

To: Ombudsman of International Financial Corporation
Ms. Meg Taylor

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We, the residents of Vale:

Gedevan Gozalishvili
Vano Gozalishvili
Valiko Chitashvili
Jimsher Teliashvili
Ivane Chitashvili
Zurab Gozalishvili
Nodar Gozalishvili
Vakhtang Chitashvili
Leila Khitarishvili
Tariel Khitarishvili
Aleksandre Janashvili
Badri Gozalishvili
Jenia Manvelovi
Vano Janashvili
Revaz Khitarishvili
Lili Tateshvili

Tamaz Gozalishvili
Pavle Khitarishvili
Koba Khitarovi
Nodar Chitashvili
Tina Manvelovi
Malkhaz Manvelishvili
Shalva Khitarishvili
Ivane Khitarishvili
Tengiz Chitashvili
Paata Chirgadze
Davit Giorgadze
Noshrevan Giorgadze
Vaja Manvelishvili
Nodar Kopadze
Revaz Chitashvili

are addressing you with a request to consider our complaint regarding BTC main exporting pipeline project. This complaint is written by us, and our names and addresses are attached to the complaint.

Representative
Gedevan Gozalishvili
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City of Vale, Akhaltsikhe
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1. The grounds for the complaint are the following:

Description of the project

Name of the project: The main exporting pipeline of the Baku-Tbilisi-Ceyhan Oil Pipeline.
 Location: Azerbaijan, Georgia, Turkey
 Location of the complaint: Georgia, city of Vale, Akhaltsikhe Region

The Baku-Tbilisi-Ceyhan oil pipeline project includes the development, financing, construction and operating of a transportation system for carrying crude oil. It is planned to carry 1 billion barrels of oil daily through this system from Sangachali (near Baku - Azerbaijan) terminal through Georgia to the new exporting terminal of Ceyhan, located on Mediterranean Sea coast in Turkey.

The investor of the project – BTC Company through a specially created finance company BTC Finance B.V. – took a loan of USD 125 million from International Finance Corporation as Category A credit, and USD 125 million – as Category B credit. The decision regarding granting the credit was approved in November 2003.

The BTC oil pipeline is financed and developed by the following companies: SOCAR (Azerbaijan State Oil Company); BP (UK); TRAO (Turkey); Statoil (Norway); Unocal (USA); Itochu (Japan); Ameralda Hess (USA); Eni (Italy) TotalFinalElf (France); INDEX (Japan); and Conoco Philips (USA).

2. Background information

On November 30, 2002, the Georgian Ministry of Environment and Natural Resources Protection issued environment protection permit to the BTC pipeline being constructed in Georgia. The decision was made by the sponsors in consideration of precise maps, reports and additional materials on affects of the project on social and natural environment provided by the Georgia Ministry of Environment and Natural Resources Protection, according to which the BTC pipeline goes through seven administrative territorial entities of Georgia: Gardabani, Marneuli, Tetritskaro, Tsalka, Borjomi, Akhaltsikhe, Adigeni regions, and the city of Rustavi administrative border.

Before starting construction work, as well as during such work, the oil pipeline company carried out purchasing of plots of land necessary for construction of the pipeline (44-m construction corridor); among those plots were plots belonging to us, located in city of Vale, Akhaltsikhe.

According to the document produced by BTC Pipeline Company – “Guidelines for Land Purchases and Compensation” – after completing the construction, the company agreed that they would undertake the following responsibilities:

- “The land acquiring group of the project and the construction contractor would perform a final inspection of the whole territory used during the period of

construction together with the primary owners/users of the land. The goal of this check is to ensure that after completing the construction the land would be left in appropriate condition to resume its primary farming use, considering security limitations. (Guidelines for Land Purchase and Compensation, Chapter 9 Final Inspection, pp. 18-19).

- After completing construction work, the primary owners will be granted rights to use the land that belonged to them, except for the territories necessary for permanent facilities, in accordance with security maintenance requirements. These rights will be granted to primary owners or users without any charge. (Guidelines for Land Purchase and Compensation, Introduction, subchapter – Owning and using the land’, p. 6).
- All defects of land and realty have to be listed in an appropriate document by the primary owner/user. Any compensation that would be needed after the inspection will be calculated according to procedures described above in this document, but market price concurrent to the final inspection will be utilized (Guidelines for Land Purchase and Compensation, Chapter 9 – Final Inspection, p. 19).
- In the process of the final inspection, the land owners/users will be issued information regarding contact information of the group responsible for long-term monitoring, which will review further complaints, for instance, regarding low harvesting (Guidelines for Land Purchase and Compensation, Chapter 9 – Final Inspection, p. 19).
- After the final inspection and settlement of all complaints, the primary owner/user of land will sign a document proving that the owner is satisfied by the quality of the land (Guidelines for Land Purchase and Compensation, Chapter 9 – Final Inspection, p. 19).

Another problem is that BTC Pipeline Company has not carried out the inventory of plots of land located along the 44-m construction corridor, considered in the document Guidelines for Land Purchase and Compensation as one of the Company's responsibilities. This is noteworthy because this responsibility of completing the inventory of the 44-m corridor as well as plots of 58-m security zone land was not carried out.

Although BTC Company had all those responsibilities, none of them were fulfilled. Namely:

- Final inspection of the 44-m construction corridor together with the primary land owners/users was not carried out. Although the Company representatives alleged that the final check was carried out, there is no documentation proving that the primary owners/users participated in that process. According to information available to us, the final inspection of the 44-m construction corridor land plots was not carried out; this fact is supported by the letter dated July 4, 2008, sent to us by

Environment Monitoring Service of the State Sub-agency of Environment Protection of the Georgia Ministry of Environment and Natural Resources Protection, which states, in particular, the following: “As for information requested by you regarding the report of the construction corridor final inspection, the Ministry had never received any documents concerning the above, and as far as we know, BTC Company had not carried out that work” (please see attachment No. 12).

Although according to the letter received from BTC Pipeline Company during 2006, the final inspection of land was carried out by company group, together with construction contractors and primary land owners/users (Please see attachment No. 3), but the above-mentioned is not true, because we, the owners/users of the land, have not participated in the final inspection for the simple reason that the inspection was never done by the company.

- We, the former users of the land, do not have any information regarding the condition of land/soil of the 44-m construction corridor. As we already mentioned, we have not participated in the process of the final inspection; also, it is unknown to us whether the inspection and/or land quality monitoring was carried out without us, because the representatives of the Company have not provided us with such materials.

From the letter sent by BTC Pipeline Company on January 16, 2008, it becomes clear that during August–September 2007 quality monitoring of recovery works of the 44-m construction corridor land was carried out (please see attachment No. 7).

It is stated in the same letter that “**at the same time we inform you that we can not satisfy your request regarding providing the results of the monitoring. This particular documentation because of the nature of its content does not belong to the category of information available to other persons” (Please see attachment No. 7).**

The letter received from the Company proves that state and quality of the land in the 44-m construction corridor after completing the construction of pipeline is unknown to us.

- We, the former owners/users of the land, do not have any information (or it is unknown to us) regarding the long-term monitoring group, which reviews compensation and low harvest issues, especially since at this stage it is unknown whether there exists such a group in BTC Pipeline Company or who the members of the group are.
- BTC Pipeline Company requests to create a servitude agreement on plots of land in our ownership instead of returning user rights to us. In particular, for the 58-m security zone located beyond the 44-m construction corridor; in the opposite case, the Company would not return to us the right to use plots of land located within the 44-m construction corridor. All this is taking place in the situation when according

to the Guidelines for Land Purchase and Compensation, the document drafted by BTC Company, it assumes responsibility to return plots of land located within the 44-m construction corridor with right to use to us – the former owners/users of the land in question – free of charge, with appropriate limitations.

- While offering a “servitude” agreement, BTC Company comes up with compensation based on its 2002 price calculations. Unfortunately, while offering a “servitude” agreement, BTC Company does not consider interests of the land owners and the process of inflation of Georgia national currency in 2002–2008 (please see attachment No. 10).
- We, the land owners, have no information of what will happen to our plants/young trees (walnut trees) located within the 58-m security zone, because this issue is not regulated in the "servitude” agreement.

3. I suffered or may suffer from the socioeconomic effects in the following way:

- After meeting with BTC Company representatives, some of us had to sign “servitude” agreements and consent to the minimum compensation offered by the Company representatives. This decision was made based on statement of the Company representatives; namely, in their words, a law would be passed by an appropriate state agency, according to which we would lose any compensation.

It must be noted that at this stage there is no legal document binding us to sign the “free” servitude agreement that beneficial for BTC Company.

Issues of making servitude agreements and compensating are regulated by Georgia Civil Code. In particular, Article 457, paragraph 2 of the Civil Code defines compensation necessary for servitude agreement and payment timelines for such:

"Compensation can be defined as periodic payments."

Considering the above, it is clear that while signing servitude agreement compensation and timeline of its payments depends on consent of the **both parties and not on requirement of one of the parties.**

- BTC Pipeline Company is returning the land within the 44-m construction corridor to us, the former land owners/users, with right of “use” without performing the final inspection; we do not know if it is possible to farm on those plots of land or cultivate them and get appropriate harvests.
- Completing “servitude” agreements for the portions of land located within the 58-m security zone outside of the 44-m construction corridor, the compensation defined for certain limitation on the lands in our ownership is calculated based on prices allotted by the Company in 2002. The Company does not take into consideration the

process of inflation of Georgian national currency between 2002 and 2008 or, in other words, rising prices (**please see attachment No.9**).

- We are completely unaware if there is a group in BTC Company, or any contact information of members of such, held responsible for long-term monitoring, which would deal with complaints on compensation and low harvest issues on the lands located within the 44-m construction corridor.
- We are unaware of how low harvest issues will be taken care of, what will be the compensation amounts, and how they will be calculated and paid.
- We are unaware of how issues of young plants/trees (for instance, walnut trees) located within the 58-m security zone will be decided when signing “servitude” agreements, as existence of those trees are not considered in the limitation attachment of the agreement. This issue is not covered by the agreement.

4. To straighten out these issues I did the following:

In 2007, we contacted Georgian Association of Young Lawyers (**please see attachment No. 1**). Through their assistance, we carried out the following actions:

- On March 19, 2007, we sent BTC Company a letter and filed a claim requesting information regarding the group responsible for calculating compensation and low harvest, and copies of documents proving monitoring of quality restoration works of the lands (**please see attachment No. 2**).

Based on the letter received from BTC Company, it becomes clear that the final inspection of the lands was already performed on the territory crossed by the pipeline with participation of former land owners/users; although we never received any documents proving that former owners participated in the final inspection process. It also becomes clear from the letter that as of the fall 2007, the land purchasing group of the Company is going to perform monitoring of quality restoration works of the land as needed (**please see attachment No. 3**).

- On July 13, 2007, we sent BTC Company a letter requesting copies of documents proving the results of final inspection performed on administrative territories crossed by the pipeline (**please see attachment No. 4**).

According to a letter received from BTC Company on August 17, 2007, it becomes clear that: **“The final inspection of the lands along the pipeline route has been performed on every site where BTC and Southern Caucasian Pipeline exists, especially in Gardabani, Marneuli, Tetrtskaro, Borjomi, Akhaltsikhe and Adigeni regions. The documents regarding restoration of lands are confidential and are not for consideration by third parties”** (**please see attachment No. 5**).

- On December 21, 2007, we sent BTC Company a letter requesting documents on long-term monitoring of land restoration quality, information about the group created in BTC for long-term monitoring, and also contact information of members of this group (**please see attachment No. 6**).

From the letter received from BTC Company on January 16, 2008, it becomes clear, that **“in August–September 2007 quality monitoring of restoration works was performed along the entire construction corridor route in the Company’s ownership”**. It is pointed out in the letter that in regards to reviewing the results of the monitoring, the Company cannot satisfy our request because **“this documentation does not represent a category of information available for third parties”** (**please see attachment No. 7**).

- Based on letter received from BTC Company on March 19, 2008, the approach/relation of the Company towards the above-mentioned issues once again became clear. There was nothing new for us in this fact. In the letter, the Company representative does not deny that within the 44-m construction corridor the land has been restored as well as it was possible, that BTC pays maximum compensation for servitude agreement, etc., which does not coincide with reality (**please see attachment No. 8**).
- In April 2008, we had a meeting with a representative of BTC Company, Mr. Gia Gvaladze. We learned the following: BTC Company intends to perform monitoring of land quality within the 44-m construction corridor in cooperation with the former owners/users. The Company representative also confirmed that there will be no compensation for young trees/plans located beyond the 44-m zone within the 58-m security zone, according to limitation attachments of the agreement. Furthermore, the Company representative declared that BTC Company does not require owners to cut those trees, although this issue is not regulated in any document, in particular by servitude agreements.
- On June 3, 2008, we contacted the Statistics Department Sub-agency of the Ministry of Economical Development and requested information regarding inflation in Georgia for the period of January 2002–May 2008 (**please see attachment No. 9**).

On June 11, 2008, we received a response from the Statistics Department of the Sub-agency of the Ministry of Economical Development. Based on their information, **“the consumer price index for the period December 2001 – May 2008 was 162.4%; in other words, the level of inflation in Georgia during this period was 62.4%”** (**please see attachment No. 10**).

- On June 25, 2008, we contacted in writing the Environment Monitoring Service of Environment Protection and Natural Resources Ministry's Environment Protection Inspection and requested information as to whether BTC Company provided the Ministry of Environment Protection and Natural Resources with a report on the

final inspection of lands located within the 44-m construction corridor (**please see attachment No. 11**).

On July 4, 2008, we received a letter from the Ministry, from which we learned the following: **"as for information requested by you regarding a report on final inspection of lands located within the 44-m construction corridor, our Ministry has never received such a report and, as far as we know, BTC Company has never completed such work"** (Please see attachment No. 12).

5. International Finance Corporation contact person's name:

Ms. Tea Gigiberia

6. I/we contacted the following persons in order to straighten out the problem:

- Mr. Gia Gvaladze, Manager of Relations between BTC Pipeline Company management and regulatory institutions;
- Mr. Stewart Duncan, BTC Company Land and Permits Issues Manager;
- Ms. Ekaterina Grigalava, BTC Company and Non-Governmental Organizations Relations and Community Affairs Coordinator;
- Mr. Grigol Pantsulaya, Chairman of Statistics Department Sub-agency of Ministry of Economical Development;
- Environment Monitoring Service of Environment Protection and Natural Resources Ministry's Environment Protection Inspection;
- Ms. Natia Gogsadze, International Finance Corporation Assistant Representative.

7. Below please find a list of strategy, procedures and directive documents of the International Finance Corporation's multiple warrants agencies, which were not considered:

Procedures and policies breached by sponsors:

8. I/we would like the complaint to be settled the following way:

We request the following:

1. That the ombudsman of the International Finance Corporation review investigation process of the issue in order to clarify whether the current issues were properly investigated, and whether any measures were carried out to put the project in accordance with the policies of the International Finance Corporation;

2. That the ombudsman of the International Finance Corporation review adequacy of BTC Company actions with the Company responsibilities set up in Guidelines for Land Purchase and Compensation;
3. That BTC Company ensure the final inspection with our participation and informing us, the former land owners/users, regarding monitoring results;
4. That inventory documents be provided, based on which the primary condition of the lands will become clear;
5. That the Georgian national currency inflation be considered in calculating compensation for servitude agreements;
6. That the number of plants/trees in our ownership be considered in servitude agreements and this issue be regulated by the aforementioned agreement;
7. That criteria be established based on which low harvest issues will be regulated/calculated.

9. Facts to support this complaint:

1. In 2007, we filed a complaint with the Georgian Association of Young Lawyers;
2. On March 19, 2007, we filed a complaint with BTC Pipeline Company;
3. On April 23, 2007, we received a letter from BTC;
4. On July 13, 2007, we filed a complaint with BTC Pipeline Company;
5. On August 17, 2007, we received a letter from BT Company;
6. On December 21, 2007, we filed a complaint with BTC Pipeline Company;
7. On January 16, 2008, we received a letter from BTC Company;
8. On March 19, 2008, we received a letter from BTC Company;
9. On June 3, 2008, we filed a complaint with the Statistics Department Sub-agency of Ministry of Economic Development;
10. On June 11, 2008, we received a letter from the Statistics Department Sub-agency of Ministry of Economic Development regarding Georgian currency inflation in 2001–2008;
11. On June 25, 2008, we filed a complaint with the Environment Monitoring Service of Environment Protection and Natural Resources Ministry's Environment Protection Inspection;
12. On July 4, 2008, we received a letter from the Environment Monitoring Service of Environment Protection and Natural Resources Ministry's Environment Protection Inspection.

Respectfully yours:

	First name, last name	Address
1	Gedevan Gozalishvili	8 Manvelishvili Street, Akhaltsikhe, Vale
2	Jimsher Teliashvili	25 Chavchavadze Street, Akhaltsikhe, Vale
3	Vano Gozalishvili	48 Chavchavadze Street, Akhaltsikhe, Vale
4	Valiko Chitashvili	4Manvelishvili Street, Akhaltsikhe, Vale
5	Ivane Chitashvili	3 Manvelishvili Street, Akhaltsikhe, Vale
6	Zurab Gozalishvili	16 Chavchavadze Street, Akhaltsikhe, Vale
7	Nodar Gozalishvili	37Manvelishvili Street, Akhaltsikhe, Vale
8	Vakhtang Chitashvili	34 Manvelishvili Street, Akhaltsikhe, Vale
9	Leila Khitarishvili	8 Chavchavadze Street, Akhaltsikhe, Vale
10	Tariel Khitarishvili	84 Manvelishvili Street, Akhaltsikhe, Vale
11	Aleksandre Janashvili	54 Baratashvili Street, Akhaltsikhe, Vale
12	Badri Gozalishvili	21 Parnavazi Street, Akhaltsikhe, Vale
13	Jenia Manvelovi	28 Parnavazi Street, Akhaltsikhe, Vale
14	Vano Janashvili	60 Parnavazi Street, Akhaltsikhe, Vale
15	Revaz Khitarishvili	50 Parnavazi Street, Akhaltsikhe, Vale
16	Lili Tateshvili	11 Parnavazi Street, Akhaltsikhe, Vale
17	Tamaz Gozalishvili	11 Chavchavadze Street, Akhaltsikhe, Vale
18	Pavle Khitarishvili	7/a Chavchavadze Street, Akhaltsikhe, Vale
19	Koba Khitarovi	82 Tamar Mepe Street, Akhaltsikhe, Vale
20	Nodar Chitashvili	105 Manvelishvili Street, Akhaltsikhe, Vale
21	Tina Manvelovi	77 Manvelishvili Street, Akhaltsikhe, Vale
22	Malkhaz Manvelishvili	7/a Kakachishvili Street, Akhaltsikhe, Vale
23	Shalva Khitarishvili	78 Manvelishvili Street, Akhaltsikhe, Vale
24	Ivane Khitarishvili	24 Manvelishvili Street, Akhaltsikhe, Vale
25	Tengiz Chitashvili	14 Kakachishvili Street, Akhaltsikhe, Vale
26	Paata Chirgadze	17 Baratashvili Street, Akhaltsikhe, Vale
27	Davit Giorgadze	7 Baratashvili Street, Akhaltsikhe, Vale
28	Noshrevan Giorgadze	7/a Baratashvili Street, Akhaltsikhe, Vale
29	Vaja Manvelishvili	1/a Tamar Mepe Street, Akhaltsikhe, Vale
30	Nodar Kopadze	56 Baratashvili Street, Akhaltsikhe, Vale
31	Revaz Chitashvili	17 Gvaramadze Street, Akhaltsikhe, Vale