible enterprise downtime during relocation with loss of revenue
- Possible reduced income during a business re-establishment period.

If the enterprise chooses to accept cash compensation, impacts will include:

- Redundancy of employees
- Loss of profit

As described in Chapter 4, responsibility for determining appropriate compensation and mitigatory measures for impacts on the café enterprise rests, in the first instance, with the Valuation Commission appointed by the Baku City Executive Authority. Based on the recommendations of the Valuation Commission, the Operator will negotiate a final compensation package with the café-garage enterprise owners. This will address all the types of loss described in the following sections.

5.6.1 Loss of Land

Nature of Loss

The café-garage owner will lose 0.13 hectares of land with direct frontage to the Baku-Alyat Highway. As explained by the café manager, passing trade from the highway is the mainstay of the enterprise. The café-garage is also close to the existing entrance road to the Sangachal Terminal. This road will be closed as part of the terminal extension.

A possible replacement site has been identified and discussed 'in principle' with both the café-garage enterprise owner and Baku City Executive Authority. This site is about 2 kilometres to the north of the existing café-garage location, also on the Baku-Alyat Highway. It is also close to the new Sangachal Terminal entrance road. No formal commitments regarding the replacement land can be made until the Valuation Commission has completed its hearing.

Mitigation Measures

Subject to the recommendations of the Valuation Commission and in consultation with the owner, compensatory measures that may be extended to the café-garage owner will be as follows:

Irrespective of the compensation package that is offered:

- SOCAR/Project Sponsor will assist the café owner to complete the formalities necessary for him to register his existing land title as required under the *Civil Code* (art. 139) and *Land Code* (art. 67.3), thus legitimizing his right for compensation under Azeri law.

In the event the café-garage enterprise accepts replacement land and facilities, and subject to the findings of the Valuation Commission:

- SOCAR/The Operator will petition the Baku City Executive Authority for allocation of replacement land of equal area to the existing café-garage site (0.13 hectares) with equivalent frontage to the Baku-Alyat Highway. As noted above, a suitable replacement site has previously been identified.
- SOCAR/the Operator will meet all transaction costs including transfer taxes and notarization fees.
- SOCAR/the Operator shall take all reasonable actions to ensure that the owner receives title deeds for the replacement land in a timely fashion and shall meet all costs associated with their registration.
- SOCAR/the Operator will facilitate and meet the costs of extending power to the subject site and undertaking any necessary preparatory earthworks.

In the event the café owner indicates a preference for cash compensation rather than replacement land:

- SOCAR/The Operator will pay cash compensation at least equal to the land valuation recommended by the Valuation Commission.

5.6.2 Loss of Buildings and Attachments

Nature of Loss

The project will result in the loss of the café building, the garage as well as areas of and gravel pavement. The Valuation Commission, which includes experts from the Baku City Construction Department, will undertake a detailed survey and valuation of the structures and site improvements that will be lost to the project. Structures will be valued at replacement cost based on Baku Department of Building normative construction costs. The recommendations of the Valuation Commission will form the starting point for the Operator's negotiation of the compensation package for the café owner.

Mitigation Measures

Subject to the recommendations of the Valuation Commission and in consultation with the enterprise owner, compensatory measures that will be extended to the café-garage owner for loss of structures may include one or a combination of the following:

- SOCAR/the Operator will fund and manage construction of replacement structures and other land improvements of equivalent area, materials and standard to those lost, on the agreed replacement site; or,
- SOCAR/the Operator will provide cash compensation equivalent to the replacement cost of the structures lost to the project to enable the café-garage owner to construct replacement buildings on the new site with his own resources; or,

- SOCAR/the Operator will provide cash compensation equivalent to the replacement cost of the all structures and land improvements.

5.6.3 Relocation Expenses

Nature of Loss

In the event it relocates to a replacement site, the enterprise will experience costs in relocating furniture and equipment from the existing buildings to the replacement facility.

Mitigation Measures

The Project Operator will provide transportation to assist the enterprise and its staff to relocate their goods and chattels from the existing premises to the replacement site.

5.6.4 Enterprise Downtime

Nature of Loss

Enterprise downtime can result in loss of income for the enterprise that, in some circumstances, may also impact on the incomes of employees (eg. part-time employees, or employees not covered by formal employment contracts).

The Operator's objective in managing any relocation of the café-garage would be to minimize any downtime caused to the café-garage operation by programming the preparation and construction of the replacement facilities so that they are ready before the existing buildings are demolished. The only downtime experienced by the enterprise will be during the period of actual relocation of furniture and equipment. This should take one day or less.

In the event the café-garage owner decides to undertake construction of replacement facilities with his own resources, the Project Operator will endeavour to make sure that the replacement site is available for construction sufficiently early so that the enterprise has adequate time to complete the replacement facility.

Mitigation Measures

In the event the enterprise chooses to relocate, SOCAR/the Operator will make a one-off cash payment equivalent to one week of the café's revenue to cover any loss of income that might be experienced by the enterprise during the relocation period. The payment will subject to an undertaking from the owner that existing employees' incomes will be paid in full throughout the relocation period.

5.6.5 Partial Loss of Income During the Re-Establishment Period

Nature of Loss

If the enterprise chooses to relocate, it is probable that the café-garage will be moved about two kilometres north along the Baku-Alyat Highway from its present location. The replacement site will have nearly identical visual exposure and accessibility from the highway as the existing facility, so any loss of business is likely to be short-term and minimal. The owner agrees that the distance of relocation is small so there should be no loss of existing clientele.

During discussions, the café manager, Hashimov Alizadeh, noted that when the café was first established in 1996, Sangachal Terminal construction and other Early Oil Project activities had greatly benefited the business through trade from the construction workforce. The workforce and suppliers to the proposed Sangachal Terminal extension are likely to contribute to the café-garage experiencing an increase in trade over pre-project conditions both in its present location, and at its replacement site. Monitoring will be undertaken to ascertain whether income levels have been restored.

Mitigation Measures

Mitigation measures to be extended by the project to the café owner will be as follows:

- The Operator will regularly liaise with the café manager as part of ongoing resettlement monitoring to ascertain whether the relocation has had any adverse impact on business. Corrective actions will be identified if warranted.

5.6.6 Redundancy of Employees

Nature of Loss

In the event that the enterprise owner opts for cash compensation for his loss of land and structures, the employees of the enterprise will be left without jobs. Under *Word Bank OD4.30*, in such circumstances the project is required to provide opportunities for affected people to restore their livelihood and income levels to without-project levels.

Mitigation Measures

In the event that employees are made redundant through the enterprise owner opting for cash compensation, the Project Sponsors undertake that employees will be offered jobs with the project for a provisional period of not less than 6 months.

5.6.7 Loss of Profit

Nature of Loss

If the enterprise ceases to operate, the owners will forego the opportunity to receive annual profits. Under Azerbaijan law, compensation must take account into loss of profits (*Cabinet of Ministers Decree No. 42* (Procedures for Utilization of Industrial, Transportation, Communication and Other-Purpose Land Plots, article 13)). In the event the enterprise owners select a cash compensation option, the Valuation Commission will make an assessment of lost profit, based on previous enterprise annual returns.

Mitigation Measure

Cash compensation for foregone profit as determined by the Valuation Commission.

5.6.8 Summary of Entitlements

Entitlements of the enterprise owners and employees are summarized in Table 9.

Table 9 Summary of Entitlements

Category of Beneficiary	Entitlements					
	Compensation for loss of land	Compensation for loss of structures	Compensation for loss of other assets/ improvements	Relocation Costs	Enterprise downtime	Other assistance
Café enterprise owners	Assistance to register existing land title (if feasible). Assistance to get un-approved buildings recognized for compensation. Replacement land; or, cash payment based on full market value of land parcel (whether registered or not). Transaction costs covered by SOCAR/The Operator.	New facilities built by the project on the replacement land; or cash payment equivalent to full replacement cost.	Electricity connection to be provided to the replacement site. Equivalent assets or improvements to be provided by the project; or, cash compensation at full replacement cost	Lump sum cash payment	Replacement premises to be completed prior to relocation to avoid or minimize downtime. Cash compensation equivalent to one week's average revenue	Monitoring to check for effective income restoration.
Employees	Not applicable	Not applicable	Not applicable	Not applicable	Guarantee from enterprise owners that staff incomes will be paid during relocation; or that staff will receive offers of employment with the project on a minimum 6 months provisional basis in the event the owner opts for cash.	Monitoring for adverse impacts.

6. MENR Fish Breeding Facility: Project Impacts and Mitigation Measures

6.1 Background

For survey and construction of the ACG Phase 1 sub-sea pipeline, it was necessary to relocate fish acclimatization pens operated as part of the MENR fish breeding facility (formerly the Azerbalyk State Fisheries Concern) in Sangachal Bay. The fish pens were located about 3 kilometres to the north of the Early Oil Project jetty and extended into the sub-sea pipeline construction corridor. The pens were removed late in August 2001 at the project's request, following payment of cash compensation to the then Azerbalyk State Fisheries Concern. This chapter describes the measures that were taken to compensate the MENR for these impacts.

Until recently, the Azerbalyk State Fisheries Concern was responsible for fish breeding and stocking programs as well as fisheries protection and control throughout Azerbaijan. Late in 2001, the functions of the Azerbalyk State Fisheries Concern were assumed by the more recently established MENR. Compensation negotiations were originally conducted with the Azerbalyk State Fisheries Concern. By the time the compensation payment was made, Azerbalyk State Fisheries Concern finances were under the control of the MENR.

6.2 Description of the Fish Acclimatization Pens and their Function

As part of its operations, MENR (formerly the Azerbalyk State Fisheries Concern) runs a facility in Sangachal Bay where Caspian Salmon (*Salmo trutta caspius*) fry are acclimatized in pens before release into the Caspian Sea. Salmon fry are hatched in inland lakes and are then transferred to pens in Sangachal Bay for acclimatization and release. Fry are placed in the pens in early November and are released 3-6 months later, dependent on prevailing water temperatures. The pens consist of 5 metre by 5 metre netted enclosures lashed between timber piers. Up to 100 linked pens are used for this operation. Following payment of compensation by BP, the pens were removed in August 2001 to be reinstalled outside of the project corridor.

The temporary removal of the acclimatization pens has not affected the incomes or livelihoods of Sangachal Bay facility workers.

6.3. Project Impact and Mitigation Measures

6.3.1 Nature of Losses

Losses caused by the project to the MENR fish breeding facility were as follows:

- Loss of fish acclimatization pen location
- Cost of lifting, relocating and reinstalling fish acclimatization pens at a replacement location
- Downtime in preparation of pens to receive fry in November.

6.3.2 Compensation for Loss of Fish Trap Location

A replacement site was allocated for the acclimatization pens near the original location.

6.3.3 Compensation for Cost of Relocating Fish Acclimatization Pens

Compensation for the above losses was negotiated directly between the then Azerbalyk State Fisheries Concern, SOCAR (representing the State) and BP (representing the Project Sponsors). Azerbalyk State Fisheries Concern itemised the material and labour costs for lifting and reinstalling the fish pens. BP made a lump sum payment of 16.45 Million Az. Manats (about USD 3,400) to cover the costs. A breakdown of the items covered under the lump sum payment is summarised in the table below. The lump sum payment included a component for disruption to operations as a result of the relocation.

Table 10 Agreed Basis for Compensation with Azerbalyk State Fisheries Concern

Breakdown of Items Covered by the Project Sponsors' Lump Sum Compensation Payment
Purchase of replacement piles (comprised of 'iron wood' from Lankaran Region that is resistant to decay in water), preparation and transportation to the fish pen replacement site
Purchase of seines and materials for seines
Fabrication of the seine enclosures
Driving of the piles into the seabed
Installation of the seine enclosures
Construction of an onshore monitoring station
Onshore and offshore transportation costs
Consideration for disruption to operations during relocation.
Agreed One-off Compensation Payment: 16,450,000 Az. Manats (about USD 3,400)

6.4 Summary of Entitlements

Compensation entitlements received by the MENR fish breeding facility as a result of project impacts are as follows.

Table 11 Summary of Entitlements of the MENR Fish Breeding Facility

Category of Beneficiary	Compensation for loss of fish pens location	Compensation for cost of relocating fish trap
MENR (formerly Azerbalyk State Fisheries Concern)	Allocation by MENR of a replacement location	Lump sum cash payment to cover cost of relocation

7. Ahmedov Cattle Breeding Group Informal Land Users: Project Impacts and Mitigation Measures

7.1 General

Chapter 7 describes the nature of impacts and types of resettlement assistance that the project will extend to the Ahmedov cattle breeding group to enable them to relocate their winter grazing activities onto replacement land secured for them by their employer, the Gobu State Cattle Breeding Enterprise.

Land acquisition for the Sangachal Terminal extension and associated ‘no development’ zone will alienate some of an area that has been used for winter grazing by the Ahmedov family, a group of pastoralists. The Ahmedovs, an extended family of thirty people, are a production group of the Gobu State Cattle Breeding Enterprise based in Gobu Village, Absheron District. They have been using the Sangachal land for winter pasture since 1961⁹.

The Ahmedovs use a form of natural pasture based grazing that has been practiced for many centuries throughout Central Asia. Due to the low rainfall and semi-arid pasture type, pasture production at any one location is limited, so the pastoralists overcome this through shifting their families and herds between summer and winter grazing locations. During the Soviet era, this practice became formalized with pastoralist families being grouped into cattle breeding collectives with formally registered summer and winter grazing areas, and movement routes.

While the Ahmedovs have formally allocated winter grazing land in Absheron District, they have for forty years chosen to forego use of this land to take advantage of the better winter pastures on the Sangachal coastal plain in Garadagh District. In the past, their use of the Sangachal land has for periods been sanctioned through short term grazing leases (12–18 months) organized between Absheron¹⁰ and Garadagh Districts, but these have all lapsed. In recent years, the Ahmedovs’ use of the Sangachal land has been a cause of resentment amongst local Sangachal residents who would like the opportunity to graze their own livestock on the subject land.

The Gobu State Cattle Breeding Enterprise had its origins in the Soviet era of collective farming with animal husbandry as its primary function. During the Soviet era, such enterprises were financed from state budgets with their produce sold through a state controlled market system. Prior to 1992, the men of the Ahmedov family were paid wages by the Gobu State Cattle Breeding Enterprise to raise and look after state owned cattle. Gobu State Cattle Breeding Enterprise also provided the family with stock food to supplement natural pasture, veterinary assistance, insurance and other technical support. One of eighteen remaining state cattle breeding enterprises in Azerbaijan, the Gobu Enterprise reports to the Ministry of Agriculture.

Following Azerbaijan’s independence and the collapse of the Soviet era fixed pricing system for agricultural output in 1992, collective enterprises such as Gobu State Cattle Breeding Enterprise have been forced to become largely self-funding, with varying degrees of success. With limited state support, the Gobu State Cattle Breeding Enterprise is no longer able to pay the Ahmedov men wages for tending state-owned cattle. An informal accommodation has been reached whereby the Ahmedov family is able to generate its own income by tending its

⁹ Based on the recollection of Rizvan Ahmedov, family head.

¹⁰ The Gobu State Cattle Breeding Enterprise falls under the jurisdiction of Absheron District and the Ministry of Agriculture. Grazing rights over the land at Sangachal (which is in Garadagh District), when in force, were established by an agreement between Absheron District and Garadagh District.

own cattle in addition to those owned by the cattle breeding enterprise. Rather than wages employment as during the Soviet era, the Ahmedov family is now reliant on breeding and management of cattle, sheep and goats for subsistence and cash sale.

The Ahmedovs have a winter settlement about 1,100 metres to the northwest of the existing Sangachal Terminal. The Ahmedov family initially expressed a preference to continue to use the settlement site and to graze beyond the terminal works area. In June 2002, however, the Ahmedov family and Director of the Gobu State Cattle Breeding Enterprise formally approached the Operator for assistance to relocate the family settlement to Gobu State Cattle Breeding Enterprise land in Gobustan District.

7.2 Existing Use Area

The focus of the Ahmedovs' existing winter grazing activities is their winter settlement, situated 1,100 metres to the north-west of the existing Sangachal Terminal. Activities undertaken by the Ahmedov family at the Sangachal location include:

- Winter grazing for cattle, sheep and goats
- Winter settlement including family dwellings, animal stalls, pens and yards and drinking troughs
- Lambing and calving, generally in enclosed animal stalls adjacent to the family's dwellings.

7.2.1 Areas Used for Grazing

The areas used by the Ahmedov family for grazing are not clearly demarcated, but encompass a total area of about 300-400 hectares¹¹ lying to the north-west and south-west of the existing Sangachal Terminal. Ahmedov cattle have also been observed grazing along the Baku-Alyat Highway and rail reserve to the east of the existing terminal.

The area used for grazing consists of a gently sloping coastal plain bounded to the southeast by the existing Sangachal Terminal and the Baku-Alyat Highway and to the north and west by steep hills. Annual rainfall is less than 150 mm. Soils are poor with low organic content, high salinity and low potential for agricultural productivity. Soils and climate support semi-arid vegetation communities dominated by *Salsola nodulosa*. The latter has high nutritional value as livestock fodder¹² and forms the mainstay of the Ahmedovs' informal grazing activities.

7.2.2 Winter Settlement

The Ahmedov family has a winter settlement comprised of dwellings, animal stalls and yards at the foot of the western hills, to the north-west of the Sangachal Terminal. The site is slightly elevated and has views over the adjacent grazing area. It is reached by a partially formed dry-weather vehicle track that extends from the entrance road of the Sangachal Terminal. The location of the settlement is shown in Figure 4.

¹¹ RAP Consultant's estimate based on Ahmedov family description of the areas they commonly use for grazing and their observed grazing activities.

¹² The project ESIA botanist, Dr. V Hajiyev, has indicated that as little as 200 grams/day of *Salsola nodulosa* will sustain one adult sheep. Dr. Hajiyev notes that the coastal plains area has been used as a winter grazing ground for decades and possibly centuries due to the nutritional quality and extent of *Salsola nodulosa*.

Dwellings have evolved over time and consist of earth floors with mud and stone walls. Roofs are made of timber and brush. Each family dwelling is typically about 20 square metres in area with a single door and window. Windows are minimized to reduce heat losses in winter. The family has experienced problems with doors and windows being stolen during their absence in summer. Clover is stored in ceilings to provide supplementary livestock fodder for the winter.

The buildings that make up the settlement are listed in Table 12.

Table 12 List of Buildings in the Ahmedov Winter Settlement

No.	Type of building	Owner	Living area (square metres)	Height (Metres)	Number of windows	Materials
1	Animal stall (enclosed)	Communal	60	2.0	-	Cane
2	Animal stall (enclosed)	Communal	10	2.0	-	Cane
3	Livestock pen	Communal	180	-	-	-
4	Animal stall (enclosed)	Communal	180	2.0	-	Wood
5	Livestock pen	Communal	180		-	-
6	Dwelling	Ahmedov Sakhavat	21	2.5	-	Earth floors, mud brick walls, timber & brush roof
7	Dwelling	Ahmedov Rizvan	18	2.5	1	
8	Dwelling	Ahmedov Tofig	20	2.5	1	
9	Dwelling	Ahmedov Heydar	24	2.5	1	
10	Dwelling	Ahmedov Telman	35	2.5	1	
11	Dwelling	Ahmedov Soydum	30	2.5	-	
12	Toilet		-	-	-	-
13	Toilet		-	-	-	-

7.2.3 Other Land Improvements

The Ahmedovs have excavated two water holes for their livestock. Because of the semi-arid conditions, these are important for maintaining their herds. The waterholes are replenished by run-off, but regularly run dry. The family also has a livestock drinking trough, but the water supply system for this has been damaged. When funds are available, the herders sometimes pay to have the trough filled with water transported to the site by vehicle.

7.3 Project Affected People

The Ahmedov cattle breeding group consists of six families with a total of 30 people. The group consists of patriarch, Rizvan Ahmedov, and his wife Tunisa, and the families of their five sons, Telman, Tofig, Sakhavat, Heydar, and Soydum. There are 18 adults and 12 children sixteen or under. A census of all family members is summarized in Table 13.

Table 13 Census of Ahmedov Cattle Breeding Group

Name	Sex	Age	Relation to group head	Main occupation	Education level
Rizvan Ahmedov	M	76	Patriach	Retired	Elementary
Tunisa Ahmedova	F	69	-	Retired	-
Telman Ahmedov	M	35	Son	Shepherd	Secondary
Nazeyka Babayeva	F	33	Daughter-in-law	-	Elementary
Nurana Ahmedova	F	11	Grandchild	Student	Schoolchild
Aynura Ahmedova	F	10	Grandchild	Student	Schoolchild
Durdana Ahmedova	F	4	Grandchild	-	-
Ahmedov Tofiq	M	38	Son	Shepherd	Secondary
Leyla Babayeva	F	32	Daughter-in-law	-	Elementary
Bakhtiyar Ahmedov	M	11	Grandchild	Student	Schoolchild
Telli Ahmedova	F	9	Grandchild	Student	Schoolchild
Sakhavat Ahmedov	M	50	Son	Shepherd	Elementary
Solmaz Ahmedova	F	40	Daughter-in-law	-	Elementary
Ahmed Ahmedov	M	15	Grandchild	Student	Elementary
Nurlan Ahmedov	F	11	Grandchild	Student	Elementary
Kamran Ahmedov	M	9	Grandchild	Student	Schoolchild
Shafa Ahmedova	F	6	Grandchild	Student	-
Heydar Ahmedov	M	45	Son	Driver	Secondary
Guldasta Ahmedova	F	48	Daughter-in-law	Milkmaid	Secondary
Malahat Ahmedova	F	24	Grandchild	-	Secondary
Suraya Ahmedova	F	22	Grandchild	-	Secondary
Matanat Ahmedova	F	20	Grandchild	-	Secondary
Aygun Ahmedova	F	17	Grandchild	-	Incomplete secondary
Sona Ahmedova	F	15	Grandchild	-	Incomplete secondary
Aydin Ahmedov	M	26	Grandchild	Shepherd	Secondary
Aynura Ahmedova	F	20	-	Nurse	Specialized secondary
Soydum Ahmedov	M	31	Son	Shepherd	Secondary
Khalida Abdullayeva	F	31	Daughter-in-law	-	Secondary
Vusal Ahmedov	M	6	Grandchild	Student	-
Parvin Ahmedova	M	3	Grandchild	-	-

Source: Synergetics socio-economic survey, November 2001

7.3.1 Socio-Economic Survey

Interviews were conducted with family head, Rizvan Ahmedov, and with his five sons, each of whom heads a family of his own. Rizvan and four of his sons were interviewed at their Sangachal winter settlement. A fifth son, whom had remained at the family's summer grazing area to supervise children completing the school year, was interviewed at Yerfizaf Village, Guba.

Interviews were used to elicit information about the group's social organization and decision making, their assets and livestock, access to services and infrastructure and sources of livelihood. Family members were also questioned about their attitudes and concerns about the project, as well as their experiences during the Early Oil Project Terminal construction, which took place in 1996. Local social assessment consultants, Synergetics, carried out the socio-economic survey in November 2001.

A focus group discussion was also held with nine Ahmedov family women. Discussions were directed towards (i) identifying the roles and responsibilities of women within the group and the extent to which these might be impacted by the Sangachal Terminal extension; and, (ii) any other specific concerns about the project.

7.4 Socio-Economic Profile of the Herder Group

7.4.1 Social Organization and Decision Making

The herder group consists of three generations of the Ahmedov family headed by Rizvan Ahmedov and his wife, Tunisa.

The group is organized along patriarchal lines. Rizvan Ahmedov is the family head. Decisions about the timing of the group's movement between summer and winter grazing areas, the routes to be followed as well as distribution of group incomes and expenditures are discussed collectively, but ultimate decision making rests with Rizvan according to other family members. Income and expenditure are treated collectively rather than attributed to individuals or families. Rizvan has control of family finances. Each family retains a separate dwelling within the winter settlement.

The Ahmedov family forms one of six production groups under the control of the Gobu State Cattle Breeding Enterprise. Telman Ahmedov is the nominated head of the Ahmedov group. The five sons are herders, nominally employed by the Gobu Enterprise to tend state owned cattle. Ahmedov Rizvan has passed retirement age and is now on a state pension.

Family roles and responsibilities are split along gender lines. Managing the livestock is the role of the family men. Women are responsible for collecting water, shopping for household needs, selling the group's dairy produce in neighbouring settlements, cooking, tending to children and taking the sick to Sahil District Hospital when required. Women's responsibilities make them most reliant on infrastructure such as tracks to Sangachal settlement (for shopping and selling produce), the access road to the Baku-Alyat Highway (to reach medical services at Sahil).

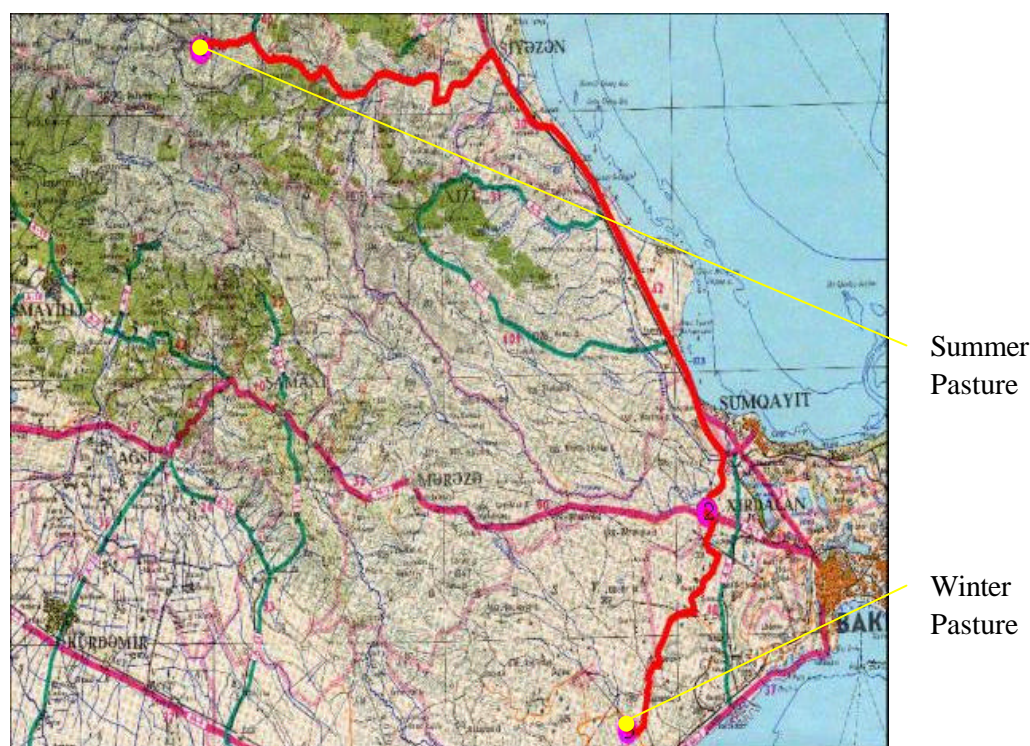
The family are Moslem and from the Azeri majority ethnic group.

7.4.2 Annual Grazing Cycle

The Ahmedov family group uses the grazing area at Sangachal as their winter pasture for eight months of the year from October until May. Sangachal is used for wintering over because the maritime influence of the Caspian Sea affords it a more moderate climate than at the summer pasture areas and because the *Salsola nodulosa* pasture offers viable winter fodder. Livestock are also given supplementary grain-based feed over winter. Lambing takes place at Sangachal in November and early December.

In the summer months (July to November), the group moves to summer pastures at Kalantur, part of Yerfizaf Village in Guba Region Administrative Territory. Movement between summer and winter pastures follows the Baku to Guba Highway and then the course of the Dahna River in the Siyazan Region. Timing and routes are agreed with the Ministry of Agriculture each year. Prescribed periods for movement to summer pastures is from 15 May until 1 July and for the return trip, between 1 October and 1 December. Locations of the summer and winter pastures, and the movement route between are shown in Figure 8.

Figure 8 Ahmedov Group Summer and Winter Pastures



7.4.3 Property, Assets and Land Improvements

Livestock

Animals managed by the Ahmedov group fall into two categories:

- Livestock owned by the Ahmedov family
- Livestock owned by the state (Gobu State Cattle Breeding Enterprise)

Livestock owned by the Ahmedov family is summarized in Table 14.

Table 14 Livestock Owned by the Ahmedov Family

Family head	Sheep and Goats	Cattle	Horses & donkeys	Poultry
Ahmedov Rizvan	65		4	20
Ahmedov Sakhavat	75	15		10
Ahmedov Telman	50	10		15
Ahmedov Tofiq	10	8		
Ahmedov Heydar	10	6		
Ahmedov Soydum	20	10		
Total Group Livestock	230	49	4	55

In addition to their own livestock, the Ahmedov group tends 500 sheep and goats belonging to the Gobu State Cattle Breeding Enterprise. In principle, the five Ahmedov sons are employed as herders to rear livestock for the Gobu State Cattle Breeding Enterprise as part of that organization's selective breeding and herd improvement program. In practice, the Gobu State Cattle Breeding Enterprise has insufficient funds to pay the five Ahmedov herders their wage entitlements so an alternative accommodation has been reached. The herders now earn their income through sale of their own sheep, cattle, dairy products and wool. Effectively they

manage the Gobu State Cattle Breeding Enterprise livestock in return for the right to use some of the land for their own purposes.

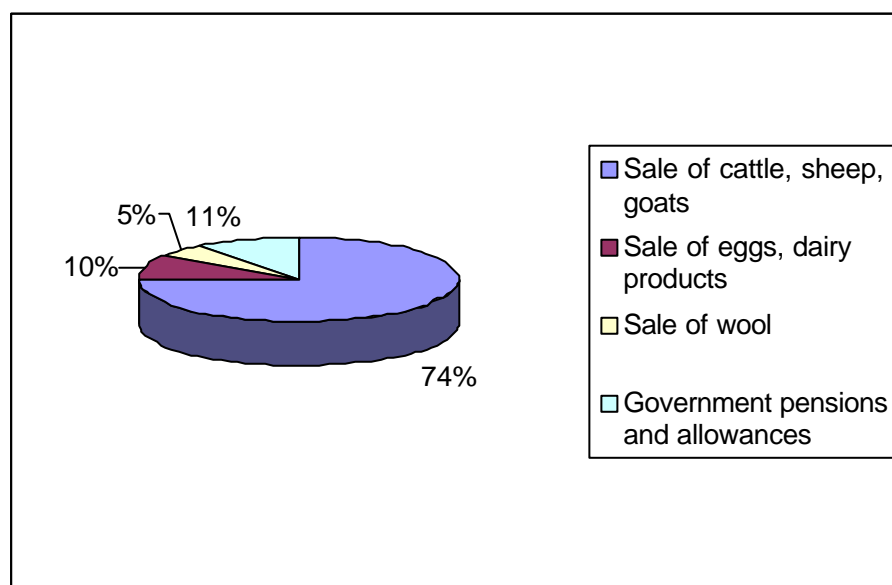
Household Assets

As the Ahmedov group leaves the winter settlement unattended during summer, they have few permanent household effects. Household property tends to consist of small, useful household items and bedding, all of which can be readily carried during seasonal movements between grazing areas. The Ahmedov group has one privately owned bullock cart and three metal box stalls. Aside from the cart, horses and donkeys, the family does not have any other form of transport.

7.4.4 Livelihood

Information on Ahmedov family income and expenses was gathered during the household interviews. This has been revealed to the project lenders, but is not being publicly disclosed for privacy reasons. In terms of cash income, annual per capita income of the group places them amongst the very poor. On a per capita basis they earn less than half the purchasing power parity figure of US \$1/day/capita, used by the World Bank as an absolute poverty level. Principal income sources are summarized in the figure below. Principal areas of expenditure include costs associated with seasonal movements between grazing areas (43 percent of household costs), household food expenses (26 percent), live stock fodder (21 percent) and veterinary expenses. Fuels and general household expenditures make up the balance 10 percent of costs.

Figure 9 Income Sources of the Ahmedov Herder Group



7.4.5 Access to Social Infrastructure

Education

Ahmedov family children attend school in Shamakhy, near the herders' summer grazing area and only return to Sangachal for the winter school holidays from late December to mid-February. One set of parents remains in Shamakhy to supervise the children during the school year. Younger children travel with the main herder group.

Medical services

The Ahmedov family use medical clinics in Shamakhy and Guba during summer. When at Sangachal, the family uses medical services at Sahil District Hospital. Family members noted that the lack of an access road to Baku-Alyat Highway from their present winter settlement was a particular difficulty in getting sick family members to hospital.

7.4.6 Access to Physical Infrastructure

Water Supply

Water for family consumption is delivered by tanker truck to the site when the family has sufficient funds to buy water. A tanker load lasts the family about one month. Otherwise, water is collected in Sangachal and carried by donkey or on horseback to meet families' daily needs.

Water for livestock use is collected from site runoff. When this is insufficient, and if funds permit, the family pays to have additional water transported to the site by truck.

Fuels

The Ahmedov winter settlement does not receive reticulated power. The group relies on kerosene for lighting, cooking and winter heating.

Roads and paths

The Ahmedov group does not have any vehicles so is reliant on travel by horse, donkey, or on foot. Key routes for the herders' everyday activities are as follows:

Route 1: follows a partly formed track (impassable by vehicle after rain) 1600 metres to the existing terminal entrance road and thence to the Baku-Alyat Highway. This road is used primarily to access the district hospital at Sahil.

Route 2: is a track that leads directly to Sangachal. This track is used very regularly for:

- Visiting Sangachal to buy food and other household goods
- Going to sell dairy produce to surrounding settlements (Sangachal, Duvanni, Alyat, etc)

Other tracks are used for accessing different grazing areas and stock water holes.

7.4.7 Attitudes towards the Project

Following an explanation of the project in November 2001, the Ahmedov group expressed a preference to continue using their existing winter settlement. They were confident that they would be able to find adequate grazing areas unaffected by construction nearby. The Ahmedov group said they had experienced the construction phase of the Early Oil Project when the existing Sangachal Terminal was constructed so were familiar with the kinds of impacts the project would have on their lives. In July 2002, however, the Ahmedov family approached the projects operator, BP, and requested to be relocated. Rizvan Ahmedov explained that as construction proceeded, the family became aware of how close terminal noise and activities would be to their settlement. He indicated this would be disruptive to their animals and breeding. As an outcome of this concern, potential replacement sites were inspected and the pastoralist family has agreed to move to their preferred replacement winter pasture in March 2003.

7.4.8 Discussions with Women

A focus group discussion was held with nine Ahmedov women to gain an understanding of the roles and tasks performed by women, and to give them an opportunity to express their feelings, hopes and concerns arising from the project.

Tasks that the women indicated they performed included:

- Looking after children
- Preparing and cooking family meals
- Collecting the family's water requirements from Sangachal Terminal
- Shopping for the family's food and household requirements in Sangachal
- Selling dairy produce in Sangachal and other neighbouring settlements
- Tending to the sick, including accompanying the sick to Sahil District Hospital

Women expressed similar hopes and concerns to the household heads, but it was clear that any impacts on paths to Sangachal, the Baku-Alyat Highway or to the water collection point were a more significant concern to women because of the direct affect it might have on their performance of daily tasks. The women also expressed a hope that they might be given the opportunity to sell produce to the construction work force and perhaps also to provide housekeeping services or otherwise participate in the project construction.

7.4.9 Relations with Adjoining Communities

The Ahmedov pastoralists report that there have been some recent tensions with people from the adjoining Sangachal settlement who believe they should be allowed to graze their stock on the coastal plain¹³, but whom have been unable to do so because of the Ahmedov's long use of the area. The Ahmedov family also experienced problems with theft during their absence from their winter settlement. Doors, windows, and fencing materials are frequently stolen from their settlement. This is an ongoing problem for the group.

7.5 Project Impacts and Mitigation Measures

The Sangachal Terminal extension will result in the Ahmedov cattle breeding group experiencing the following impacts.

- Loss of use of areas historically used for winter grazing as a result of the terminal expansion and associated construction activities
- Loss of dwellings, livestock shelters, yards and trough (winter settlement)
- Loss of three livestock water holes
- Cost of re-establishing settlements and to the replacement site near Gobustan
- Partial loss of income till replacement markets for dairy produce are established

The principal project strategy for restoring the Ahmedovs' standard of living and livelihood is to assist them to reestablish their lifestyle making use of an alternative winter grazing area and settlement near Gobustan to be provided by their employer, the Gobu State Cattle Breeding Enterprise. At the replacement site, the herders will have formal grazing rights and security of land use. The process for replacement site selection and preparation is described in Section 7.6.

¹³ The land for the terminal expansion is state land, which for periods has been leased to the Gobu State Cattle Breeding Enterprise. As such, Sangachal villagers have no particular rights to use the subject land, nor can they make claim to historical use.

Group patriarch, Rizvan Ahmedov, has expressed a strong preference for assistance in kind rather than cash compensation.

7.5.1 Loss of Use of Winter Grazing Area

About 512 hectares of pasture will be made temporarily or permanently inaccessible as a result of the Sangachal Terminal extension. Not all this area was utilized by the Ahmedov family, however the works have resulted in a substantial reduction in grazing land available to them in the immediate vicinity of their winter settlement. While neither the Ahmedovs nor the Gobu State Cattle Breeding Enterprise has an extant grazing lease over the Sangachal land, they have been utilizing at least parts of it for about 40 years and, in the past, have held formal grazing rights.

The compensation strategy for the Ahmedov's loss of grazing land at Sangachal has been to provide equivalent replacement land in Gobustan, about 25 kilometres to the south of the Sangachal Terminal. The process for replacement site selection and preparation is described in Section 7.6.

Table 15 Area Lost for Winter Grazing Use

Description	Loss of Grazing Area
Area for terminal extension	146.5 ha
Area for new access road	7.5 ha
Area for new pipeline corridor	25.8 ha
Area required for drainage channels	15.6 ha
Development exclusion area	302 ha
Temporary construction camp	15 ha
Total	512.4 ha

Note: Not all the areas acquired for the terminal extension and related works were used by the Ahmedov family so the total lost area in the table represents a conservatively high figure.

Mitigation Measures

Compensatory measures for loss of land are as follows:

- The Gobu State Cattle Breeding Enterprise has found replacement winter grazing area at Gobustan to be made available to the Ahmedov family for their ongoing use.
- The replacement land is 25 kilometres to the south of the Sangachal site and approximately 12 kilometres inland from the Baku-Alyat Highway on the Gobustan-Shamakha Road.
- The replacement grazing area is of the same *Salsola nodulosa* pasture as the Sangachal land lost to the project and was assessed by Rizvan Ahmedov as "exactly equivalent" to their Sangachal pasture.
- The replacement grazing area is leased by the Gobu State Cattle Breeding Enterprise from the State. The lease was established in 1951 and has been formally registered as "Gum-1 No. 52". As employees of the Gobu State Cattle Breeding Enterprise, the Ahmedov family will have security of use over the replacement site.
- Area of the replacement lease area is 798 hectares. This exceeds the area available to the Ahmedov group at Sangachal.
- The Ahmedov family will move to the replacement winter pasture in March 2003.

7.5.2 Loss of Dwellings, Livestock Shelters, Yards and Troughs

The buildings and structures used by the Ahmedov family on the Sangachal land are listed in Table 12. There are similar structures on the Gum Ataki pasture though these are in need of

repair. Gobu State Cattle Breeding Enterprise has specifically requested the Operator for assistance in the form of cash or materials to repair sheep pens prior to the Ahmedov family's return for the winter¹⁴.

A project engineer has undertaken an assessment of the Gum Ataki structures. Following meetings held on-site with the Gobu State Cattle Enterprise director, Rizvan Ahmedov, and Telman Ahmedov, it was resolved it would be easier to construct new dwellings for the Ahmedov families, rather than try and make good existing structures. Some limestone blocks from existing structures will be used in constructing the new dwellings. The project engineer will prepare designs for discussion and approval by the families, including women family members. The project will provide labour and all new materials to construct the replacement dwellings. The Operator will also provide a truck to enable the Ahmedovs and Gobu State Cattle Breeding Enterprise to move lambs from the Sangachal site to Gum Ataki. With the agreement of the Ahmedov family, this will take place in March 2003.

The Gum Ataki settlement has similar water tanks and trough system to the Sangachal development. The operator will provide labour and materials necessary to repair yards, animal shelters and troughs to meet Ahmedov family needs.

Mitigation Measures

Compensatory measures for loss of dwellings, livestock shelters, yards and troughs are as follows:

- In close consultation with the Ahmedov family, the Operator will design and build new dwellings for the six Ahmedov families.
- The Operator will provide labour, materials and technical assistance to repair animal shelters, yards and troughs at Gum Ataki, sufficient to meet the Ahmedovs' needs.
- If required, the Operator will provide supplementary fodder to the Ahmedov family in the lead up to their move from the Sangachal site.
- The Operator will make available a truck for use by the Ahmedov family / Gobu State Cattle Breeding Enterprise to transport lambs and other items from Sangachal to Gum Ataki.

7.5.3 Loss of Livestock Water Holes

The Ahmedov family has two water holes that they constructed at Sangachal. These consist of shallow depressions scraped from the subsoil, located to capture surface runoff.

There are also two waterholes at the Gum Ataki replacement site. These were full at time of site inspection in late June 2002, but as there had been no stock on the property since the previous year, it was not possible to assess their capacity under use. The catchments of the two Gum Ataki water holes appeared larger than at Sangachal. It is likely however, that conditions on the replacement site will be similar to at Sangachal, with the family needing to purchase supplementary water during dry periods of the year.

Mitigation Measures

- Water holes are available on the replacement site that are as large, or larger, than those at Sangachal.

¹⁴ Correspondence from the Director of the Gobu State Cattle Breeding Enterprise to BP dated 5 June 2002.

- The Operator will monitor adequacy of water supply for stock during the first 2 years following the Ahmedovs' relocation, and if warranted, will assist with enlargement or excavation of additional water holes.

7.5.4 Cost of Re-establishment at the Replacement Site

While the Ahmedov family is well adjusted to a transhumance lifestyle, it is possible that they will experience some additional costs or inconvenience in adjusting to life at their new winter settlement. The Sangachal Terminal Community Liaison Officer will regularly visit the family as part of his monitoring responsibilities during their first two winters at Gum Ataki. Where particular needs arise, the project will provide in-kind assistance in consultation with the family to alleviate any resettlement-related hardships or difficulties that they may experience.

Mitigation Measure

- The Operator will undertake regular monitoring for the first two winters that the Ahmedov family uses the Gum Ataki site and, where warranted, will provide in-kind assistance.

7.5.5 Possible Loss of Income

About 10 percent of the Ahmedov family's combined income comes from sale of eggs and dairy produce in nearby settlements and towns. The Ahmedov women currently sell their produce in Sangachal, but also reportedly in Gobustan and Alyat. Each of these towns will also be accessible to them from the replacement site.

Access to selling opportunities for the family's produce was one of the key criteria that Rizvan Ahmedov identified for selecting the replacement site. The Gum Ataki site will offer access to local selling opportunities, including at the official bazaar in Gobustan. Duvanni, Gobustan town itself, Alyat and Sangachal are other settlements that the Ahmedov family considered would be accessible to them from the Gum Ataki replacement land. Duvanni is about 8 kilometres by sealed road from the Gum Ataki site.

Mitigation Measures:

- The Operator will monitor for any difficulties that the Ahmedov family experience in marketing their produce from the Gum Ataki site and, if warranted, will work with them to develop offsetting measures.

7.6 Relocation Site Selection and Evaluation

7.6.1 Evaluation of Alternatives

Responsibility for allocating replacement land rested with the Gobu State Cattle Breeding Enterprise, employer of the Ahmedov family men. The Director of the Gobu State Cattle Breeding Enterprise and Rizvan Ahmedov inspected four alternative sites for possible winter grazing use. The four sites considered and the reasons for rejecting them are summarized in Table 16.

Table 16 Evaluation of Grazing Area Alternatives

Alternative Site	Location	Reason for Rejecting
Baku Executive Authority land	About 1000 metres to the west of Sangachal Site	Very exposed to wind – not desirable for stock. Pasture unsuitable for grazing
Baku Executive Authority land	Land about 300-400 metres from the Sangachal settlement	Similar problems to existing site. Too close to terminal noise and activity – undesirable for livestock breeding. Competition for use of land with local Sangachal people.
Gobu State Cattle Breeding Enterprise leasehold land	About 30 kilometres inland from the Sangachal site	Already occupied by IDP family, whose grazing permits had expired, but whom were unwilling to move. Isolated from villages or markets for sale of produce.
Gobu State Cattle Breeding Enterprise leasehold land at Gum Ataki, in Gobustan District	About 25 kilometres south of Sangachal Terminal; and approximately 10 kilometres inland from the Baku-Alyat Highway on the Gobustan-Shamakha Road	Preferred site. Equivalent pasture type and facilities to the Sangachal site. Controlled by the Gobu State Cattle Breeding Enterprise. No competing users. See discussion below.

7.6.2 Preferred Replacement Grazing Area at Gum Ataki

The replacement site is situated about 6 kilometres due west of Gorbustan.

The grazing area at Gum Ataki consists of 798 hectares of gentle sloping coastal plain bounded to the west by undulating hills. The plain is covered in arid and semi-arid mugwort & saltwort pasture, which is adapted to the solodic soils and low rainfall. A settlement comprised of mud and mud brick dwellings, animal sheds and yards is situated on the northern edge of the lease area. Walls remain essentially in tact though roof framing and cladding has been removed.

7.6.3 Inventory of Buildings and Structures on the Gum Ataki Site

An inventory was undertaken of buildings and structures on the Gum Ataki site (see Table 17). While the inventory revealed that there are fewer dwellings than on the Sangachal site, there are extensive structures that could be readily adapted for dwelling use. Animal shelters and yards are far more extensive than at the Sangachal site. Condition of buildings and structures are generally poor and will require some work to be made habitable.

Table 17 List of Buildings on the Gum Ataki Site

Use of dwelling	Floor area Sq. m.	Number of windows	Construction materials of walls and roof
Dwelling	12	2	Lime stone/steel profile
Dwelling	15	2	Lime stone/steel profile
Dwelling	14	2	Lime stone/steel profile
Dwelling	20	2	Lime stone/steel profile
Milk room	200	6	Lime stone/steel profile
Animal yard	1200	-	Open area
Enclosed sheep pen	144	4	Lime stone/steel profile
Covered lambing area	192	4	Lime stone/steel profile
Storeroom	240	6	Lime stone/steel profile
Cattle shed	320	6	Lime stone/steel profile
Cattle breeding farm	720	6	Lime stone/steel profile
Animal yard	600	-	Open area
Toilet	2	-	Lime stone/steel profile

7.6.4 Project Affected Family's Appraisal of the Replacement Land

Rizvan Ahmedov indicated his preference for this site was based on the following reasons:

- Pasture is the same type and quality as at Sangachal
- Gum Ataki site is close to a major road
- Close to four large settlements and an official bazaar for shopping and sale of produce (Gobustan, Alyat, Duvanni and Sangachal)
- Convenient to Gobustan District Hospital
- Convenient to a district Secondary school
- The area has no neighbours so is free from competing interests
- The manager of a neighbouring farm is a relative of Rizvan Ahmedovs.

In addition to consultations with male members of the pastoralist family, discussions were also held with women family members. Key findings were as follows:

- The issue of resettlement and the most suitable replacement site had been discussed at length within the family, including with the women
- Following the discussions, the women deferred to the decision of the head of the family
- Older women were generally more resistant to the move, while the younger women considered the new site might be more favourable than their Sangachal location
- While male members had visited the replacement pasture, the women had not yet seen it. Without having seen it, concerns they raised included:
 - quality of the dwellings
 - availability of drinking water
 - accessibility of markets
- The women saw no particular changes for their children who would continue to do their schooling in Guba

As an outcome of the discussions held on the 8 November 2002, it was agreed that the Operator would organise an inspection of the site and adjacent areas, so that the women would have a better appreciation of the replacement area and its environs.

7.6.5 Comparison of Sangachal and Gum Ataki Amenities

Key features of the Sangachal and Gum Ataki sites are compared in Table 18.

Table 18 Comparison of Sangachal and Gum Ataki Grazing Area Amenities

Parameter	Gum Ataki	Sangachal
Grazing area	798 hectares	300-400 hectares (estimated)
Dwellings	4 no. (plus structures that can be converted to dwellings)	6 no.
Animal yards		
- Covered	656 metre ²	250 metres ² floor area
- Open	1,800 metres ²	360 metres ² area
Water resources	Drinking trough (needs cleaning) Two water holes	Drinking trough (no water supply) Two water holes

7.7 Summary of Entitlements

Compensation measures for the Ahmedov family are summarized in the following table.

Beneficiary	Entitlements				
	Compensation for loss of use of winter grazing area	Compensation for loss of dwellings, livestock shelters, yards & troughs	Compensation for loss of livestock water holes	Re-establishment Costs at Replacement Site	Loss of income
Ahmedov Herder Group (collectively)	Replacement winter grazing area of equivalent quality & increased area. Improved security of use. Provision of supplementary fodder (if required) to offset pasture losses at the Sangachal site in the period prior to the move.	Construction by the project of replacement dwellings at the Gum Ataki site. Provision of labour, & materials to refurbish existing dwellings, livestock shelters, pens & troughs at the replacement site. Provision of transport to enable transport of lambs and household effects from Sangachal to the replacement site.	Replacement water holes at the replacement grazing area. Monitoring of adequacy of stock water supply.	Monitoring with provision of in-kind assistance if warranted	Monitoring with provision of appropriately targeted assistance if required.

7.8 Other Grazing Impacts

Extension of the Sangachal Terminal and construction of storm water diversion drains will affect sheet flow of water from higher lying ground to the strip of land with better grazing potential near the road along the Caspian Coast. Drier or more xeric conditions could reduce the livestock carrying capacity of the vegetation on this strip which is periodically used for grazing by local communities. Impacts will be monitored and, if necessary, consideration may be given to diverting some of the run off back into this area to maintain vegetation growth.

8. Other Fishing Interests: Project Impacts and Mitigation Measures

8.1 General

As part of resettlement planning, an assessment was undertaken of the potential for the project to cause impacts on the assets and livelihoods of two other fishing groups. These two groups were as follows:

- Commercial fishing interests
- Informal fishermen

The assessment was based on discussions with the following agencies and stakeholders:

- Azerbaijan Scientific Institute of the Fish Industry
- Azerbalyk State Fisheries Concern
- MENR Survey & Expedition Fleet
- MENR State Inspectorate of Small Vessels
- MENR Licensing Department
- Caspian Fishing Company (largest Azeri fishing fleet operator)
- Operators of an illegal fish trap situated in the pipeline construction corridor
- Other local informants (see discussion below)

Dates of consultations and a summary of the key issues that were discussed are included in the Consultation Log (see Appendix A).

Local informal fishermen were extremely reluctant to talk about their activities. Whilst widely practised amongst local coastal communities, offshore fishing in the Caspian Sea is prohibited and may attract heavy fines for those that are caught. Information on local informal fishing activities was gathered through discussions with knowledgeable local people in Sangachal and Sahil, and from other secondary sources such as government agencies responsible for permitting and policing fisheries and local executive authorities. Reference was also made to a social assessment of Caspian Sea communities undertaken through the World Bank¹⁵. The surveyors for the sub-sea pipeline provided information about the numbers and types of gill nets that were encountered in the corridor area.

8.2 Commercial Fishing Interests

8.2.1 Location of Commercial Fishing Grounds

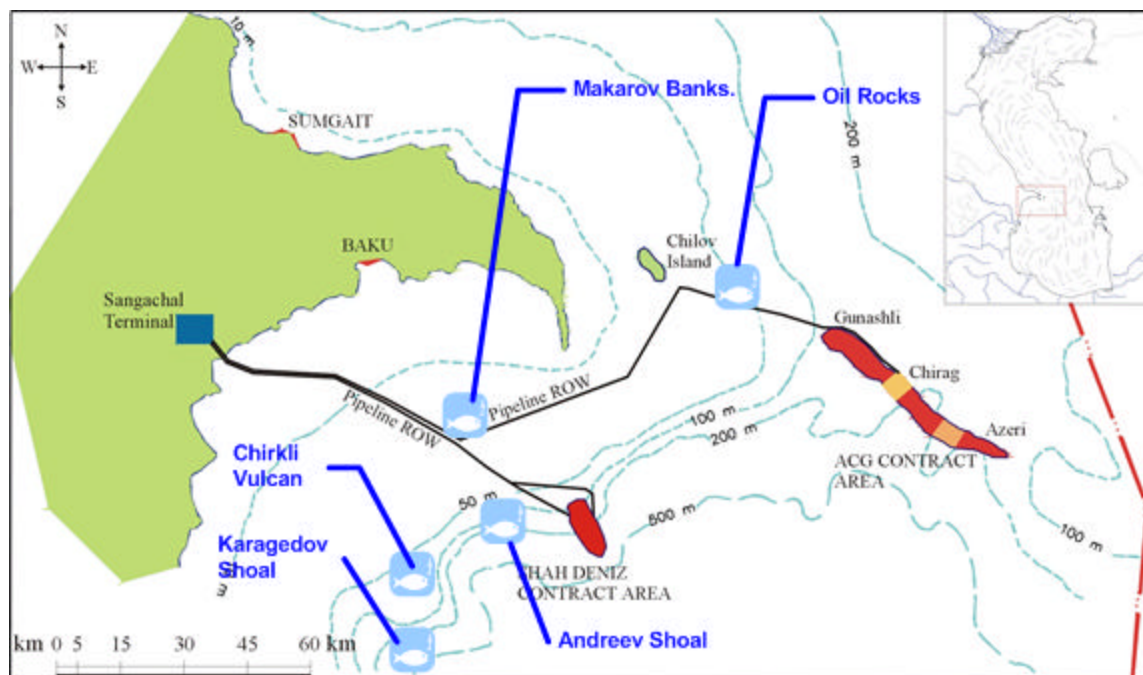
According to the Caspian Fishing Company, which has leases over areas in the broad vicinity of the ACG and Shah Deniz sub-sea pipelines, the major nearby fishing areas are as follows:

¹⁵ Kudat, A., Musayev, A., and Ozbilgin, B. (1999) World Bank Social Development Family Paper No. 32 *Social Assessment of the Azerbaijan National Environmental Action Plan: A Focus On Community Responses to the Caspian Sea Environmental Disaster*, World Bank, Washington DC

- Karagedov Shoals
- Borisov Shoal
- Makarov Banks
- Oil Rocks
- Chirkli Vulkan ('Mud Volcano')
- Andreev

The locations of these fishing grounds relative to the ACG and Shah Deniz sub-sea pipelines are shown in Figure 10. All these grounds are fished all year round.

Figure 10 Locations of Commercial Fishing Grounds in the Vicinity of the ACG and Shah Deniz Offshore Works



Shallower shelf waters and shoals in these locations are seasonally fished for sprat (*Clupeonella* sp.). Shad, kutum, carp, mullet, loach and North Caspian roach are also taken in these areas.

Licensed fishing vessels from Russia, Kazakhstan, and Turkmenistan, as well as Azerbaijan undertake sprat fishing at the above locations. The total Caspian Sea sprat catch in 2000 was about 250,000 tonnes¹⁶. The areas that can be fished are controlled by licenses. Vessels that undertake this kind of fishing tend to be large (25 metres or so in length displacing 85 tonnes or more) and equipped for offshore operation. Both the MENR Fisheries Licensing Department and Caspian Fish Company indicated that the Early Oil Project pipeline exclusion area is clearly demarcated on maritime charts and that fishermen working in those areas are thoroughly familiar with its location.

¹⁶ Caspian Fisheries Institute estimate.

8.2.2 Nature of Commercial Fishing Activities

A variety of fishing techniques are employed. These include:

- Catching with fixed nets
- Catching with cone-shaped nets at various water depths
- Use of seines generally at distances of greater than 1 kilometre from the shore
- Use of fish pumps

Sprat fishing is conducted at night using powerful lights to attract the sprat to the surface. Sprat are then harvested using coned shaped nets fished vertically, or by means of fish-pumps. These techniques are conducted in water near the surface so there is no risk of gear becoming fouled in the sub-sea pipeline or related structures.

Trawling and other bottom fishing techniques are not used in the project area. There is one fisheries research vessel that undertakes trawling annually at certain prescribed sampling locations around the Caspian Sea, though not in the immediate vicinity of the ACG or Shah Deniz project areas.

8.2.3 Project Impacts and Mitigation Measures

With respect to commercial fishing activities, inquiries were directed towards assessing potential impacts of the sub-sea pipeline and platforms that might arise from the following:

- Impacts on commercial fishing through imposition of extended “exclusion zones” (for proposed offshore platforms and new Shah Deniz sub-sea pipeline alignments)
- Restrictions on fishing activities during the construction process
- Impacts on commonly used navigation routes, leading to possible longer sailing distances and increased operating costs

Impacts of Extended Exclusion Zones

As described in Section 2.7, the exclusion zones over the sub-sea pipelines are not expected to curtail commercial fishing operations. Areas within the exclusion zones can generally still be fished, provided ships don't anchor, trawl or use other bottom fishing techniques.

Exclusion zones that extend 500 metres around the offshore platforms will be off limits to all vessels, including those engaged in fishing. The exclusion zones around the platforms will not, however, impinge on any of the established commercial fishing grounds.

The conclusion from discussions with the stakeholders listed in Section 8.1 was that the extension of “exclusion zones” will have no impact on commercial fisheries operations.

Impacts during Sub-Sea Pipeline and Platform Construction

The sub-sea pipelines will be laid using a lay barge which is held in position and manoeuvred using an array of 8-10 anchors. These anchors extend 600 to 700 metres either side of the pipeline from the barge, depending on the water depth. Other anchors, used to move the pipeline forward, may extend 500-600 metres fore and aft of the lay barge. Two anchor handling tugs will be employed to shift the anchors.

Offshore pipeline installation will occur within a construction exclusion zone that extends for 1,000 metres across the existing Early Oil Project pipeline corridor. During installation, exclusion buoys placed to form a “box” around the lay barge to prevent other vessels from encroaching. As pipe laying progresses, the exclusion buoys will be moved along the route. The pipe laying operation will be continuous with the barge moving progressively forward as sections of the pipe are welded, inspected, coated and deployed. The barge will take approximately 30 months to lay the ACG sub-sea pipelines.

While being laid within the existing Early Oil Pipeline sub-sea pipeline corridor, the ACG pipeline will pass through the Makarov Banks and Oil Rocks fishing grounds. The lay barge will move forward at a rate of up to 3 kilometres per day, so impacts on navigation and fishing activities at any given location will be localised and short in duration. Commercial fishing operators consulted over the detailed pipeline routes indicated that provided they are given one month's notice, they will be able to schedule their fishing activities to occur at alternative fishing grounds for the duration of construction over the Makarov Banks and Oil Rocks fishing grounds.

The conclusion from discussions with fishing stakeholders was that pipe-laying operations will have little or no impact on commercial fleet navigation and fishing activities.

Mitigation Measures:

Mitigation measures will include:

- Issue of formal international marine advisories by the MENR Licensing Department to warn all local shipping of the changed navigation conditions
- Deployment of warning buoys consistent with international maritime dredging operations around the sub-sea pipeline-laying area.
- One month's prior notice to commercial fishing fleet as to when activities will impinge on the Makarov Banks and Oil Rocks fishing grounds

Impacts on Navigation

Following construction, the sub-sea pipelines will have little or no impact on fishing fleet movements to and from fishing fields. Vessels will be free to move through the pipeline exclusion zone as they wish, subject to constraints on anchoring.

The offshore platforms will be protected by exclusion zones. The platforms are outside of areas commonly used for fishing fleet movements, so direct impacts on fishing fleet operations and costs should be minor or non-existent.

Mitigation Measures:

To minimize risks to other marine users, the project will:

- Liaise with the Ministry of Navy to establish exclusion zones over all new pipelines
- Provide detailed information on new sub-sea pipeline alignments (eg. part of Shah Deniz sub-sea pipelines) for updating of maritime charts.

8.2.4 Conclusion

The consensus amongst interviewed stakeholders was that construction and operations of the ACG and Shah Deniz sub-sea pipelines and offshore platforms would have no impact on the incomes and livelihood of existing commercial fishing operations. It was noted that the sub-sea pipeline installation barges would result in short-duration changes in conditions for navigation, and a need to adjust fishing schedules to avoid the Makarov and Oil Rocks fishing grounds during pipe laying. Warning buoys consistent with international maritime dredging operations will be deployed around the sub-sea pipeline-laying barge. Warnings about the project works areas will be published in official maritime advisories routinely issued by the MENR Licensing Department.

8.3 Impacts on Informal Fishing Activities

8.3.1 Background

While offshore fishing in the Caspian Sea is prohibited for local people and subject to heavy penalties, informal fishing forms an important source of income for many households in the coastal towns in the vicinity of the project. These include the settlements of Sahil, Umid, and Sangachal.

Economic restructuring in the post-Soviet era has led to the demise of many local industries with a consequent loss of wages employment. In Sangachal, 54 percent of the workforce is unemployed. In Umid and Sahil, the unemployment rates are 78 percent and 63 percent respectively. Due to the very limited available municipal arable or grazing land around these settlements, many households resort to fishing as one of the few resources accessible (albeit illegally) to them for obtaining food and income.

Focus group discussions with Caspian coastal communities that were conducted in 1996 as part of World Bank sponsored research (Kudat, 1999), revealed that many households resort to fishing whenever a boat is available and they feel they can fish without being detected. Fishing is not a preferred form of earning a livelihood, but a holding strategy until such time as economic conditions improve and other employment avenues become available (Kudat, 1999).

The extent of informal fishing activities and their importance to local community economies is difficult to quantify. Catches are commonly sold through local and sometimes international black markets, or through informal channels such as by sale to friends and neighbours.

8.3.2 Locations of Informal Fishing Activities

Informal fishermen operate right along the Azerbaijan Caspian Sea coast, predominantly within 2-3 kilometres of the shore. The majority of informal fishing activities are conducted from small, outboard engine powered boats. Safe operation of these craft is generally restricted to the semi-sheltered and shallower waters near the shore. Even so, operation of such small craft in the Caspian Sea is inherently dangerous and numerous informal fishermen lose their lives in boating mishaps each year.

It should be noted that fish traps and gill nets were removed from the ACG pipeline corridor during construction of the Early Oil Project pipeline in 1996-1997 and thus near-shore ACG

project works areas are largely free of informal fishing traps and structures. There was, however, one fish trap that extended into the proposed pipeline construction corridor. Details of this trap are provided in Section 8.3.5.

8.3.3 Types of Informal Fishing

By far the most common mode of informal fishing is based on use of hook and line from small outboard powered boats. Preferred target species is the sturgeon, though other species such as roach and carp, are also widely taken. This mode of fishing is popular as the boats are fast and agile for eluding fisheries patrols, and gear can easily be jettisoned in the event of discovery.

Moveable gill nets and shore based fish traps are also deployed, though to a lesser extent. Gill nets tend to be anchored and marked with buoys and checked periodically. There are reportedly around 15 to 20 gill nets that may be affected by construction activities along the western edge of the Shah Deniz pipeline corridor.

8.3.4 Relocation of Fish Trap from Sangachal Foreshore

For survey and construction of the ACG Phase 1 sub-sea pipeline, it was necessary to relocate a fish trap operated informally in Sangachal Bay. The fish trap was located about 3 kilometres to the north of the Early Oil Project jetty and extended into the 1000-metre wide sub-sea pipeline construction corridor. The fish trap consisted of a series of nets permanently installed in Sangachal Bay, running out into the sea for 500-600 metres. The nets extended to the sea floor to depths of 6-8 metres. The nets were weighted and positioned with posts driven into the seabed. They were checked twice a day for fish, using a wooden punt. The trap was worked by 8-10 residents from Sahil and Sangachal. As all fishing structures had previously been removed, the fish trap had apparently been erected in this location following construction of the Early Oil Pipeline.

On advice from the project surveyors that their trap extended into the construction corridor, the fishermen lifted the trap using their own resources in the period 20-25 September 2001. The fishing trap was reinstalled at another undisclosed location in early November. In March 2002, BP staff were approached by the leader of the fishermen as they were experiencing difficulties with securing the net at the replacement location during rough weather, as water depth was greater than at the original site. Given that fish trapping is prohibited, the project was not able to offer direct assistance towards securing the net. An offer was made to assist the fishermen to find alternative employment. The fishermen declined on the grounds that their present activity was lucrative and that they were not interested in other work. To date the fish trap operators have not received any assistance from the project, but means will be sought to include them in the Community Investment Program.

8.3.5 Project Impacts and Mitigation Measures for Informal Fisheries

Nature of Impacts

The majority of the project offshore works are situated beyond the near shore zone where informal fishermen operate. With the exception of one recently erected fish trap, near-shore illegal traps and platforms in the ACG sub-sea pipeline corridor were removed prior to construction of the Early Oil Project sub-sea pipeline during 1995-97.

Construction of the Shah Deniz sub-sea pipeline may possibly entail relocation of a number of gill nets presently located within the construction corridor. The project will continue to make every effort to locate the owners of these gill nets, or at least to disseminate information about the need for them to be relocated prior to Shah Deniz sub-sea pipeline construction start. It is hoped that nets will be removed prior to construction commencing thus preventing any loss of equipment by the informal fishermen. At the start of construction, attempts will be made to salvage any remaining nets which may subsequently be claimed by their owners.

Construction and operation of the sub-sea pipelines are not anticipated to have any other direct adverse impact on informal fishing activities. Small craft-based hook and line and gill net fishing will be no more or less adversely affected by the ACG and Shah Deniz pipelines than by the existing Early Oil Project Operation. During the construction phase, there are extensive areas to the north and south of the sub-sea pipeline alignment for small craft to practice to continue fishing. During the operations phase, informal fishermen will have access to the same areas as they do now, with the exception of some areas of the immediate foreshore where the sub-sea pipelines make landfall that will be closed to the public for security and safety reasons.

Mitigation Measures

Project measures to address informal fisheries impacts are preventive rather than based on compensation. Under the provisions of their Host Government Agreements, the Project Sponsors cannot be seen to condone or support activities that are illegal under Azerbaijan law. Measures to avoid impacts on informal fishing activities are as follows:

- New sub-sea pipelines will be located within the existing Early Oil Project sub-sea pipeline corridor to avoid new impacts on coastal informal fish traps and fishing areas.
- Information on the project construction corridor, timing of construction works, and the need to remove all gill nets from the projects' construction areas has been and will continue to be widely disseminated in adjoining communities to give informal fishermen every opportunity to recover their equipment ahead of construction commencement.
- Construction contractors will attempt to salvage any remaining nets found in the construction corridor which may subsequently be claimed by their owners.
- The project will maximize opportunities for local workers to participate in project construction and operations, thus indirectly reducing their reliance on informal fishing.
- Project Sponsors will support community investments in Sahil, Umid and Sangachal to the order of USD 2.0 million to provide employment and economic opportunities to further reduce reliance on informal fishing activities (see also Section 8.4).

At time of writing (August 2002), 685 skilled and 161 unskilled workers had been recruited into the Sangachal Terminal construction work force from the townships of Sangachal, Umid, Sahil and Baku.

8.4 Community Investment Program (CIP)

The community investment strategy for the ACG Project will be described in the forthcoming *Environmental, Social and Economic Review of Azeri, Chirag & Gunashli Full Field Development and Export in the Regional Context*. This will define a phased program of community investment for local communities, extending beyond those directly affected by the project.

ACG Phase 1 has committed to community investment in the local towns and villages totalling USD 2.0 Million over the period 2002 to 2004. Subject to the project being sanctioned, Shah Deniz will undertake social investments of a similar magnitude, also targeting local employment creation.

A contract for the design and implementation of a community development program has been awarded to World Vision and is targeted towards the communities of Sangachal and Umid. The objective of the community development program is to achieve an improvement in the quality of life in the targeted communities through implementation of community-led micro-projects in each community. A baseline community survey and needs assessment has been completed. Community Development Committees comprised of local community members have been established and communities have expressed willingness to participate in implementing small projects, especially in the areas of infrastructure, income generation, education, health and recreation activities. Micro-projects will be based upon the community needs assessment and implemented by the community with training and support provided by World Vision.

As part of the ACG Phase 1 CIP, further plans will be developed looking at capacity-building projects to foster economic development and skills enhancement. These will include Sahil communities that have not been targeted in the initial programme. A request for proposals has been prepared.

8.5 Summary of Mitigation Measures

- Alignment of new sub-sea pipelines so far as possible within the existing Early Oil Project sub-sea pipeline corridor to avoid new impacts on coastal informal fish traps and fishing areas.
- Commitment to maximize the opportunities for the local workforce to participate in project construction and operations as a measure to reduce the need to rely on prohibited fishing activities.
- To undertake social investment focusing on Sahil, Umid and Sangachal aimed at (i) improving local living standards; and (ii) creating alternative employment opportunities for the local workforce to, amongst other objectives, reduce reliance on informal fishing.
- Issue of formal international marine advisories by the MENR Licensing Department to warn all local shipping of the changed navigation conditions.
- Deployment of warning buoys consistent with international maritime dredging operations around the sub-sea pipeline-laying area
- Liaise with the Ministry of Navy to establish exclusion zones over all new completed pipelines
- Commitment to provide detailed information on new sub-sea pipeline alignments (eg. part of Shah Deniz sub-sea pipelines) for updating of maritime charts.
- Information on the project construction corridor, timing of construction works, and the need to remove all gill nets from the projects' construction areas has been and will continue to be widely disseminated in adjoining communities to give informal fishermen every opportunity to recover their equipment ahead of construction commencement.

9. Consultation and Disclosure

9.1 Public Consultation and Disclosure Plan

A Public Consultation and Disclosure Plan has been prepared as part of environmental and social impact assessment (ESIA) for both Azeri Chirag Gunashli Full Field Development Phase 1 and Sangachal. Some of the public consultation and disclosure activities completed to date by the two projects are listed below :

- Public meetings were held in Sahil (28 June 2001, 9 November 2001 and 22 January 2002) and Sangachal (29 June 2001, 10 November 2001, and 19 January 2002) to explain the Early Civil Program, ACG Phase 1 and Shah Deniz Stage 1 projects to local communities and seek their feedback.
- An international NGO, the Azerbaijan-Holland Friendship Society, was engaged by the Operator to carry out a community needs study in Sangachal and Umid and to gather feedback about local community concerns and interests arising from the terminal extension project.
- Between June 2001 and March 2002, a series of workshops were held with Azerbaijan NGOs, academic and research interests as part of respective project ESIA scoping and stakeholder consultation meetings. Representatives from more than 30 academic groups and 20 NGOs were represented at these meetings.
- Meetings were held with ten local services and utility providers with infrastructure in the vicinity of project works areas to assess likely project impacts and to develop strategies for avoiding disruption to services.

For a more detailed description of general project consultation and disclosure activities, reference should be made to the *Azeri Chirag Gunashli Full Field Development Phase 1 Environmental and Socio-Economic Impact Assessment* (March 2002) and the *Shah Deniz Stage 1 Gas Export Project Environmental and Socio-Economic Impact Assessment* (March 2002) as well as the respective Public Consultation and Disclosure Plans.

9.2 RAP Consultation Activities

A log of resettlement planning related consultations that were carried out with project affected people, government agencies responsible for aspects of their welfare and other project stakeholders, is included in Appendix A. These consultations were specifically for resettlement planning purposes and do not include a much wider range of public meetings, NGO workshops and other consultations that were undertaken as part of broader project ESIA preparation. Interactions with the principal affected groups are summarised in the Appendix.

Each of the project-affected groups has been regularly consulted for a period extending over nine months. With each group, the Operator has developed a dialogue whereby project land requirements (where applicable) and resettlement impacts have been presented, options for compensation and resettlement assistance have been canvassed and groups have been given time to consider their preferences. In two instances, the café-garage owner and Ahmedov pastoralists,

the groups have changed their preferences during the course of consultations and the Operator has been able to accommodate these changes in final compensation arrangements.

9.3 Consultation and Disclosure for Informal Fishing Interests

As noted in Chapter 8, in spite of the Operator's efforts, it was not possible to have any direct consultation with illegal fishermen. The Operator undertook the following measures to disseminate information to local illegal fishing interests about the project works and the need to relocate fishing nets away from works areas.

- Announcements about the areas that would be affected by sub-sea pipeline surveys and construction activities were made at public meetings in Sahil (held 9 November 2001 and 22 January 2002) and Sangachal (held 10 November 2001 and 19 January 2002), where the majority of illegal fishermen operating in the project area are thought to reside. At the public meetings, fishermen were advised to relocate their nets prior to construction commencement.
- During September and October 2001, the Operator's land acquisition team met with local community leaders and other key informants in Sangachal, Umid and Sahil to spread information about the need for illegal fishermen to recover their nets from within the project's sub-sea pipeline construction corridors.
- The Operator approached the MENR and local police for assistance in locating owners of unlicensed nets to no avail.

Quite large number of residents in the coastal communities of Sangachal and Sahil are believed to engage in unlicensed fishing activities (though most use boats and hand lines rather than gill nets). Given the level of publicity about the project and its sub-sea pipelines within the three communities, it is assessed that information about the potential impacts on nets in the construction corridor will have reached a large proportion of the unlicensed fishing community.

9.4 RAP Disclosure

The RAP will be disclosed locally and internationally.

Local disclosure will include:

- Presentation to each project affected group of an Azeri language version of the full RAP outlining key resettlement principles and compensation entitlements – to be undertaken in November 2002. Discussions will be held following the presentations and feedback will be sought. If necessary, any changes to resettlement procedures and entitlements will be incorporated.
- Exhibition of Azeri and Russian language versions of a Summary of the RAP at community information centres that have been established by the Operator in central locations within Sangachal, Umid and Sahil as well as in Baku.

A Summary of the RAP will be disclosed to local communities for public comment and feedback. The Summary RAP will also be disclosed with the ESIA documentation in the World Bank InfoShop, Washington DC, EBRD's Business Information Centre, London, and EBRD's

Resident Office, Baku for 120 days before IFC and EBRD's Boards make a financing decision on the project. It will also be accessible on the Project Sponsors' project website.

9.5 Grievances and Dispute Resolution

9.5.1 Objectives

This section describes the avenues that are available for project-affected people to make a complaint or express a grievance against the project, its staff or contractors. It also describes procedures, roles and responsibilities for addressing grievances and resolving disputes.

In the first instance, the Operator will always endeavour to address any grievance or complaint directly with the complainant in order to arrive at a mutually acceptable solution. The project's procedures are not, however, intended in any way to usurp the rights of project affected people to have recourse to Azeri prejudicial or judicial avenues for dispute resolution.

Objectives of the grievance process are as follows:

1. To provide project affected people with straightforward and accessible avenues for making a complaint or resolving any dispute that may arise during the course of the project.
2. To ensure that appropriate and mutually acceptable corrective actions are identified and summarily implemented to address complaints.
3. To verify that complainants are satisfied with outcomes of corrective actions.
4. To avoid the need to resort to judicial or pre-judicial proceedings.

The grievance process that will be followed is summarized in Figure 11. Key steps of the grievance process are as follows.

Step 1 – Complaint is received

Complaints received either directly by project staff, community elders, or local government officers will be recorded in a Grievance Log. Local elders and government officials will be advised of contact details for the Operator's Community Liaison Officer and procedures to follow in the event a complaint is received. The Community Liaison Officer will be based at the Sangachal Terminal. The Sangachal Terminal Health, Safety and Environment (HSE) Manager will maintain the log. The initial log entry will include a description of the grievance, details of the person lodging it and the date it was received.

Step 2 – Determination of Correction Action

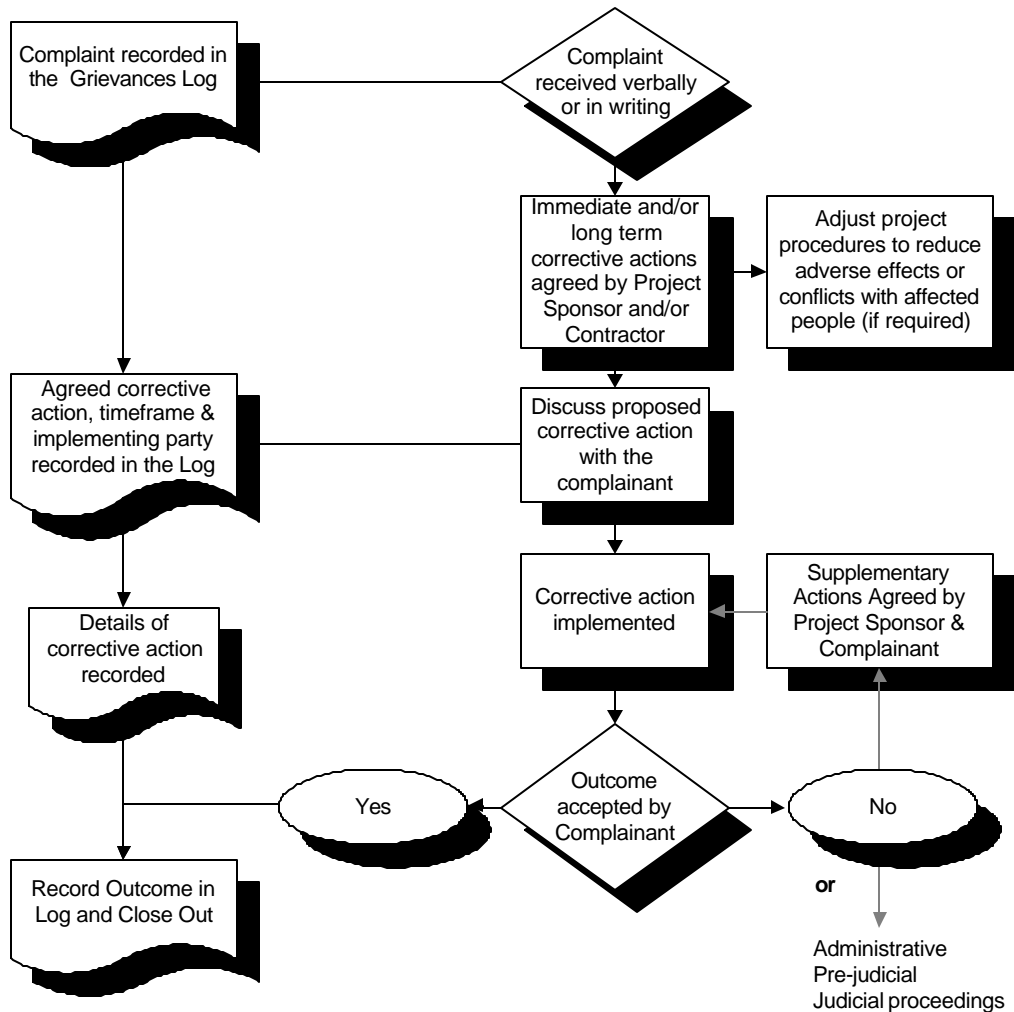
The Operator will consider the complaint and determine an appropriate corrective action, in consultation with the construction contractor, or complainant, if required. The nature of the corrective action, the timeframe within which it is to be completed and the party to be responsible for implementing the action will be recorded in the grievance log.

Step 3 Discussion with Complainant

The proposed corrective action and the timeframe for its implementation will be notified to and discussed with the complainant within 15 days of the receipt of the original complaint. Where

applicable, agreement to proceed with the corrective action will be obtained from the complainant.

Figure 11 Grievances Process



Step 4 Corrective Action is Implemented

The corrective action will be carried out by the project within an agreed timeframe. The date when the corrective action is completed will be recorded in the grievance log.

Step 5 Outcome of the Corrective Action is Verified with the Complainant

Following completion of the corrective action, the outcome will be verified with the complainant by the Operator’s Community Liaison Officer. The complainant will be asked to sign off on their acceptance of the solution. In the event the complainant remains dissatisfied with the outcome, additional corrective action may be agreed and carried out by the Operator or their construction contractor.

Step 6 Other Avenues

In the event the complainant is still dissatisfied, and no satisfactory response can be negotiated, the complainant has recourse to the pre-judicial and judicial processes available under the Azerbaijan *Land Code* and *Civil Code*.

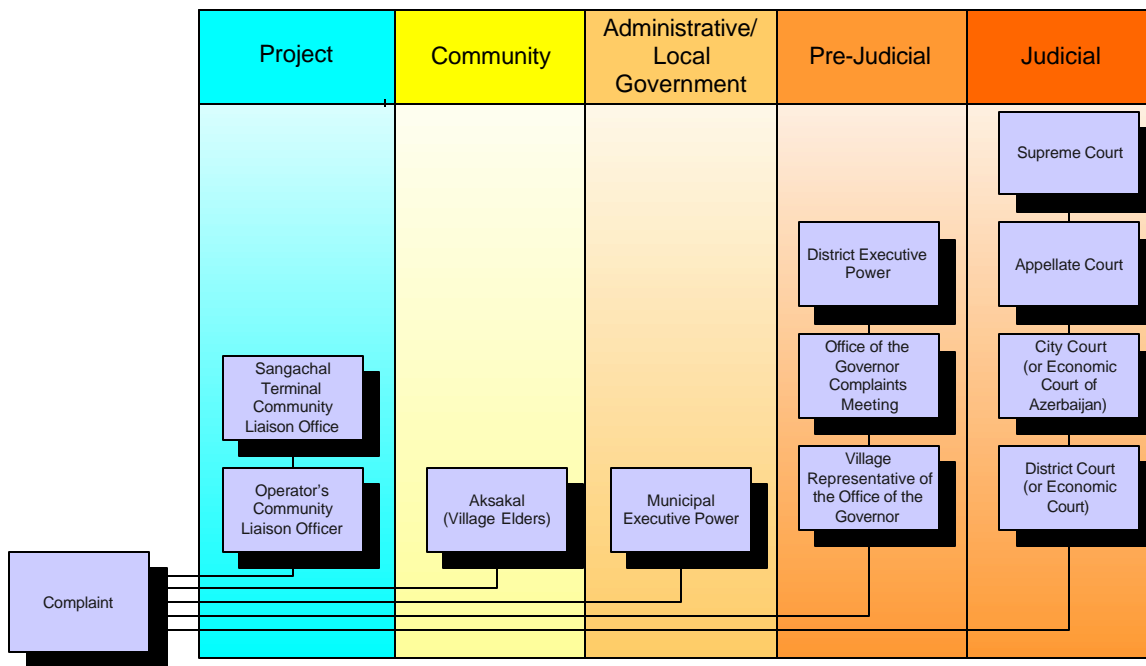
9.5.2 Avenues for Project Affected People to Seek Redress

Project affected people will be advised of avenues available for lodging a complaint in a RAP summary pamphlet that will be distributed in the local language to all project affected groups and enterprises. Complaints will be accepted orally or in writing.

Avenues for project-affected people to lodge a complaint are summarized in Figure 12. People will have the option of making an initial complaint either through community elders, the village administration or directly to the project. The project will brief all relevant village, district and municipal officers to advise them of key project contact points and encourage them to refer any complaints directly to the project so that they can swiftly be addressed.

In the event a project affected person feels compelled to pursue a judicial resolution, the project will fund a national level legal NGO to advise to their the complainant on his or her legal rights and to assist with lodgment of a claim.

Figure 12 Avenues for Project Affected People to Seek Redress



Jurisdictions of municipal and district executive authorities, and district and higher courts for addressing different types of land, commercial and other disputes are defined in the *Land Code*, *Civil Code* and *Civil Procedures Code*. Azerbaijan law encourages complainants to make use of

administrative and pre-judicial avenues to seek redress prior to pursuing judicial resolution. Complainants have appellant rights and can pursue grievances up to the Supreme Court.

Table 19 Grievance Roles and Responsibilities

Task	Land acquisition/pre-construction	Construction	Operations and Maintenance
Receive complaints and grievances	<p>Project: Operator's Community Liaison Officer</p> <p>Community: Village Aksakal (Council of Elders)</p> <p>Local Administrative: Village Representative of the Office of the Governor</p> <p>Pre-Judicial / Judicial: Head of Municipality District Executive Authority District Court (or Economic Court)</p>	<p>Project: Operator's Community Liaison Officer</p> <p>Construction Contractor's Community Relations Office</p> <p>Community: Village Aksakal</p> <p>Local Administrative: Village Representative of the Office of the Governor</p> <p>Pre-Judicial / Judicial: Head of Municipality District Executive Authority District Court (or Economic Court)</p>	<p>Project: Operator's Community Liaison Officer</p> <p>Community: Village Aksakal</p> <p>Local Administrative: Village Representative of the Office of the Governor</p> <p>Pre-Judicial / Judicial: Head of Municipality District Executive Authority District Court (or Economic Court)</p>
Maintain Grievance Log	Sangachal Terminal HSE Manager (or other entity receiving complaints)	Sangachal Terminal HSE Manager (or other entity receiving complaints)	Sangachal Terminal HSE Manager (or other entity receiving complaints)
Determine appropriate corrective actions and implementing responsibilities	Operator's Community Liaison Officer, with Sangachal Terminal HSE Manager or: Head of Municipality District Executive Authority District Court (or Economic Court)	Operator's Community Liaison Officer, with Sangachal Terminal HSE Manager or: Head of Municipality District Executive Authority District Court (or Economic Court)	Operator's Community Liaison Officer, with Sangachal Terminal HSE Manager or: Head of Municipality District Executive Authority District Court (or Economic Court)
Sign off on satisfactory outcome	Complainant, Community Liaison Officer	Complainant, Community Liaison Officer	Complainant, Community Liaison Officer
Verification that corrective action has been complete / close out	Sangachal Terminal HSE Manager	Sangachal Terminal HSE Manager	Sangachal Terminal HSE Manager
Monitoring	Sangachal Terminal Community Liaison Officer and third party external resettlement monitor		

9.5.3 Dispute Resolution

A variety of dispute resolution mechanisms are available for use by the project. These may include the administrative dispute resolution mechanisms used for settling everyday matters at village and district levels (eg. the village aksakal, the village or district executive authority,), or may also sometimes entail establishing an expert panel to arbitrate on technical matters. Where disputes arise, the Sangachal Terminal HSE Manager shall propose an appropriate mechanism dependent on the nature of the grievance. The complainant may or may not chose to participate, and has recourse to prejudicial and judicial avenues if uncomfortable with direct negotiations with the Operator or their contractors.

9.5.4 Monitoring of Outcomes

The nature of grievances and effective performance of the grievance redress process will be monitored as part of both internal and external resettlement monitoring.

10. Monitoring and Evaluation

10.1 General

Objectives of resettlement monitoring for the Sangachal Terminal and associated works are threefold:

1. To monitor that actions described in the RAP are completed in a timely and efficient manner.
2. To monitor whether completed actions are effective in enhancing or restoring affected peoples' living standards and income levels.
3. To check that any grievances expressed by project affected people are followed through and that, where necessary, appropriate corrective action is implemented.

Primary responsibility for project resettlement monitoring will rest with the Operator. The Sangachal Terminal Community Liaison Officer will have day-to-day responsibility for undertaking monitoring of project-affected people throughout resettlement preparation, physical relocation and re-establishment periods. The Operator will also support expert monitoring by a panel of consultants as described above.

10.2 Monitoring Roles

Monitoring for the Sangachal Terminal Extension and Associated Offshore Works will occur at two levels:

- Internal monitoring by the Sangachal Terminal Community Liaison Officer
- Monitoring by a three-person panel of expert consultants to be supported by the Operator

The activities to be undertaken for internal and expert monitoring are described in the following sections.

10.3 Monitoring by Sangachal Terminal Community Liaison Officer

The Community Liaison Officer will undertake the following monitoring tasks:

- (i) verification that resettlement is occurring in compliance with the RAP;
- (ii) verification that agreed measures to restore and enhance living standards and livelihood are being implemented and in a timely fashion;
- (iii) identification of any problems, concerns, issues or cases of hardship resulting from the resettlement process;
- (iv) through regular open ended discussions with the affected families, enterprise owners and employees, assess affected parties' satisfaction with resettlement outcomes;
- (v) collate records of any grievances or complaints, follow up that appropriate corrective actions have been implemented and that complainants are satisfied with outcomes; and,

- (vi) prepare brief quarterly progress and compliance reports for the Sangachal Terminal HSE Manager and external monitor.

The Community Liaison Officer will receive training from the Operator's project resettlement specialist on (i) project commitments as defined in the project RAP; (ii) key indicators to be used for resettlement monitoring; (iii) basic, gender sensitive social assessment techniques; and, (iv) reporting requirements.

10.4 Expert Monitoring

The Operator will engage a three person panel of consultants to undertake six monthly reviews of project resettlement in order to achieve the following:

- To assess overall compliance with the RAP
- To verify that measures to restore or enhance project-affected peoples' quality of life and livelihood are proving effective
- To assess the extent to which the quality of life and livelihoods of affected communities have been restored

Activities that will be undertaken by the consultants include:

- (i) review internal monitoring procedures and reporting to ascertain these are being undertaken in compliance with the RAP;
- (ii) review internal monitoring records as a basis for identifying any areas of non-compliance, any recurrent problems, or potentially disadvantaged people;
- (iii) review grievance records for evidence of significant non-compliance or recurrent poor performance in resettlement implementation;
- (iv) hold discussions with the Sangachal Terminal HSE Manager and Community Liaison Officer to review progress and identify any critical issues;
- (v) conduct consultations with the café-garage owner and manager, Ahmedov herder families, and the former Azerbalyk State Fisheries Concern fishermen to gauge the extent to which their livelihood or income has been restored or enhanced as a result of the project;
- (vi) review progress on the community investment program and assess the extent to which it has created local employment opportunities;
- (vii) assess overall compliance with the RAP and OD 4.30; and,
- (viii) prepare a summary compliance report for the Operator and project international financiers on resettlement progress, any issues arising and any necessary corrective actions required.

10.5 Monitoring Program

Timing of internal and expert monitoring reviews is indicated in Figure 13.

10.6 Reporting

Resettlement monitoring reports will be prepared in accordance with the following table.

Table 20 Summary of Project Resettlement Monitoring Reports

Report Type	Frequency	Prepared By	For	Comment
Internal RAP Monitoring Report	Quarterly	Sangachal Terminal Community Liaison Manager	Sangachal Terminal HSE Manager; . (may also be reviewed by Expert RAP Monitoring Board during 6-monthly reviews)	4-5 page report summarising progress against the RAP: outline of any issues arising during the reporting period with any agreed actions; schedule of grievances and outcomes; summary of any meetings and consultations with PAPs.
Expert RAP Monitoring Report	Six monthly	Expert RAP Monitoring Panel, comprising 3 international resettlement consultants	ACG PSA parties	10-15 page report (plus supporting documentation) summarising assessment of progress towards living standard restoration, livelihood restoration; OD 4.30 standards compliance; discussion of any related issues; identification of areas of non-compliance and agreed corrective actions; and summary of resettlement status.
RAP Completion Audit Report	One-off, 24 months following completion of physical resettlement or at such time as Expert RAP Monitoring Panel assesses living standards & livelihoods restoration is complete, whichever occurs soonest.	Expert RAP Monitoring Panel	ACG PSA parties	RAP Completion Audit to verify that the Project Sponsors have complied with undertakings defined in the RAP and that land acquisition and compensation has been completed in compliance with OD 4.30 principles.

Abbreviations: HSE: Health Safety and Environment

10.7 Resettlement Final Completion Audit

A key objective of the RAP is that resettlement actions and mitigatory measures should lead to a sustainable restoration or enhancement of affected peoples' pre-project living standards and income levels. At such time as affected peoples' quality of life and livelihood can be demonstrated to have been sustainably restored, the resettlement process can be deemed "complete". The three-person panel of consultants engaged to conduct the annual reviews of the project will undertake this audit.

11. Costs and Budgets

Project budgets for acquisition of private land and resettlement activities are summarized in the following table. The Overall budget for land acquisition, compensation, and resettlement activities is \$151,000. In addition, the Project Sponsors will fund community development activities to the order of USD 2.0 million. Community development activities will be extended to populations beyond those directly affected by the project.

Table 21 Budget for Private Land Acquisition and Resettlement

Item	Budget (USD)	Comment	Timing	Source of Funds	Channel of Disbursement
A. Compensation					
Compensation payments (cash and in-kind) to project affected groups	44,000		August 2001 to July 2003	Operator	BP
B. Land Transfer and Notarization Costs					
Land transfer & notarization costs	5,000	Costs of survey, notarization, titles registration	January to July 2003	Operator	BP
C. Monitoring and Reporting					
Internal RAP monitoring	Quarterly reviews by Sangachal Community Liaison Officer (included in Operations budgets)			Operator	BP
External RAP monitoring	42,000	5 no. x 6-monthly reviews	January 2003 to July 2005	Operator	BP
D. Community Investment (Social Investment)					
Community development program	2.0 million	Funding for community needs driven micro-projects	2002-2004	Operator	World Vision
E. RAP Preparation and Management¹					
Consultancy	40,000	RAP preparation, social surveys	Nov 2001 – July 2002	Operator	BP
Training	10,000	Training of internal monitors	July 2002	Operator	BP
F. Contingency					
10 % of Items A-C, E	14,000				
Grand Total	2,151,000				

11.1 Source of Funds

The Project Sponsors will, in the first instance, provide all the funds necessary for private land acquisition, compensation and related resettlement activities. Costs will then be offset against future project revenue streams to SOCAR as defined under provisions of the PSA.

11.2 Responsibility for Disbursement

The Operator, BP, is responsible for disbursement of all compensation funds. Wherever possible, BP will follow the principle of “hand-to-hand” payment, directly to entitled project affected people.

11.3 Allowance for Contingency

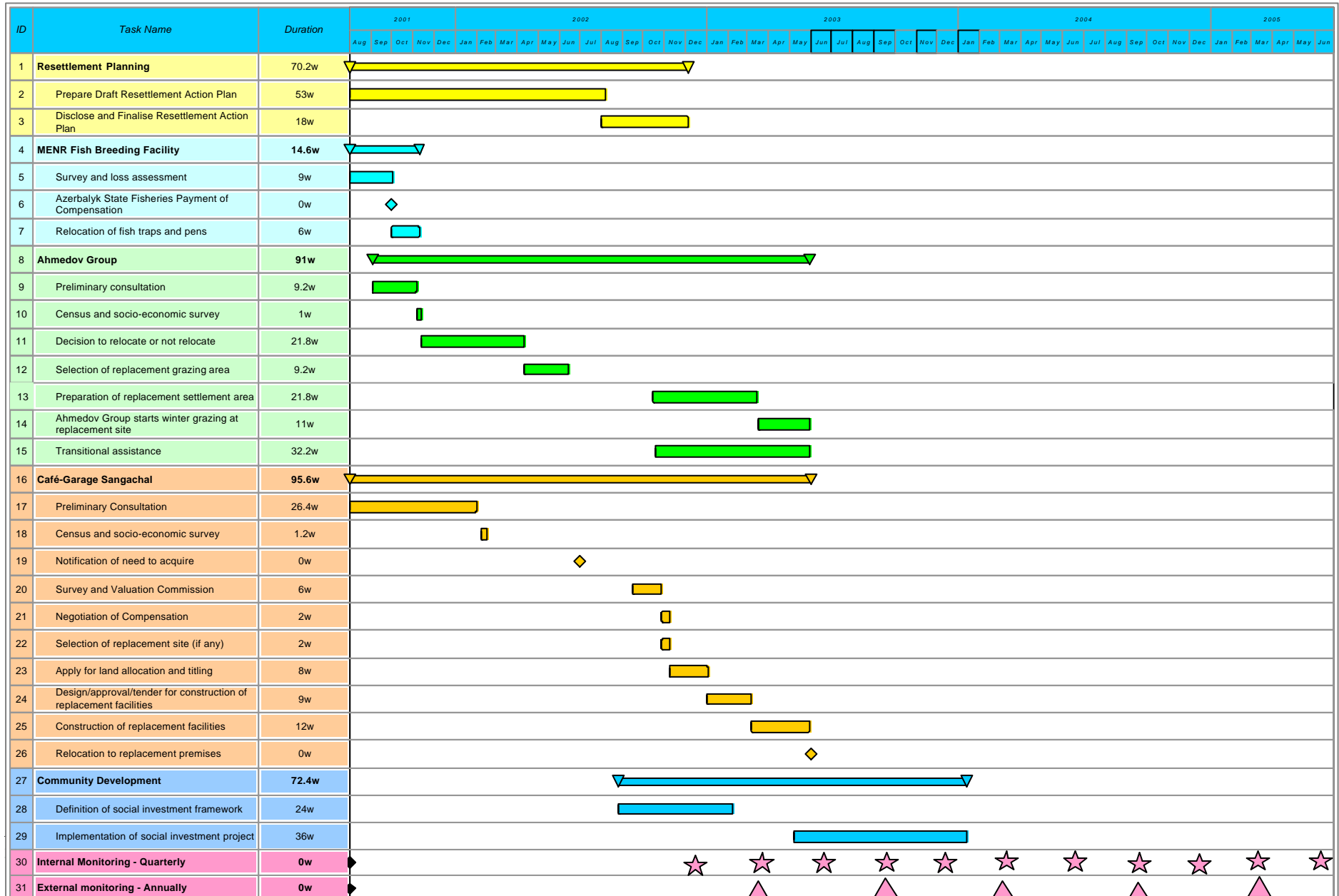
The budget is funded in United States dollars, so that risks arising from local currency devaluation are minimized. Compensation will be disbursed in Azerbaijan Manats.

A contingency allowance for unforeseen costs of 10 percent has been included in the budget.

12. Schedule for Implementation

The schedule for project resettlement activities is summarized in Figure 12.

Figure 13 Resettlement Implementation Schedule



13. Conclusion

Close attention has been paid to understanding the very different needs of the five project affected groups, and to tailoring compensation measures and assistance that are responsive to each group's particular circumstances. Within the framework defined by the World Bank Group, all the groups affected by the Sangachal Terminal, with the exception of the MENR Fish Breeding Facility, are potentially vulnerable as to varying degrees they are reliant or partially reliant on informal relationships that give them access to land or fisheries resources, or they are engaged in activities that are prohibited or even unlawful. Care has been taken to research the informal activities and relationships that underpin several of the affected groups' access to resources and livelihood. Wherever possible, the project has sought to improve the security of land tenure of affected groups (the Ahmedov herders), or through social investment, to promote activities that reduce reliance of local communities on illegal exploitation of resources (informal fishermen).

Preferences expressed by affected people have been (and will be) taken into account in identifying replacement land and determining the types of compensation that are offered. In the case of the Ahmedov herder family, a change in their preference to be relocated from their existing settlement was accommodated during RAP preparation.

With respect to achieving compliance with *OD 4.30*, resettlement planning has addressed the following matters:

- (i) SOCAR, the Project Sponsors and their operator have been familiarized with World Bank Group involuntary resettlement requirements and are committed to their application for the Sangachal Terminal extension and offshore works.
- (ii) A range of alternatives for project development were considered during project planning and design. The selected alternative, that will involve extension of the existing Sangachal Terminal and use of sub-sea pipeline routes that will largely follow Early Oil Project pipeline corridors, results in significantly less land acquisition and potential impacts on near-shore fishing activities. Need for physical relocation and impacts on livelihood have been minimized.
- (iii) The legislative framework for the project has been reviewed and where gaps exist between the laws of Azerbaijan and requirements of *OD 4.30*, measures have been implemented to promote compliance with whichever is more stringent.
- (iv) Absence of legal title has not precluded project affected groups from receiving resettlement assistance or compensation.
- (v) For the two land-based groups affected by the need to physically relocate (the Ahmedov group and the café-garage enterprise), the option of land-for-land and replacement buildings has been offered. Alternative replacement locations have been presented to the Ahmedov family and café-garage enterprise.
- (vi) Resettlement planning has occurred in close consultation and with participation of project affected groups and other stakeholders. Alternatives for replacement land have been offered to the Ahmedov family and discussed with the café-garage enterprise.

- (vii) Limited consultation has been possible with informal fishermen involved in near-shore gill netting, however information about the project has been presented at public meetings in their home communities and opportunities have been provided for their input and comment. Clear information has been widely disseminated on the need for fishermen to remove their nets from the pipeline construction corridor,
- (viii) Adequate resources (personnel, budget and training) have been allocated for ongoing monitoring so that any cases of hardship or non-compliance with *OD 4.30* can be identified early and appropriate corrective action implemented. Third party external monitoring and a completion audit will also be undertaken.
- (ix) Project grievance procedures have been established. Avenues for project affected people to lodge a complaint have been publicized. In the event project affected people are unhappy with valuations or compensation packages and are not satisfied with awards from the project, they can pursue action through the district court.

Appendix A Log of Consultations Completed During RAP Preparation

Date	Location	Attendees	Topic	Outcome
Gobu Cattle Breeding Enterprise & Ahmedov Pastoralist Family				
15.9.01	Yeddi Agil State Cattle Breeding Enterprise (GSCB), Gobu Village, Absheron District	Samedov Balaga (Director, GSCBE) Yasin Mustafayev (GSCBE) Rasul Mustafa Nagiyev Vagif Eyub (GSBE) Rebecca Middleton (BP) Yousif Aleskerov (BP) Ahmad Gashamoglu (independent sociologist)	To clarify numbers & status of pastoralists using areas around the Sangachal Terminal; to explain impacts of terminal expansion.	Exchange of information on project & activities of pastoralists using the terminal area.
28.9.01	Ahmedov pastoralists' winter settlement, near Sangachal terminal	Samedov Balaga (Director, GSBE) Ahmedov Rizvan (pastoralist family head) Ahmedov Telman (Leader of Ahmedov Group, GSBE) Javadov Fikret (vet for GSBE) Yousif Aleskerov (BP) Ian Sizer (BP) Richard Kingham (BP) Ahmad Gashamoglu (independent sociologist)	To explain need for Sangachal terminal extension to affected pastoralists; to gather information about pastoralists activities on the site.	Exchange of information
22.10.01	Ahmedov pastoralists' winter settlement, near Sangachal terminal	Ahmedov Rizvan (pastoralist family head) Robert Barclay (RAP consultant) (Rep. from Absheron District, part of meeting)	General conditions & activities of the pastoralist family	Exchange of information.
1.11.01	BP Villa Petrolea, Baku	Samedov Balaga (Director, GSBE) Yousif Aleskerov (BP) Robert Barclay (BP)	Clarify role of the Gobu State Cattle Breeding Enterprise and relation to the affected herders	Exchange of views & information

Appendix A Log of Consultations Completed During RAP Preparation cont.

Date	Location	Attendees	Topic	Outcome
Gobu Cattle Breeding Enterprise & Ahmedov Pastoralist Family cont.				
6.11.01-9.11.01	Ahmedov pastoralists' winter settlement, near Sangachal terminal, & in summer grazing area, Yerfizaf Village, Guba.	Ahmedov family members Synergetics social assessment team.	Census of family members. Interviews/socio-economic survey & preliminary survey of buildings & assets.	Census & socio-economic report
2.5.02	BP Villa Petrolea, Baku	Balaga Samedov (Director, GSBE) Salekh Rza-zadeh (BP) Arif Mughanlinsky (BP) Mamed Kuliyeu (BP)	To confirm status of Ahmedov land use at Sangachal. To discuss option of relocation.	Mr. Samedov confirmed Ahmedov use of land is informal & agreed to approach Garadagh & Absheron Executive Powers re: allocation of replacement land
26.3.02	Ahmedov winter settlement, near Sangachal settlement	Ahmedov Rizvan (pastoralist family head) Mamed Kuliyeu (BP)	Discussion on preference for staying vs. relocation	Rizvan Ahmedov expressed interest in relocation.
11.04.02	Ahmedov winter settlement, near Sangachal settlement	Ahmedov Rizvan (pastoralist family head) Mamed Kuliyeu (BP) Arif Mughanlinsky (BP) Yusif Aleskerov (BP)	Request from Ahmedov Rizvan for assistance to resettle to another location	BP to discuss request with Balaga Samedov, YASCBE.
21.10.02	Gum Ataki replacement land, Gobustan	Telman Ahmedov (Head Grazer) Balaga Samedov (Director GSCBE) Mamed Kuliyeu (BP) Agemekhthi Rzaev (BP) Ian Sizer (Sangachal HSE Manager) Rebecca Middleton Lynn McBrien	Discuss preparation of Gum Ataki building & yards Run through proposed RAP entitlements	Agreed BP to construct new dwellings about 30 metres away from existing structures (rather than renovate an existing building) Agreed to delay Ahmedov's move from Sangachal to March 2003 (until after lambing)
23.10.02	Sangachal Terminal construction office	Rizvan Ahmedov Mamed Kuliyeu (BP)	Run through RAP compensation entitlements Confirm Ahmedov Rizvan's comfort with decisions of 21.10.02 meeting	Rizvan Ahmedov confirmed satisfaction with compensation entitlements & ratified family decision to delay relocation until March 2003

Appendix A Log of Consultations Completed During RAP Preparation cont.

Date	Location	Attendees	Topic	Outcome
Gobu Cattle Breeding Enterprise & Ahmedov Pastoralist Family cont.				
8.11.02	Pastoralist winter settlement, Sangachal	Fatma Abbasova (Synergetics, for the operator) Three pastoralist family women	Women's attitudes and concerns about the replacement site	Operator to organise a site inspection for pastoralist family, who had not previously seen the site
Café-Garage Enterprise, Baku Alyat Highway, near Sangachal Village				
8.2.02	Café-Garage, Sangachal Village, Garadagh District	Hashimov Alizadeh (Café owner) Bedelov Rasim (operator) & 7 employees	To carry out census of affected café owner & staff; to gather information on organization, activities, income & expenditures, attitudes to possible relocation	Census, socio-economic information about enterprise.
21.10.01	Café-Garage, Sangachal Village, Garadagh District	Employees of Café Robert Barclay (RAP Consultant)	General discussion	Background data gathering
28.05.02	Café-Garage, Sangachal Village, Garadagh District	Hashimov Alizadeh (Café owner) Zeynalov A.A. (SOCAR) Akhmedov N. (SOCAR) S. Rzazade (BP)	General discussion, SOCAR's opinion and approach	Estimate other possible options for pipeline corridor
17.06.02	Café-Garage, Sangachal Village, Garadagh District	Asker Askerov (Baku City Executive Authority) Rep from Baku City Construction Dept Natig Akhmedov (SOCAR) Arif Muganlinsky (BP) Salekh Rza-zade (BP)	Preliminary inspection & meeting with owner as precursor to setting up Valuation Commission.	Agreed to proceed to establish Valuation Commission
19.06.02	Café-Garage Villa Petrolea	Hashimov Alizade (Aygün Enterprise) Badalov Rasim (Aygün Enterprise) Arif Muganlinsky (BP) Salekh Rza-zade (BP)	Legality of Aygün enterprise and possible ways forward	

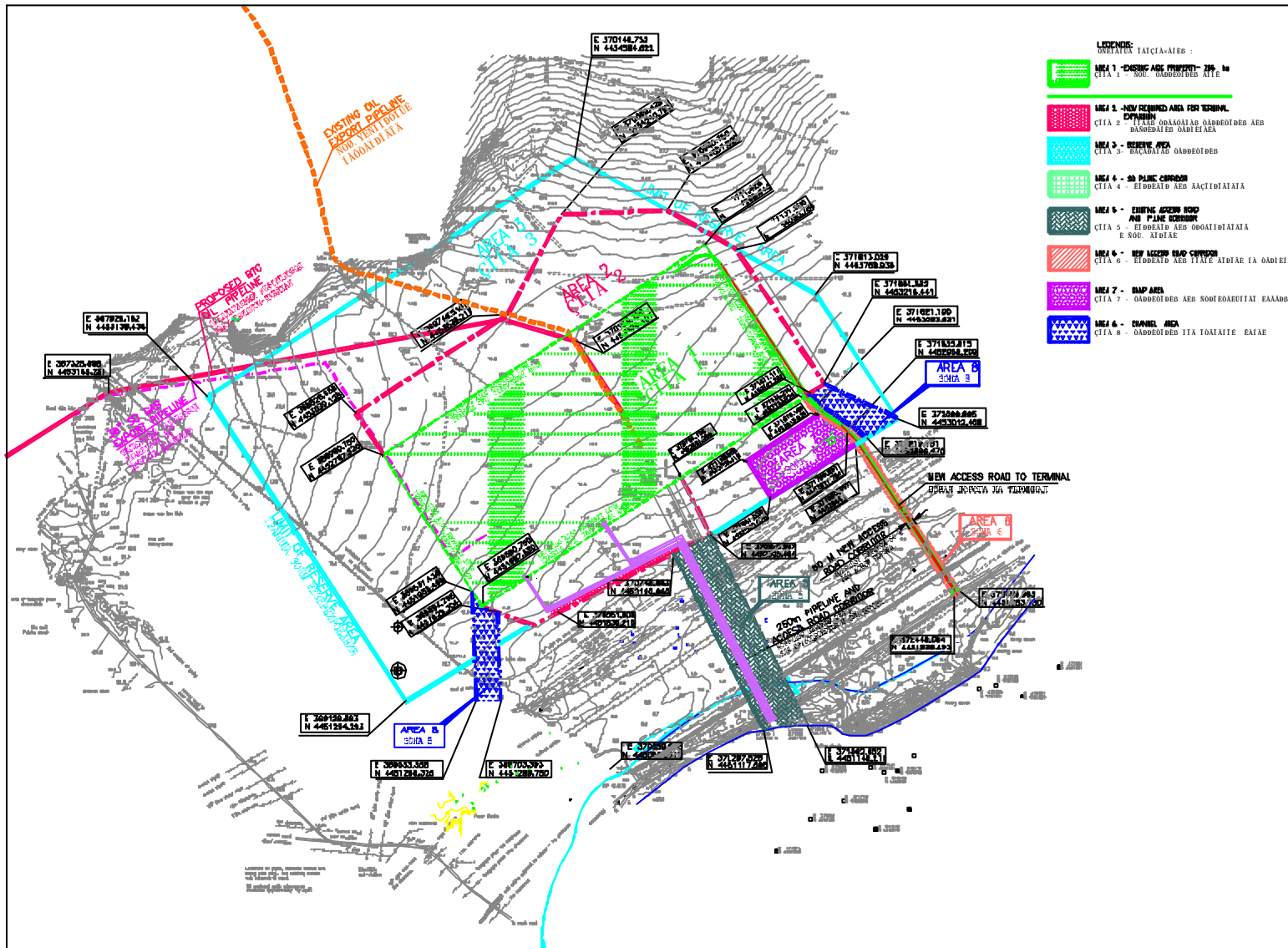
Appendix A Log of Consultations Completed During RAP Preparation cont.

Date	Location	Attendees	Topic	Outcome
Azerbalyk State Fisheries Concern (ASFC)				
30.10.01	ASFC Baku Office	Director of ASFC, Heads of 3 operational departments Yuliy Zaytsev (BP) Nigel Davis (BP) Robert Barclay (RAP consultant).	To discuss project impacts & compensation arrangements. To discuss impacts on wider fisheries operations.	Exchange of information. Confirmation of basis for compensation.
12.3.02	Sangachal Culture Club	Zohrab Babayev (fisherman) Mr. Bayram Aliyev (Sangachal Rep. of Garadagh District Executive Power) Haji Mir-Abbass (Sangachal Local Council member - Aksakal) Arif Muganlinsky (BP) Mamed Kuliyeu (BP)	To discuss difficulties experienced by Mr. Babayev in reinstalling fishing nets	BP offered to assist Mr. Babayev to get reimbursement for costs from MENR.
Fishing Interests				
30.10.02	Azerbaijan Scientific Institute of the Fish Industry	Dr. Zulfugar Kulyev, Director of Institute Head of Artificial Breeding Dept Yuliy Zaytsev (BP) Nigel Davis (BP) Robert Barclay (RAP Consultant)	To discuss any possible project impacts on fishing livelihoods or fisheries operations	Exchange of information
	MENR	Fakhreddin Guliyev – Acting Chief of the Survey & Expedition Fleet, MENR Elnur Abbasov (Synergetics for BP)	To gather information about commercial fishing activities in vicinity of ACG sub-sea pipeline corridor	Vessels predominantly engaged in survey; some minor fishing.
	MENR	Azer Abdulkerimov – Chief of the State Inspectorate on Small Vessels, MENR Elnur Abbasov (Synergetics for BP)	To gather information about commercial fishing activities in vicinity of ACG sub-sea pipeline corridor	Recommended contact with Caspian Fish Company. Recommended media announcement of works area & written advice to private fishing companies.

Appendix A Log of Consultations Completed During RAP Preparation cont.

Date	Location	Attendees	Topic	Outcome
Fishing Interests cont.				
21/05/02	MENR office, Baku	Ramiz Rzayev, Head of the Expertise Group (RR) Zulfugar Guliyev, Director of Fisheries Institute, (ZG) Rebecca Middleton (BP), Richard Kingham (BP), HSE Representatives from McDermott Caspian Contractors, Inc.	To explain ACG sub-sea pipeline rights of way & exclusion areas. Collect information on size of the fishing fleet, fishing methods, locations & trends.	Exchange of information. Recommendation to visit MENR Licensing Department responsible for issuing marine charts & shipping notifications
23/05/02	Caspian Fish Company offices, Baku	Tahir Kerimov (President, Caspian Fish Company) Rebecca Middleton (BP) Richard Kingham (BP) HSE Representatives from McDermott Caspian Contractors, Inc.	To explain ACG sub-sea pipeline rights of way & exclusion areas. Collect information on size of the fishing fleet, fishing methods, locations & trends.	Exchange of information.
17/09/02	Caspian Fish Company (CFC) offices, Baku	Tahir Kerimov (President, Caspian Fish Company) Yuliy Zaytsev (BP)	Review of detailed pipeline alignment against fishing ground license areas used by Caspian Fish Company	CFC indicated pipeline passed through Makarov Banks and Oily Rocks fishing grounds. CFC requested one month's notice prior to pipe-laying commencing in these areas. CFC indicated it was straight forward for them to fish alternative grounds during the pipe laying period. CFC confirmed they did not envisage any adverse impacts on their operations arising from the pipeline installation or operations

Appendix B – Extent of Land Acquisition for Sangachal Terminal Extension



Appendix C - Income and Expenses Reported by the Café-Garage Enterprise

According to the café manager, Hashimov Alizadeh, the majority of the café's trade comes from sale of food and beverages to truck drivers using the Baku-Alyat Highway. Passing trade from the highway is crucial to the café's business. Income from vehicle repairs is minor. Income comes mainly from renting garage space to enable vehicle owners to make their own repairs. Monthly revenue from these sources varies but typically ranges from 3.9 – 4.8 million manats (about USD 800-1,000).

Typical monthly expenditures are summarised in the following table. So-called “informal payments” or unofficial taxes comprise a considerable component of the enterprises operating expenses. These are apparently necessary in order to remain in business.

Table 22 Summary of Monthly Operating Expenses

Type of Expenditure	Estimated Amount (Manat / month)
Salaries and Wages	2,700,000
Food and comestibles	Not provided
Electricity	100,000
Water	100,000
Fuels (gas, kerosene, wood)	500,000
Licence fees	100,000
Other fees and charges (fire service and the like)	200,000
Informal payments	1,200,000
Total	4,900,000

Source: RAP socio-economic survey, February 2002

Appendix D Income and Expenses Reported by the Ahmedov Family

Sources of Income

In 2000-2001, the Ahmedov family had a total annual income of around 18 – 18.8 million manats (USD 3,800 to 4,000), including child allowances and pensions. Interviews revealed that family members had only an approximate knowledge of overall family revenues. Sources of income were reported as follows:

- Seasonal income from the sale of sheep and cattle is approximately 14.2 million manats (USD 3,000 per annum)
- Income from sale of dairy products is about 1.42 million to 1.89 million manats (USD 300 to 400 per annum)
- Income from sale of wool is about 472,000 to 944,000 manats (USD 100-200)

Individual families also receive some social allowances and pensions from the State. A monthly allowance of 9,000 manats is paid for each child under 16 years of age. Rizvan Ahmedov and his wife Tunisa Ahmedova receive a retirement pension of 50,000 manats.

The above income replaces the monthly wages of 100-150,000 manats (USD 28-37 per month) that each of the five Ahmedov sons who are employed as herders by the Gobu State Cattle Breeding Enterprise, received in the Soviet era. Overall, the average annual per capita income¹⁷ of the Ahmedov group is 472,000 manats (about USD 97.00), which is low even for rural dwellers in Azerbaijan.

Expenditures

Like incomes, expenditures are generally treated collectively and are controlled by Rizvan Ahmedov. Principal annual expenses were reported as follows:

- Cost of moving the family and livestock between summer and winter pastures is about 3.76 million manats (USD 800)
- Fuel expenses comprised of kerosene for lighting, cooking and heating of dwellings are about 500,000 manats (USD 106)
- Household food purchases come to about 2.35 million manats (USD 500)
- Miscellaneous livestock costs (purchase of supplementary fodder, veterinary services, etc) come to about 1.88 million manats (USD 400).
- Other general expenditure (clothes, medical expenses and the like) come to 470,000 manats (about USD 100)

The herders also make various informal payments (in cash and in kind) to other parties to secure their use of the land.

Ahmedov group annual incomes and expenditure are summarized in Table 23.

¹⁷ Average annual per capita income is calculated from the group's total revenue less production costs (expenditure on supplementary livestock fodder, veterinary expenses, herd moving expenses and the like).

Table 23 Summary of Ahmedov Group Income and Expenditures

Item	Income/Expense (USD)
A. Income	
Sale of cattle, sheep and goats	3,000
Sale of eggs and dairy products	300-400
Sale of wool	100-200
Government allowances and pensions	430
Total Income	3,830-4,430
B. Expenditures	
Costs of seasonal movements between grazing areas	800
Fuels	100
Household food expenses	500
Supplementary livestock fodder, veterinary expenses	400
General household expenditures	100
Total Expenditures (excluding informal sector payments)	1,900