



Addendum to Assessment Report

March 18, 2005

Since this assessment report was completed, there have been developments regarding the issues raised therein. To see the progress that has been made on the issues raised in this complaint, please consult the [Recommendation Implementation Status Tracker](http://www.cao-ombudsman.org/RecommendationImplementationStatusTracker) on CAO's website, www.cao-ombudsman.org. The tracker lists the key issues raised in each complaint, the CAO's recommendations for moving forward on those issues, and the progress with respect to implementation of these recommendations. New developments and actions by the IFC and/or sponsors are updated on the tracker as soon as CAO can confirm them.



Assessment Report

Complaint regarding the Baku-Tbilisi-Ceyhan (BTC) Pipeline Project Tsalka, Georgia

November 2004

Office of the Compliance Advisor/Ombudsman
International Finance Corporation and
Multilateral Investment Guarantee Agency

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List of Acronyms

BP	British Petroleum
BTC	Baku-Tbilisi-Ceyhan Main Export Pipeline
BTC Co.	Baku-Tbilisi-Ceyhan Pipeline Company
CAO	Office of the Compliance Advisor/Ombudsman
ESIA	Environmental and Social Impact Assessment
GEL	Georgian Currency: Lari
GIOC	Georgian International Oil Company
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
SPJV	Spie-Capag and Petrofac Joint Venture

INTRODUCTION

On July 12, 2004, the Office of the Compliance Advisor/Ombudsman (CAO) received a complaint related to the Baku-Tbilisi-Ceyhan oil pipeline project in Georgia, filed by a group of individuals from Tsalka. The CAO determined that the Tsalka complaint fulfills our acceptance criteria. In keeping with its mandate, the CAO investigated the complaint, through desk reviews of project and other related documents, as well as by a field mission to Georgia by CAO staff in late July 2004.

The subject of the complaint is damage caused to a compound of houses and attached property near the BTC workers' camp at kilometer 122 of the pipeline route, in the town of Tsalka. The Complainants allege that the workers' camp, located uphill from the Complainants' property, has not properly dealt with its wastewater runoff, and due to the incline of the topography, causes large amounts of water to flow downstream and flood the Complainants' house, garden and outbuildings whenever there is a heavy rain. The Complainants also allege that BTC Co. has damaged streets and existing drainage ditches, as well as improperly installed sewer lines near municipal waterlines, causing potential contamination of city water supplies if there were pipe leaks or bursts. Efforts to remedy problems caused by the workers' camp have not been adequate, according to the Complainants.

Assessment of the complaint leads to a set of observations and recommendations presented in the final section of this report.

Background

The Baku-Tbilisi-Ceyhan (BTC) Main Export Pipeline project involves the development, financing, construction, and operation of a dedicated crude oil pipeline system, to transport oil from the existing Sangachal oil terminal near Baku, Azerbaijan, through Georgia, to a new export terminal to be constructed at Ceyhan, Turkey, on the Mediterranean Sea. The 1,760-kilometer pipeline will be buried throughout its length as it passes through Azerbaijan (442 kilometers), Georgia (248 kilometers), and Turkey (1,070 kilometers). The planned capacity of the pipeline will accommodate current levels of production, as well as additional production from ACG, for a total capacity of 1 million barrels per day. It is projected that the pipeline will begin operation in the second quarter of 2005.

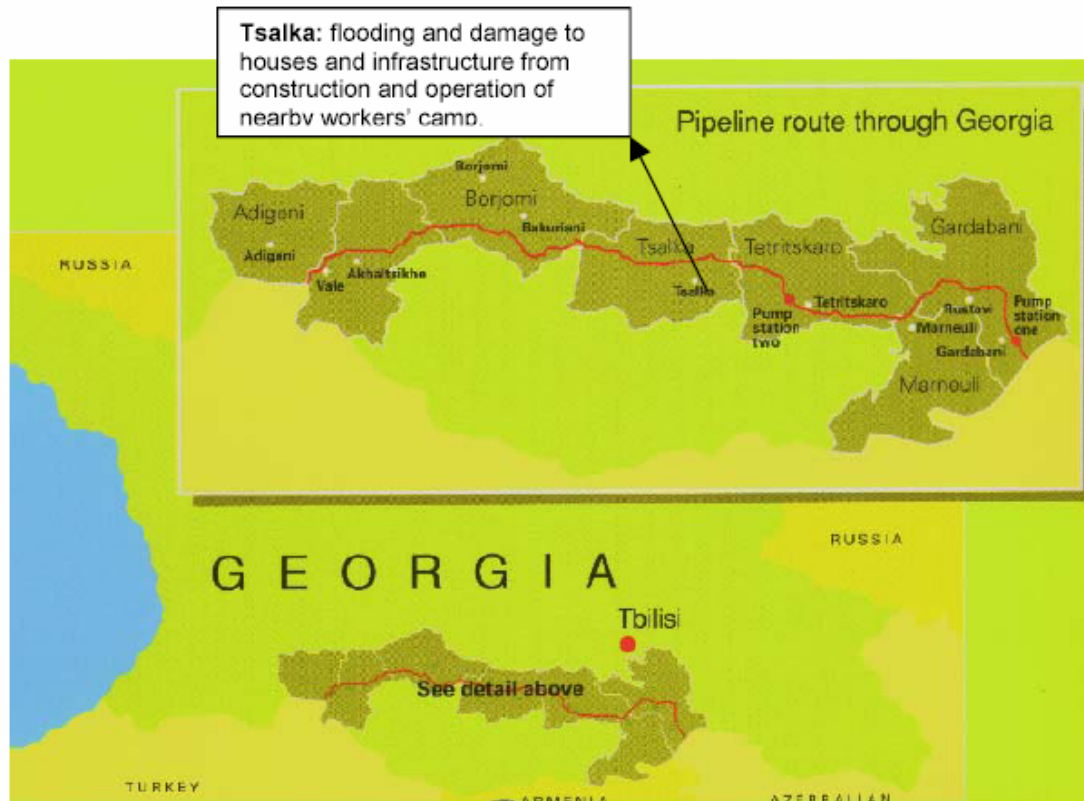
The project sponsor is BTC Co., a consortium of 11 partners, which was established in August 2002. British Petroleum (BP), the largest shareholder in the project (30.1%), will operate the pipeline. Other partners (in descending order) are SOCAR [State Oil Company of Azerbaijan] (25%), Unocal (8.9%), Statoil (8.7%), TPAO [Turkish Petroleum Corporation] (6.5%), Eni (5%), TotalFinaElf (5%), ITOCHU (3.4%), INPEX (2.5%), ConocoPhillips (2.5%), and Amerada Hess (2.3%). In its capacity as pipeline operator, BP is leading the project design and construction phases.¹ The total project cost is approximately US\$3.6 billion. The International Finance Corporation's (IFC's) gross investment in the project is US\$250 million, \$125 million of which is for IFC's own account (referred to as an A loan), with an additional \$125 million in syndicated loans, (or so-called B Loan program).

The Georgia section of the pipeline will start in Gardabani at the Azerbaijani-Georgian border and pass through seven regions of the country plus the City of Rustavi (see Figure 1), ending at

¹ Throughout the report, reference is made to BTC Co., including the recommendations section. In practice, BP will have lead responsibility in implementing any recommendations that it accepts, in its capacity as pipeline operator.

Naokhrebi in the Akhaltiskhe District on the Turkish border. By a presidential edict of October 2000, the Georgian International Oil Corporation (GIOC) represents Georgia. GIOC plays the role of a government representative through which BTC Co. requests and secures issuance of rights, licenses, permits, certificates, authorization, approvals, and permissions to conduct project activities. Spie-Capag and Petrofac Joint Venture (SPJV), who were awarded the sub-contract in July 2002, are carrying out the construction work in Georgia.

Figure 1. Complaint Allegations



Source: BP brochure *Living Next Door to A Pipeline*.

COMPLAINT ASSESSMENT

Complainants:

1) Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze
House located at 123 Stalin Street, Tsalka

2) Valeri Konstantinid
House located at 127 Stalin Street, Tsalka

3) Ednar Abuladze
House located at 130 Stalin Street, Tsalka

Two years ago, because of a difficult economic situation, the families of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, hoping to improve their incomes, moved from Khulo (a village in Adjara region in West Georgia) to Tsalka. To save money, these three families have jointly rented a house from a local resident (Kiriak Aidanov).

Core Complaint:

The complainants allege that in spite of BTC's commitments in the ESIA, local climate conditions and soil characteristics were not adequately taken into consideration when locating the worker's camp. The complainants contend that the actions of Spie Capag Petrofac (SPJV, the construction company) during camp construction in Tsalka have caused flooding of the complainants' houses (see Complaint Issue I).

Fundamentally, the complaint alleges that SPJV did not construct adequate rainwater catchments and collection systems at the Tsalka camp, and destroyed the old drainage channel, which had been protecting nearby houses from flooding (see Complaint Issue I).

Additionally, the workers' camp is located at the top of an incline; in conditions of steady and heavy rains—common in the Tsalka region—and absence of rain water catchments, water flows downhill, cannot soak into the ground (due to an increase in the amount of impervious surface around the camp, and then as a torrent flows to the nearby households. (See Complaint Issue I).

There is no sewage system in neighboring houses and raw sewage is collected in special pits. During flooding these pits are filled of water, and a mixture of diluted sewage flows into yards. The sewage system of the workers' camp is also frequently damaged. (See Complaint Issue I).

SPJV, without consulting local residents and despite the Complainants' opposition, installed a sewer line for the workers' camp along Stalin Street. Complainants' opposition to the sewer line was caused by the fact that plastic sewer pipe was laid above the drinking water pipe serving the complainants' houses; in case of damage to the sewer pipes', there would be a high risk of sewage contaminating drinking water. The drainage ditch was destroyed and the road itself was significantly damaged during the sewer installation. (See Complaint Issue II).

Local people have consistently applied for jobs at the workers' camp with BTC Co. or SPJV. However, most employees, even for menial tasks, are foreigners or from other regions of

Georgia. Before construction started, BP publicly announced that priority would be given to hiring a local workforce.

Specific Complaints

Complaint Issue 1: House Flooding

The house rented by Mamia Tavartkiladze, Avtandil Tavartkiladze and Tinatin Nadiradze was flooded three times from water flowing from the workers' camp, on 28-31 May, 5-6 June and 23 June. (See details of damages in Complaint, p. 12).

In addition, the houses of Valeri Konstantinid and Ednar Abuladze were also flooded on 5-6 June and on 23 June. (See details of damages in Complaint, p. 12).

28-31 May Flooding

Following the flooding, Mamia Tavartkiladze, Avtandil Tavartkiladze and Tinatin Nadiradze applied to SPJV, asking to be compensated for damages; they also requested repair of street surfaces and the drainage ditch. The company agreed to compensate for damage (see details page 13 of Complaint, footnote 1), but not for crops lost. According to the company representative crop compensation is outside the company's responsibility and the complainants should apply directly to the local authority's Land Department. The total damage was assessed at GEL 3,000 (US\$1,500). As the company claimed to have no funds, according to their representative, the complainants received in-kind compensation of one refrigerator, one freezer, 24 chairs, one room heater and 20 kg of blue paint (see Annex VIII). SPJV agreed to make ditch repairs on 28 May 2004 (see Complaint Issue II).

5-6 June Flooding

After the households of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Valeri Konstantinid and Ednar Abuladze flooded on 5-6 June, the complainants approached SPJV Community Liaison Officer Mr. Gocha Mgebrishvili, but the company refused to take responsibility for the damage. The complainants approached the regional authority with the same complaint. In response, the regional authority created a special commission to assess damage reasons and value. The commission investigated and confirmed the facts raised in the complaint (see Annex X) and indicated that SPJV was at least partially to blame for the damage. On 24 June 2004, the regional authority sent a letter to the SPJV Project Manager (see Annex XI) requesting they investigate the issue. According to the complaint the only response from the company was to offer compensation to Mamia Tavartkiladze, but only on condition that he keep this secret from his neighbors. Mr. Tavartkiladze refused to accept compensation in this manner. BTC has indicated that its policy is never to offer secret deals.

23 June Flooding

On 23 June, after the next flooding, Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Valeri Konstantinid and Ednar Abuladze approached the company, but were again unsuccessful. Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze wrote another letter to the SPJV administration (see Annex VII) about damage incurred from the third flooding incident. On 30 June the complainants received a response from SPJV (see Annex XIV), "that [the] company cannot assume responsibility related to this case in view of groundless motivation."

Complaint Issue II: Damage to Stalin Street

There are four common concerns of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Valeri Konstantinid and Ednar Abuladze: 1) the sewage system for the workers camp was installed above the (degraded) water supply pipe – resulting in a risk of contamination if the system was to rupture; 2) the drainage ditch on Stalin Street was damaged by when SPJV had installed their camp sewer lines; 3) as a result of the sewage system installation for the workers' camp and of company vehicle movement (despite restrictions to the contrary), the surface of Stalin Street has been significantly damaged: there are many holes and on rainy days it is very difficult to walk on; and 4) unbearable noise—workers' shouting, vehicle movement, and 4 or 5 simultaneously operating diesel power generators—emanates from the workers' camp every day, from 6 a.m. through the night to 2 a.m.

Complaint Issue III: Access to jobs

People living in the area adjacent to of the workers' camp are requesting that the company employ locals. Before construction started BP publicly announced that during the recruitment, priority would be given to the local workforce, but now most of the employees, even for menial jobs such as digging, are foreigners or from other parts of Georgia. Local people are also asking that the company install a town sewage system and repair the damaged roadway, if only as compensation for pain and suffering caused by construction and operation of the workers' camp. On 31 May 2004, on behalf of residents of Stalin Street, Mamia Tavartkiladze sent a letter to Mr. M. Tsikitishvili, the Gamgebeli (local authority) of Tsalka region, describing the problems mentioned above. There was no reaction. On 6 June 2004, residents of Stalin Street attempted to attract the company's attention by blocking the workers' camp access road. The regional authority came to the rally and tried to mediate between the protesters and the company. However, people were threatened by the company's security officer, who said that special armed forces would be called in to break up the rally if the protesters did not disperse.

COMPLAINT ASSESSMENT TABLE

Complaint Issues	BTC Perspective	CAO Conclusions and Recommendations
<p>I. House flooding on Stalin street</p>	<p>Poor state of drainage ditches and infrastructure in Tsalka worsened by exceptionally heavy rainfalls. Municipal sewage system is in state of disrepair.</p> <p>History of flooding, predating construction of camp, with no data available.</p> <p>SPJV replaced drainage ditches on Stalin street destroyed by traffic department when it laid sewage system, after first flooding in May 2004. SPJV carried out many improvements as goodwill gestures, including improvements to sewer system, drainage ditches and road, including on Stalin Street.</p> <p>SPJV made in-kind compensation to Complainants on 6 June 2004 of household items damaged in flooding, in lieu of cash payment. Complainants accepted in-kind compensation.</p> <p>SPJV assisted on several occasions in pumping floodwater out of residents' houses/yards.</p> <p>BTC has not created a significant increase in impervious surfaces.</p> <p>SPJV has not heard of camp's sewage system being broken; SPJV has installed 120m of new sewerage system in the vicinity of the camp and fixed two other areas.</p> <p>No written complaint received from the Konstantinid or Abuladze households (28-31 May, 5-6 June, 23 June) by SPJV; first complaint was discussed verbally and resulted in SPJV pumping water out of basement and building of drainage ditch for both households.</p> <p>M. Tavartkiladze's complaints logged on 5 June resulted in water pumping and provision of materials; 24 June complaint was rejected on 30 June (no damage demonstrated). SPJV and BTC policy to provide replacement or repairs instead of cash compensation. Secret deals are against BTC and SPJV policy. Verbally-lodged grievances not recorded if resolved on the spot.</p> <p>SPJV have no record of a letter from Regional Authority (24 June 2004) which forwards 7 June "Assessment Protocol" of the flooding damage, but received letter asking for machinery. Flood damage never disputed but degree of SPJV's liability is. Issue investigated and rejected.</p>	<p>In accordance with the independent "Assessment Protocol" of 7 June, CAO's field assessment confirmed the flood damage, but lack of a baseline survey data prevents a fair assessment of whether the cause of the flooding can be attributed directly to SPJV activities. SPJV appears to have taken some responsibility to repair drainage and provide in-kind compensation.</p> <p>As stated in the ESIA (10-10, Mitigation Measure No. 9) discharge of sewage and wastewater from temporary construction facilities (including camps) should avoid impact on surface water ecology through the provision of treatment facilities and by enforcing the discharge standards.</p> <p>Lack of consistency in logging grievances by SPJV has impaired the grievance tracking system. Carbon copy grievance forms should be used for every grievance, written or oral, whether solved on the spot or pending.</p> <p>There is inconsistency between the damage listed by the regional commission and damage listed in the Complaint. The list of damaged items, contained in the Assessment Protocol (7 June) does not match the list of damaged items provided by the Complainants.</p> <p>Given the events in this case, CAO urges BTC to reconsider the adequacy of SPJV's response and ensure that it closes out the complaint with affected parties through personal interaction.</p>

<p>II. Damage to Stalin Street</p>	<p>According to SPJV, contamination of water supply will only occur if both water and sewer pipes are damaged. However, BTC Co. has not received any grievances regarding contamination of drinking water.</p> <p>Road surface was in very poor state before the project began, but has been upgraded by SPJV.</p> <p>Signs have been erected by SPJV to prevent pipeline-related traffic using this road.</p> <p>SPJV has changed morning departure process of vehicles to accommodate complaints made.</p> <p>Noise level around camp is monitored and is in accordance with WBG standards. Generator monitoring shows levels of noise and emissions compliant with WBG standards.</p> <p>SPJV carried out many improvements as goodwill gestures, including improvements to sewer system, drainage ditches and road, including on Stalin Street.</p>	<p>The CAO field mission to Tsalka was not able to confirm the exact placement of buried sewer pipe and water pipe.</p> <p>Noise emissions of the generators meet Bank thresholds (See Annex IX). CAO recommends that BTC communicate to the Complainants, in a proactive way, the WBG's noise and emissions standards.</p> <p>CAO recommends that BTC ensure SPJV is in full compliance with relevant provisions of the Transport Management Plan and share the results of this monitoring back to the complainants.</p>
<p>III. Access to jobs</p>	<p>Current employment levels (as of August 2004) are relatively low, due to limited construction activity in the area. As of August 2004, 77 Tsalka residents were employed across Georgia on the pipeline.</p>	<p>According to the ESIA, the number of pipeline jobs created at the peak of the project, will be approximately 1,700, 50-80% of which should be filled by Georgian nationals. The construction camps and pipe yards will employ approximately 300 workers. Each camp is likely to require 100 support staff (and each pipe yard 30). The majority of these will be Georgian nationals.</p> <p>BTC Co. will ensure that there is a preferential approach to recruitment. Priority will be given to workers from pipeline-affected communities.</p> <p>CAO recommends that BTC proactively share information on its ESIA commitments, including monitoring reports with the complainants, ensuring that they fully understand how to access any available opportunities.</p>

CONCLUSIONS / RECOMMENDATIONS

CAO does not act as a compensation commission and is not in a position to make any judgment relating to individual compensation claims. CAOs approach is to help resolve substantive complaints through a neutral, problem-solving role.

Based on its own field assessment and further investigation, CAO supports the findings of the 7 June "Assessment Protocol." We can confirm that flood damage has occurred, but we cannot confirm the extent to which this damage is attributable to SPJV's activities. Clearly, some responsibility has been taken by SPJV to repair drainage and support damaged houses. CAO urges BTC Co. to reconsider the adequacy of SPJV's response and ensure that it closes-out the complaint with affected parties through personal interaction.

CAO recommends that BTC clarify with Complainants how its contractors are complying with ESIA Mitigation Measure 10-10, in particular how they are taking into consideration local hydrology and topography in the planning and operation of work camps.

BTC Co. should better communicate with affected communities its commitments to employing local people and disclose its hiring practices regarding percentages of local versus expatriate workers.

CAO wishes to highlight a number of issues that should be addressed as a result of these complaints. Some of these were already noted in previous complaints on the BTC project in Georgia and assessed by the CAO:

- Improved communication with affected people to demonstrate adherence to and monitoring of agreed mitigation measures in accordance with ESIA commitments.
- Greater sensitivity and consistency in the way that grievances are handled to ensure that good relations are maintained with local people. This appears to be a systemic issue that both CAO and the SRAP panel have highlighted in the past. BTC now believes its approach is much improved. In keeping with previous recommendations, CAO recommends that IFC strictly monitor both the quality and quantity of grievance handling by BTC and its contractors in order to improve outcomes for affected people.

Appendix: Complaint

**From: Mamia Tavartkiladze,
Avtandil Tavartkiladze,
Tinatin Nadiradze,
Valeri Konstantinid,
Ednar Abuladze**

**To: Compliance Advisor/Ombudsman
2121 Pennsylvania Avenue, NW
MSN F 11K-1116
Washington, DC 20433
USA
Fax: 202 522-7400
Email: cao-compliance@ifc.org**

We, Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Valeri Konstantinid and Ednar Abuladze, lodge a complaint concerning the Baku-Tbilisi-Ceyhan (BTC) Main Oil Export pipeline project.

We live in the area known as town Tsalka in Georgia (shown on the attached map). We can be contacted through the following address, telephone and fax numbers, email:

Name: Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze
Address: 123 Stalin Street, town Tsalka, Georgia
Phone: + 995 99 43 17 20
Fax: + 995 32 93 24 03
E-mail: tsalka_town@yahoo.com

Name: Valeri Konstantinid
Address: 127 Stalin Street, town Tsalka, Georgia
Phone: + 995 99 92 03 09
Fax: + 995 32 93 24 03
E-mail: tsalka_town@yahoo.com

Name: Ednar Abuladze
Address: 130 Stalin Street, town Tsalka, Georgia
Phone: + 995 99 26 00 65
Fax: + 995 32 93 24 03
E-mail: tsalka_town@yahoo.com

The basis of the complaint is as follows:

1. A description of the name, location and nature of the project is as follows:

Project Title: Baku-Tbilisi-Ceyhan Main Oil export pipeline
Project Location: Azerbaijan, Georgia, Turkey

The BTC pipeline project involves the development, financing, construction and operation of dedicated crude oil pipeline system with a nameplate capacity of one million bpd of crude oil

from the existing Sanghachal terminal near Baku in Azerbaijan, through Georgia, to a new export terminal to be developed at Ceyhan on the Mediterranean coast of Turkey.

2. IFC or MIGA is involved with the project (as applicable):

Project sponsor - BTC Co jointly through a special purpose finance company, BTC Finance B.V. borrow from IFC, up to US\$125 million A loan and US\$125 million B loan. The decision was approved in November 2003.

3. The project sponsor is:

The BTC pipeline is being sponsored and developed by affiliates of Ameralda Hess (2.36% interests), BP (30.10%), ConocoPhillips (2.50%), Eni (5.00%), INPEX (2.50%), ITOCHU (3.40%), SOCAR (25.00%), Statoil (8.71%), TOTAL (5.00%), TPAO 96.53%), and Unocal (8.90%).

Background

The Environmental permission for the BTC pipeline Georgian part was granted by Ministry of Protection of Environment and Natural Resources of Georgia at 30 November 2002. Decision was taken based on the Environmental and Social Impact Assessment (ESIA) submitted by Project sponsor to the Ministry of Environment together with additional materials including the exact maps. At the beginning of the year 2003, Spie Capag Petrofac - the construction sub-contractor of the BTC Pipeline Company, constructed one of seven Worker's Camps considered in ESIA, in town Tsalka (122nd km of the pipeline route).

Our households are located in the neighborhood of the BTC Pipeline worker's camp and household of some of us (Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze) directly bordered with worker's camp (divided with common fence).

Two years ago, because of hard economic situation, families of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, hoping to better families' incomes, have moved from Khulo (village in Adjara, region in West Georgia) to Tsalka. Because of lack of money, these three families have jointly rented a house from local resident (Kiriak Aidanov) for 50 Lari (25 USD), with condition to maintain household.

Family of Ednar Abuladze is also migrated from Khulo.

Despite the fact, that it is stated in BTC project ESIA documentation that, "A number of worker's camps will be erected in Georgia and each of this facilities will be located in accordance with the project environmental and social requirements"², neglect of local climate conditions and characteristics of soil, also default on its own obligations by the construction company during the worker's camp's construction in Tsalka became a reason of flooding of our houses and evidence of this complaint.

Causes of damage described below are as follows:

- Spie Capag Petrofac did not fulfill its own obligation and did not ensured existence rain water catchments and collection systems on the workers' camp territory. Moreover, the

² BTC Project ESIA; Georgia; Final ESIA; Project Description; November 2002.

old gutter, which was protecting nearby houses from flooding, was destroyed during the camp's construction.

- Spie Capag Petrofac, without consultation with local residents and despite our opposition, installed a sewer (for workers' camp) along the Stalin Street. The opposition was caused by the fact that, plastic sewer was laid above drinking water pipe serving our houses and in case of pipes' damage there is a high risk of feces mixture with drinking water. The street gutter was cancelled and road was significantly damaged during the sewer installation.

Additionally to all above described, it should be mentioned that workers' camp is located on inclined area, and in conditions of steady and heavy rains (characterizing Tsalka region) and nonexistence of rain water catchments, water flows in the direction of inclination, cannot go deep in ground (as the workers' camp's ground surface is specially sanded and treated), gathers at fence and then as a torrent flows to the nearby households. Also, there is no sewage system in neighboring houses and feces are collected in special pits. During the flooding these pits are filled of water, fences are mixed with water and are flowed to our yards. Sewage system of workers' camp is also frequently damaged.

4. I/we have been, or are likely to be affected by social or environmental impacts of the project in the following way(s):

The household of **Mamia Tavartkiladze, Avtandil Tavartkiladze and Tinatin Nadiradze** was flooded with water flowed from workers' camp already three times, on 28-31 May - at first, secondly on 5-6 June and last time on 23 June.

Total Damage – house adjacent territory get wet on 1 meter height; Yard, house basement and household facilities (cowshed, pigpen) were totally flooded, living part of the house was partially flooded, household goods kept in house basement and household facilities became worthless (6.5 tone seed potato, 9 bags of flour, 4 bags of sugar, 2,5 tone of barley); 38 of 60 bee families were destroyed, the rest lost productivity; cows has caught cold and got sick; sowed land plot was flooded three times, crops of onion (on 500 m²), greens (on 500 m²) and potato (on 1000 m²) were destroyed; household appliances – 2 mini tractors, one 3 phase-electricity provider.

Households of Valeri Konstantinid and Ednar Abuladze were also flooded on 5-6 June and last time on 23 June:

Total damage to household of **Valeri Konstantinid** - Yard, house basement and household stores were totally flooded, house walls get wet and cracked, house floor (40m²) requires full replacement, 1.8 tons of seed potatoes kept in the house basement became worthless; 24 bee families died as a result of flooding.

Total damage to household of **Ednar Abuladze** - Yard, house basement and household facilities were partially flooded, house walls get wet and cracked, household goods kept in house basement and household facilities became worthless (3 tons seed potatoes, 1.5 tons of barley, 2 bags of flour, 1 bags of sugar, 5 bag of mixed fodder and 18 bags of fertilizer).

Common concerns of **Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Valeri Konstantinid and Ednar Abuladze** – As a result of sewage system installation for workers' camp and of company's cars movement (despite restriction) road on Stalin Street is significantly damaged, there are lots of holes and in a rainy day it is impossible walk through the

street. Unbearable noise (workers' shouting, simultaneously working 4-5 diesel power generators, cars movement) comes from workers' camp every day from 6 am in the morning to 2 am and even late night.

5. The following action has been taken by me/us to try to resolve these issues:

- **Valeri Konstantinid** has several times approached (two times in written, see Annex I and II) Spie Capag Petrofac administration demanding repair road and rain water gutter on Stalin Street and compensation for his family suffering moral and health damage caused by noise and emissions of power generators of workers' camp.

Only after second appeal, Mr. Konstantinid has received an answer from Olivier Balloy, Spie Capag Petrofac Project Manager (see Annex IX) stating that, "...in accordance with conclusion, issued by Environments department, which conducted measuring activities, no kind of breach was detected. Hence, Company cannot issue and not responsible for damage." As for road and gutter repairing, company promised to do it within one-week period. And indeed, in several days, they brought sand with several trucks, poured it out and smoothed the road with tractors. But they didn't repaired the gutter and also road repaired in above described manner was damaged soon, and again with company's cars' "help".

- When the household of **Mamia Tavartkiladze, Avtandil Tavartkiladze and Tinatin Nadiradze** was flooded at first (28-31 May)³, they have applied to Spie Capag Petrofac with demand to compensate damage and repair road and rain water gutter on Stalin Street. Company agreed to compensate damage applied, but not on crops. According to the company representative it is out of company's responsibility and they should apply to Land Department of local authority. Total damage was assessed of 3 000 Lari (1 500 USD), and as company had no funds (according to the company representative), complainants were received 1 refrigerator, 1 freezer, 24 chairs, 1 room heater and 20 kg blue paint (see Annex VIII).
- **People living in the adjacent area of the workers' camp** are permanently applying company with request to employ locals (before construction started BP publicly announced that during the recruitment priority will be given to the local workforce, but now most of the employees, even for ground digging, are foreigners, or from other regions of Georgia), install sewage system for population and repair damaged road, even in compensation for applied discomfort and moral loss.

On 31 May 2004, on behalf on behalf of residents of Stalin Street, Mamia Tavartkiladze sent a letter to Mr. M. Tsikitishvili, Gamgebeli (local authority) of Tsalka region, describing above-mentioned problems. But still there was no reaction.

- On 6 June 2004 **residents of Stalin Street** attempted to attract company's attention and blocked the workers' camp's access road. Region authority has also came to rally and on public request tried to mediate people and company. But in response people has been threatened by company's security officer, that they would call to special armed forces to break up the rally.

³ Total damage was – 3 bee families, 20 bags of fertilizers, 15 bags of cement, 40 kilowatt power generator, 2 tractors and other household appliances, 20 bags of flour, 8 bags of corn, 2 bags of barley and 4 bags of sugar, also crops of onion (on 500 m²), greens (on 500 m²) and potato (on 1000 m²) were destroyed.

- After flooding of the households of **Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Valeri Konstantinid and Ednar Abuladze** on 5-6 June, complainants approached Spie Capag Petrofac Community Liaison Officer, Mr. Gocha Mgebrishvili, but company refused to take responsibility on damage. The complainants approached the region authority with the same complaint. In response, region authority created special commission to assess damage reasons and value. Commission investigated and confirmed the facts raised in the complaint (see Annex X). On 24 June 2004 Region authority sent a request letter to the Spie Capag Petrofac Project Manager (see Annex XI) demanding to investigate the issue. But still there is no response from company, except the fact that, Mamia Tavartkiladze was offered to be compensated, but with condition to keep this in secret from neighbors. Mamia Tavartkiladze refused to receive compensation in this manner.
- On 23 June after next flooding, **Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Valeri Konstantinid and Ednar Abuladze** approached company, but again unsuccessfully. Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze again wrote a letter to Spie Capag Petrofac administration (see Annex VII) about damage applied in third time. On 30 June complainants got a response from Spie Capag Petrofac pipeline Construction Engineer, Christophe Collet (see Annex XIV), "that company cannot assure responsibility related this case in view of groundless motivation."

6. The name of any contact person(s) at IFC or MIGA are:

Ms. Anna Akhalkatsi – IFC representative in Georgia.

7. *I/we have had contact with the following other person(s) in attempting to resolve these issues:*

All of us are permanently approaching (verbally) Mr. Gocha Mgebrishvili, Community Liaison Officer of Spie Capag Petrofac. Several times Spie Capag Petrofac representatives refused to receive our written complaints. And they

- Letter of Valeri Konstantinid to Spie Capag Petrofac Administration; 08.04.2004 (Annex I);
- Letter of Valeri Konstantinid to Spie Capag Petrofac Administration; 25.05.2004 (Annex II);
- Letter of Mamia Tavartkiladze (on behalf of residents of Stalin Street) to Mr. M. Tsikitishvili, Gamgebeli (local authority) of Tsalka region; 31.05.2004 (Annex III);
- Letter of Ednar Abuladze to Mr. M. Tsikitishvili, Gamgebeli (local authority) of Tsalka region; 13.06.2004 (Annex IV);
- Letter of Valeri Konstantinid to Mr. M. Tsikitishvili, Gamgebeli (local authority) of Tsalka region; 14.06.2004 (Annex V);
- Letter of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze to Mr. M. Tsikitishvili, Gamgebeli (local authority) of Tsalka region; 12.06.2004 (Annex VI);
- Letter of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze to Spie Capag Petrofac Administration 23.06.2004 (Annex VII)

8. *The following are details of policies, guidelines or procedures of IFC or MIGA that have not been complied with:*

- World Bank Operational Policy on Involuntary Resettlement, OP 4.30;
- Procedures for preparation of Resettlement Action Plan;
- Environmental and social Review Procedures; December 1998

- A Good Practice Manual, IFC, Guidance Note 7: construction and operation
- Requirements and mitigation measures of Environmental and Social Impact Assessment, recognized by IFC, IFC/SD 2003-40, Board meeting of November 4, 2003
- IFC team commitment to IFC board on “Potential impacts in various vulnerable groups” Report to the Board of Directors on proposed investments in AGG1 phase and the BTC pipeline, World Region, Projects No.11252 and 11251, October 14, 2003; IFC/SD 2003-40, Board meeting of November 4, 2003
- IFC Health and Safety guidelines

9. *I/we would like to see this complaint resolved in the following way:*

- The CAO should review the IFC actual process of due diligence investigation, in order to assess whether the IFC properly investigated foregoing issues and whether it took the steps necessary to ensure that this project complied with IFC policies;
- The CAO should review the environmental and social impacts information the project sponsors has submitted to IFC, and compare it with the information contained in this complaint in order to establish the adequacy and the veracity of environmental and social impacts;
- Spie Capag Petrofac and British Petroleum should take responsibility on damage applied to our households and fully compensate it;
- Spie Capag Petrofac should install rain water catchments and collection systems on the workers' camp territory; repair damaged road and gutter on Stalin Street;
- Spie Capag Petrofac should guarantee that company's cars are not moving on Stalin Street;
- Spie Capag Petrofac should take noise (from workers' camps) mitigation measure;
- Spie Capag Petrofac should replace (make detached from water channel) sewage system from Stalin Street.

10. *Any other relevant facts to support this complaint are:*

- Way Bill of on goods given to Mamia Tavartkiladze by Spie Capag Petrofac in compensation to damage applied to his household on 28-31 May; 06.06.2004 (Annex VIII);
- Response letter of Mr. Olivier Balloy, Spie Capag Petrofac Project manager on letter of Valeri Konstantinid; 28.05 2004 (Annex IX);
- Conclusion of Tsalka region Gamgeoba's (local authority) special commission “Report on assessment of loss of town Tsalka, Stalin Street resident's, caused by flood”; 07.06.2004 (Annex X);
- Letter of Mr. M. Tsikitishvili, Gamgebeli (local authority) of Tsalka region to Spie Capag Petrofac Project manager; 24.06.2004 (Annex XI);
- Video records of damage applied to household of Mamia Tavartkiladze, Avtandil Tavartkiladze and Tinatin Nadiradze on 5-6 June, 2004; (Annex XII)
- Video records of damage applied to households of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze, Ednar Abuladze and Valeri Konstantinid on 23 June, 2004; (Annex XIII)
- Response of Mr. Christophe Collet, Pipeline Construction Engineer, Spie Capag Petrofac on letter of Mamia Tavartkiladze, Avtandil Tavartkiladze, Tinatin Nadiradze to Spie Capag Petrofac Administration (23.06.2004); 30.06.2004. (Annex XIV)

Date: 12.07.2004

Signature(s):

Mamia Tavartkiladze

Avtandil Tavartkiladze

Tinatin Nadiradze

Valeri Konstantinid

Ednar Abuladze

ANNEX I

Copy (signature) 04/08/04

To: Tsalka City Administrative Office of
Amec Spie Petrofac Oil Pipeline Company

STATEMENT

Fm: Konstantinidis Valeri Petrovich,
Citizen of Tsalka, Residing at Stalin Street №127,
Employed by the Tsalka Police Department,
Rank of Captain with a Law Degree

I am informing you that I reside at the above-mentioned address. There is a big problem behind my house caused by ongoing construction. There are workers working all day, and large trucks and different types of heavy machinery are being used. The diesel trucks expend approximately 2 tons (two tons) of diesel fuel a day, the noise from the machinery continues to 2:00 a.m., and my family and children are exposed to exhaust fumes all day long.

I would particularly like to mention that I am a participant in the combat operations for the territorial integrity of Georgia. Based on above-mentioned facts, I request and ask you to review the issue of compensation for moral suffering and health damage inflicted on my family. I ask you to count the time starting from 2003 and as long as this work continues. I ask you to take all this into account and pay us on monthly basis.

04/08/2004

[signed]

ANNEX II

(Signature) 05/25/04

To: Tsalka Region Administrative Office of
Amec Spie Petrofac Oil Pipeline Company

STATEMENT

Fm: Konstantinidis Valeri Petrovich,
Citizen of Tsalka, Residing at Stalin Street №127,
Employed by the Tsalka Police,
Rank of Captain with a Law Degree

I am informing you that I reside at the above-mentioned address. I am appealing to you verbally and in writing. I have not received any response from you on my previous letter. I would like to know, after reviewing my statement, if you found basis for compensation. I am a participant of combat operations for the territorial integrity of Georgia. I work as a police officer. Currently, my family and I suffer to the highest degree.

I request to be compensated for moral suffering and damage inflicted on my and my family's health. I also ask you to review my statement of 04/08/2004. I request that you repair the road on Stalin Street №127 damaged by your machinery and open the ditch, which was covered when the sewage pipes were built for your site, because now water is leaking into our homes. If you are unable to resolve the problem, we will seek remedy through the legal system.

05/14/2004

[signed]

ANNEX III

To: Mr. A. Beridze
Immediately prepare a letter to "Petrofac"
[Signature] 06/07/2004

[Stamp]
Tsalka Region Administration
Incoming Registry № 622
Received on 05/31/2004

To: Mr. M. Tskitishvili
Administrator of Tsalka Region

STATEMENT

Fm: Mamia Tavartkuladze,
Resident of Tsalka Region

We are informing you that we, the four families that reside at Stalin Street №123, were resettled here from Khulo Region and have been living in rented houses for the last two years. The reasons for our resettlement are no worse than the conditions in which we now live here.

The situation is as follows: the offices of the American Company "Petrofac" are located on the street parallel to ours. The street occupied by the offices is approximately 150 meters long. The ground of the territory occupied by the offices is paved or covered with gravel, and water now floods our and neighboring yards. At the above-mentioned place, there is no sewer, or what is there is in desperate need of repair. The company, whose offices are located right across the street from us, built its own sewer system, which needs frequent repairs, and the water stream brings everything into our yards. This creates unsanitary conditions.

Last year, a new sewer system was built only to serve the offices of the above-mentioned company, and they ignored our request to share the sewer system. After completing the sewer construction work, there are potholes left, and it is impossible to walk in bad weather.

Mr. Administrator, we are urging you to consider our request and act accordingly. The company should not interfere with the wellbeing of residents.

You are aware of the trailer near the company offices, and we are asking you to examine and determine which company is more intrusive.

We, the residents of this street, are asking for the following:

- 1) Build a sewer system (or repair if one exists);
- 2) Provide us with electricity. There is noise all during the night, which is very disturbing and it is impossible to sleep;
- 3) Repair the street;
- 4) The residents are asking for employment opportunities;

- 5) My family is asking for compensation for damage to 2,000 square meters of land and to the building. If our demands are not met, we will address superior and international organizations and will hold protest demonstrations.

(Signatures) [illegible]

ANNEX IV

To: Mr. Mikheil Tskitishvili
Administrator of Tsalka Region

STATEMENT

Fm: Ednar Abuladze,
Residing at Stalin Street №130 in Tsalka

I am informing you that, on June 6 of this year, sudden heavy rains and hail flooded the shed near my house where I keep agricultural products and damaged the following: 1) 4 (four) bags of potatoes; 2) 20 (twenty) bags of fertilizer; 3) 2 (two) bags of wheat; 4) 4 (four) bags of flour; 5) 6 (six) bags of combined food; 6) 2 (two) bags of sugar; and 7) 100 kg of cheese. Also, the wall of my house is cracked. I ask you to review above-mentioned facts and take appropriate steps to compensate me for the damage.

E. Abuladze

06/13/2004

A N N E X V

To Mr. Beridze

Please examine the issue. Create a commission and send copies of appropriate documents to "Petrofac"

Signature
06/14/2004

To: Mr. M. Tskitishvili
 Administrator of Tsalka Region

STATEMENT

Fm: Mr. Konstantinidis Valeri Petrovich
 Citizen of Tsalka residing at Stalin Street № 127

I am informing you that my family has been suffering greatly during the last 10 days. The yard, basement, garage, cowshed, and orchard were flooded, and all this because of the sewer system built by Amec-Spie Petrofac. They built the sewer system on top of a drinking water pipe, filled the ditches, and now water floods our yard. Their site is 30-40 meters from us and has no drainage. Water floods the orchard, and water flows directly from the orchard into our yard. Although I addressed the company, they have not even responded or paid any attention. I ask you to create a commission and examine the damages caused by Amec-Spie Petrofac. The flood in the basement damaged approximately 2 tons of potatoes; 25 beehives drowned; the entire orchard was flooded and fruit trees were damaged; and my house was also damaged. I ask you to take immediate and appropriate steps to resolve the problem on legal grounds.

06/14/2004
[Signature]

[Stamp]
Tsalka Region Administration
Registry № 721 Received on 06/14/2004

ANNEX VI

To: A. Beridze
Create a commission.
[Signature]
06/14/2004

To: Mr. M. Tskitishvili
Administrator of Tsalka Region

STATEMENT

Fm: M. Tavartkiladze, A. Tavartkiladze, and T. Nadiradze,
Residents of Tsalka Region

We are informing you that, on June 6, the territory around our house on Stalin Street №123 was flooded because of heavy rains. The cultivated land flooded; outbuildings, beehives, and the cowshed were damaged; and livestock suffered, too.

We are informing you that all the above-mentioned people represent different families. Our families share the house.

We are providing a list of damaged goods for compensation. We suffered because the American company did not follow the safety rules.

Damages are as follows:

- 1) 2,500 square meters of cultivated land, on which was planted: 1,000 square meters of garlic, 500 square meters of herbs, and 1,000 square meter of potatoes;
- 2) 64 bee colonies were affected. Some bee colonies died, and others became non-productive;
- 3) Agricultural equipment was under water for 10-15 days and is unusable now;
- 4) We had 8.5 tons of seed potatoes in the shed, which either were destroyed in the water or the eyes were damaged and cannot be seeded;
- 5) 28 farm animals were in water during the entire night, and their health is now questionable;
- 6) A cowshed, pigsty, and chicken coop were damaged;
- 7) Water damaged 20 bags of flour, 8 bags of corn, 2 tons of wheat and barley, and 4 tons of sugar;
- 8) The house was damaged. Water soaked the walls the entire length of the house, and all the previous work done on the house is in need of serious repair.

We are asking the commission to examine the issues raised in this letter and make the appropriate decision. We ask that damages be calculated and compensated by the American company, or we ask you to act as an intermediary between the company and us.

Several days have passed since the flooding, and there has been no response from the American company regarding our problems.

[signed]

M. Tavartkiladze

A. Tavartkiladze

T. Nadiradze

06/12/2004

A N N E X VII

Received
[Signature]

To: Oil Pipeline Company Representative in Tsalka Region

STATEMENT

Fm: M. Tavartkiladze, A. Tavartkiladze, and T. Nadiradze
Residents of Tsalka Region

We are informing you that on May 28-31 of this year, Stalin Street № 123 was flooded because of heavy rains. The land parcel and a number of material belongings were damaged. The response from the authorities was that they were going to compensate for material damage and we were to address the issue of land damage to the Land Department. (The material damage was compensated in the form of fertilizer, cement, generators and some bee colonies). They did not respond to the request of land-related compensation. Today is June 23, and our complaint has still not been resolved. The only response we have is that the other department is responsible for it.

On June 5-6, there was more flooding and three times more water damaged everything that was near the house. The company did not take responsibility, and we held a protest demonstration. The region administrator came to the demonstration. The response was still negative.

Today, on June 23, there was heavy rain again, and water damaged everything that survived the previous flooding.

I want to explain to you that the living conditions are unbearable, and I am not talking about recently received compensation. Everything is damaged now, because it was under nitrogen water for hours and days.

The damages are: two mini-tractors, one three-phase electrical box, three cowsheds, a pigsty, 60 bee colonies, 38 of which are dead and the rest are unable to produce honey. We had dangerous sanitary conditions. The water was one meter high near the house, and the fruit trees were damaged. Livestock is suffering also. The cultivated land was damaged a second time. All this happened on June 6, and now it happened again.

There are three families living in this house. We have complaints against the above-mentioned company; because of them, the ground is unable to absorb the water, and it floods our homes and yards.

We ask to be compensated for material damage as well for psychological suffering.

Please resolve this matter.

M. Tavartkiladze [signed]

A N N E X VIII

Amec Spie Petrofac International LTD

Way Bill
№ 001810

From: Tsalka "Camp"	Date	Day	Month	Year
To: Mamia Tavartkiladze		06	06	04
Destination: Type Transport:				
Plate No: BAC 943 Driver: Nodar Shantadze	Time: 16:15			

Quantity	Description	MR №	Requested
1	Large two-door refrigerator	1	
2	Table top refrigerator	1	
3	Chairs	24	
4	Radiator	1	
5	Blue paint	20 kg	
	COMPENSATION		
	[signature]		

Received by: [signature]	Dispatched by: [signature]	Transport by: [signature]
	[signature]	

A N N E X I X

Spie Capag-Petrofac International Limited Amec Spie Petrofac International Limited

DEPARTMENT OF ENVIRONMENTAL PROTECTION

On May 22-23, 2004, the following readings were recorded as a result of measurements:

Generator 50044

Emission of harmful particles into the environment:

NOx: 124 mg/Nm³
CO: 131 mg/Nm³
VOCs: 86 mg/Nm³
Hydrocarbons: 82mg/Nm³

Maximum allowable rate:

NOx: 150 mg/Nm³
CO: 150 mg/Nm³
VOCs: 100 mg/Nm³
Hydrocarbons: 100 mg/Nm³

Sound measurement:

81 dB (8 hours) during the day
59 dB (1 hour) during evening
54 dB (5 minutes) during night

Maximum allowable rate:

85 dB (8 hours) during the day
65 dB (1 hour) during evening
60 dB (5 minutes) during night

TBILISI OFFICE: 4 Likhouri Street, TBILISI, GEORGIA, 380171

Tel: 00-995-32-333950; FAX: 00-995-32-330-940, E-mail:

spptdcc@spiepetrofac.ge

SHARJAH OFFICE: PETROFAC HOUSE, AL-SOOR STREET, P.O. BOX 23467, SHARJAH, UAE

Tel: 00-971-6-574-0999, FAX: 00-971-6-574-0099, E-mail:

cdc168@petrofac.co.ae

Date: May 28, 2004

Ref.: SPPC-OTHE-PIP-L-0194

To: Mr. Valeri Konstantinidis

Cc:

Subject: AGT Pipelines Project
BTC Pipeline Project: Onshore Pipeline Installation – Georgia

Compensation for moral loss and infliction of harm to the health, repairing
road on Stalin Street 127, making ditch

Dear Mr. Konstantinidis,

The company AMEC-SPIE PETROFAC International Ltd., in response to your written request, informs you that, in accordance with the conclusion of the Environmental Protection Department, which conducted measurements, no violations were detected.

Based on the above, the Company cannot take this issue into consideration and is not responsible for the damage.

In response to your second request regarding repair of the road and opening of the ditch, the Company will perform this work within one week (depending on weather conditions).

Regards,

Olivie Balloy
Project manager

TBILISI OFFICE: 4 Likhouri Street, TBILISI, GEORGIA, 380171
Tel: 00-995-32-333950; FAX: 00-995-32-330-940, E-mail: spptdcc@spiepetrofac.ge

SHARJAH OFFICE: PETROFAC HOUSE, AL-SOOR STREET, P.O. BOX 23467, SHARJAH, UAE
Tel: 00-971-6-574-0999, FAX: 00-971-6-574-0099, E-mail: cdc168@petrofac.co.ae

Page 1/2

A N N E X X

Tsalka Region Stalin Street Residents' Flood Damage

ASSESSMENT PROTOCOL

Tsalka

June 7, 2004

Based on Stalin Street residents' complaints, the commission was created to examine the flood damage.

Chairman of the commission:

A. Beridze - head of Organizational Department of the Administrative Office

Members:

V. Chakalov – head of the Agricultural Office

T. Chamurliev – chairman of the Tsalka City Assembly

U. Jikia – Director of Bureau of Technical Statistics

The commission visited the site and found that, as a result of heavy rains, the yards of following citizens were flooded: A. Tavartkiladze, M. Tavartkiladze, T. Nadiradze, E. Abuladze, and V. Konstantinidis. The damages were:

For V. Konstantinidis: basement, barn, and entire yard were flooded. The house developed cracks. The floor needs to be replaced (40 square meters). In the basement, 1.8 tons seed potatoes were damaged, and 24 bee colonies died in the yard as a result of the flooding.

For E. Abuladze: the yard was partially flooded, the house developed cracks, 3 tons of seed potatoes were damaged and are unusable, as were 18 bags of fertilizer, 1.5 tons of barley, 2 bags of flour, 5 bags of combined food, and 1 bag of sugar.

For M. Tavartkiladze, A. Tavartkiladze, and T. Nadiradze, the above-mentioned residents, three families share the house and combined damages were: the yard, sheds, and basement were flooded, also the cowshed and pigsty were completely covered with water, and the house was partially flooded. In the basement and sheds, 6.5 tons of seed potatoes were damaged and are unusable, as were 9 bags of flour, 4 bags of sugar, and 2.5 tons of barley, and 38 bee colonies died. In the cowshed, livestock caught cold and need medical attention; 500 square meters of land seeded with garlic, 500 square meters of land seeded with herbs, and 1,000 square meters of land seeded with potatoes were flooded.

The reasons for flooding of the above-mentioned yards were as follows: as a result of heavy rains, large amounts of water streamed right into residents' yards from the neighboring yard belonging to the Oil Pipeline Company (the construction company trampled down the soil and the ground is unable to absorb large amounts of water, and they also covered the flood-protection drainage on the construction site).

During the sewer construction, the Oil Pipeline Company covered the ditch, and water has no place to go but into the yards.

Chairman of the commission

A. Beridze (signature) (seal)

Members of the commission:

V. Chakalov (signature) (seal)

T. Chamurliev (signature) (seal)

V. Jikia (signature) (seal)

ANNEX XI

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06/24/2004

To: Manager of "Spie Capag Petrofac" Company

The Tsalka Region Administration received a joint statement from the residents of Stalin Street concerning the flooding of their yards.

A commission was created to examine the issue, and the assessment protocol was created. We are sending you one copy of the assessment protocol.

Please review.

Sincerely,

M. Tskitishvili
Administrator of Tsalka Region

A N N E X X I V

Spie Capag-Petrofac International Limited Amec Spie Petrofac International Limited

Date: June 30, 2004

Ref: SPPC-OTHE-PIP-L-0203

To: Tavartkiladze Mamia

Subject: Damage Compensation

Mr. Mamia,

The Company AMEC-SPIE-PETROFAC Int. Ltd. has reviewed your complaint regarding damage compensation. As a result of an inspection of the damaged territory, the Company informs you that it cannot assume responsibility for the damages based on groundless justification.

Sincerely,

[signature]

Christopher Collet

Oil Pipeline Construction Engineer

TBILISI OFFICE: 4 Likhouri Street, TBILISI, GEORGIA, 380171

Tel: 00-995-32-333950; FAX: 00-995-32-330-940, E-mail:

spptdcc@spiepetrofac.ge

SHARJAH OFFICE: PETROFAC HOUSE, AL-SOOR STREET, P.O. BOX 23467, SHARJAH, UAE

Tel: 00-971-6-574-0999, FAX: 00-971-6-574-0099, E-mail:

cdcscp168@petrofac.co.ae

To: Representative of Pipeline Construction Company in Tsalka Region

From: M. Tavartkiladze, dweller of the Stalin Street #123, Tsalka

STATEMENT

Informing, that on 28-31 May was flooded house #123 on the Stalin Street. Was damaged land plot and other values. The response was adequate regarding material compensation (loss, which was damaged cement, fertilizer, and generators, was compensated), as for the statement related to land, was left without response.

On the 5th and 6th of June, 3 times more water flow completely damaged everything, being on the territory of the house. On this fact responsibility was not taken, which was the reason of blockage, where came region authorities, but again the response was negative.

Today, after 2 hours heavy rain, again was flooded the yard and property. I'd like to explain, that life is impossible, not talking about the damage, which was compensated. Everything is out of order, which was in the nitric water: 2 mini tractors, one 3-phase electricity provider, 3 cowsheds and pigpen, 60 bee families, from which 38 were destroyed. Was insanitation, because of flood house adjacent territory get wet on 1 meter height, fruit trees were damaged, cows has caught cold and got sick, second times was destroyed newly sowed land plot. This was on the 6th of June, now again was filled with water.

3 families live in this house and we have claim to the company, because water, gathered there, cannot go deep in the ground and as a torrent goes to the yard. We request compensation for material, moral and psychological loss.

Please take measures.

M. Tavartkiladze

06/23/2004

Received
Signature

To: Oil Pipeline Company Representative in Tsalka Region

STATEMENT

Fm: M. Tavartkiladze, A. Tavartkiladze, and T. Nadiradze,
Residents of Tsalka Region

We are informing you that on May 28-31 of this year, Stalin Street № 123 was flooded because of heavy rains. The land parcel and a number of material belongings were damaged. The response from the authorities was that they were going to compensate for material damage and we were to address the issue of land damage to the Land Department. (The material damage was compensated in the form of fertilizer, cement, generators and some bee colonies). They did not respond to the request of land-related compensation. Today is June 23, and our complaint has still not been resolved. The only response we have is that the other department is responsible for it.

On June 5-6, there was more flooding and three times more water damaged everything that was near the house. The company did not take responsibility, and we held a protest demonstration. The region administrator came to the demonstration. The response was still negative.

Today, on June 23, there was heavy rain again, and water damaged everything that survived the previous flooding.

I want to explain to you that the living conditions are unbearable, and I am not talking about recently received compensation. Everything is damaged now, because it was under nitrogen water for hours and days.

The damages are: two mini-tractors, one three-phase electrical box, three cowsheds, a pigsty, 60 bee colonies, 38 of which are dead and the rest are unable to produce honey. We had dangerous sanitary conditions. The water was one meter high near the house, and the fruit trees were damaged. Livestock is suffering also. The cultivated land was damaged a second time. All this happened on June 6, and now it happened again.

There are three families living in this house. We have complaints against the above-mentioned company; because of them, the ground is unable to absorb the water, and it floods our homes and yards.

We ask to be compensated for material damage as well for psychological suffering.

Please resolve this matter.

M. Tavartkiladze [signed]

[illegible] 899 = 43-17-20