

# Land Acquisition and Livelihood Restoration Plan Corrective Action Plan Implementation Audit

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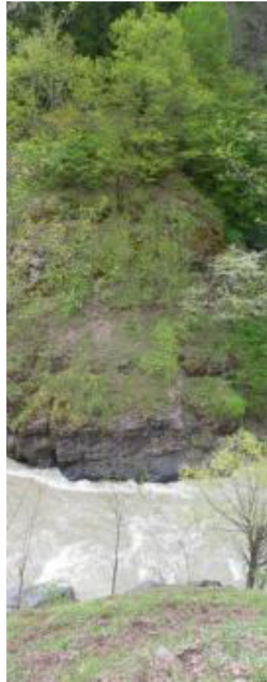
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## Adjaristsqali Hydropower Project (Georgia)

Prepared by Adjaristsqali Georgia LLC (AGL) for the Asian Development Bank

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# Shuakhevi Hydropower Cascade

LALRP Corrective Action Plan Implementation  
Audit

October 2014

Adjaristsqali Georgia LLC (AGL)



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# List of Abbreviations

ADB	Asian Development Bank
AGL	Adjaristsqali Georgia LLC
AH	Affected Household
AP	Affected Person
CAP	Corrective Action Plan
CLO	Community Liaison Officer
CSR	Corporate Social Responsibility
EBRD	European Bank for Reconstruction and Development
GEL	Georgian Currency (Lari)
HPP	Hydro Power Plant
IC	Information Centre
IFC	International Finance Corporation
LALRF	Land Acquisition and Livelihood Restoration Framework
LALRP	Land Acquisition and Livelihood Restoration Plan
LRP	Livelihood Restoration Plan
NGO	Non-Governmental Organisation
SPS	Safeguard Policy Statement
US\$	United States Currency

# Executive Summary

Adjaristsqali Georgia LLC (AGL) is developing the Shuakhevi Hydropower Scheme in the Autonomous Republic of Adjara in southern Georgia. AGL needs to acquire land use rights for project elements such as the reservoirs, dams, tunnel adits, access roads and construction camps. As AGL has been granted the right to resort to expropriation of land under Georgian law, the involuntary resettlement safeguards of the project lenders Asian Development Bank (ADB), International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD) are triggered. In order to help meet the safeguard requirements, AGL has developed a Land Acquisition and Livelihood Restoration Plan (LALRP), the latest version of which is dated April 2014.

Mott MacDonald was commissioned to carry out a rapid audit of AGL's implementation of the LALRP in a two week period in April 2014. The LALRP Implementation Audit identified a number of gaps between the commitments stated in the LALRP and its implementation. A Corrective Action Plan (CAP) was developed to address these gaps. The objective of this LALRP CAP Implementation Audit Report is to review the implementation of the CAP. The open actions will require review and sign-off by an independent party.

The main findings of the report as of 3 October 2014 are that most of the CAP actions have been closed-out either in full or in large part. This applies to the following topic areas: compensation, consultation, information disclosure, grievances, capacity building, roles and responsibilities, data management and external monitoring. Progress is considered satisfactory because during the CAP Implementation Audit it became clear that it would not be possible to complete some of the remaining actions prior to the completion of this report, for example the update to the LALRP and the completion audit. Where actions remain outstanding, they have been put into an updated CAP presented in Table 5.1.

The review against the compensation requirements found that there is a total underpayment of land and trees compensation amounting to 434,456 GEL. This is due in large part to non- or part-payment of the entitlement to a 10% uplift on land compensation amounts in one particular village; and, payment of five years' yield on walnut, quince and mulberry trees instead of the eight years required according to the entitlements matrix in the LALRP. Summaries of underpayment amounts

and the number of AHs with underpayments of more than 1,000 GEL on land or trees are presented in the tables below.

#### Total Value of Underpayments

	Underpayments on Land (GEL)	Underpayments on Trees (GEL)	Estimated Total of Underpayments (GEL)
Estimated Total of Underpayments	108,823	325,633	434,456

#### Number of Affected Households (AHs) with Underpayments of more than 1,000 GEL

	Underpayments of >1,000 GEL		Total Number of Underpayments
	Number AHs with an Underpayment on Land	Number of AHs with an Underpayment on Trees	
Total Number of Underpayments	40	90	130

Implementation of the CAP is important for ADB's first loan disbursement for the Project, tentatively scheduled for the end of October 2014. Based on the results of this review and the significant number of underpayments of more than 1,000 GEL it is thought that the first disbursement may be affected by the process of paying the outstanding compensation to AHs. However this is subject to ADB's review of this report and their final decision on this matter.

The process of reconciling underpayments will require careful management and close-out of issues is estimated to take one to two months. It is expected to take longer to provide answers to any queries which may be raised by Affected Persons (APs) who are not affected by underpayments but request a review of their compensation in the hope of additional compensation.

When considering how to manage payment of outstanding monies, it is recommended that AGL considers the following potential issues:

- How to engage with AHs about underpayment of compensation
- The risk of a potential ripple effect causing people to request reviews of their own individual cases to check for inaccuracies
- Risk of potential requests for payment of interest on unpaid compensation
- Potential adverse and beneficial effects on the relationship of trust with affected communities



- It is recommended that AGL considers paying the most affected first, i.e. those who were underpaid by more than 1,000 GEL.

The remaining outstanding actions are summarised in the table below.

#### Updated CAP

#	Topic	Priority	Action	KPI	Timeframe
1	Compensation	High	Pay outstanding amounts	Payment transcripts to be provided for review	To be agreed
2	Detailed Livelihood Restoration Plan (LRP)	High	Prepare and implement Detailed LRP. The Detailed LRP should put in place mechanisms for managing any return of land use rights during operations	Detailed LRP Internal Monitoring Reports on progress with implementation	Detailed LRP by end October 2014 Monitoring reports as below
3	Internal Monitoring	High	Monthly internal monitoring reports to be produced, commencing in October 2014.	Monthly reports submitted to ADB	From October 2014
4a	Data management	High	Ensure that the database of land transactions is kept up to date	Database updates as more land is acquired	On each occasion that land is acquired
4b	Data management	High	Ensure that each AH is listed correctly according to whether they have lost more or less than 10% of their land. AGL to integrate the 25 'newly affected' households into one or other of the main lists.	Organisation of AHs into correct categorisation (more or less than 10% of land lost)	Organisation of AHs into correct list by November 2014
5	Addendum LALRP	Low	Once the land required for the Didachara access road has been identified and measured, AGL to commission an Addendum to the LALRP to cover the additional impacts and management measures	Addendum LALRP	Unknown at present
6	Completion Audit	Low	Following the purchase of land and implementation of mitigation measures for the last remaining AHs for Shuakhevi, AGL to commission a Completion Audit	Completion Audit	Unknown at present

# 1 Introduction

## 1.1 Overview

Adjaristsqali Georgia LLC (AGL), a subsidiary of Clean Energy Invest AS,<sup>1</sup> is the Project Developer of the Adjaristsqali Hydropower Cascade Project ('the project') which is made up of three hydropower schemes, namely Shuakhevi, Koromkheti and Khertvisi in Georgia. In the early stages of project development, AGL prepared a Land Acquisition and Livelihood Restoration Framework (LALRF) to guide the preparation of Resettlement Action Plans (RAP) and Livelihood Restoration Plans (LRP) for each of the three schemes and to meet the requirements of the 2012 International Finance Corporation (IFC) Performance Standard 5 (PS5): Land Acquisition and Involuntary Resettlement; and, the 2008 European Bank of Reconstruction and Development (EBRD) Performance Requirement 5 (PR5): Land Acquisition, Involuntary Resettlement and Economic Displacement. Prior to this a feasibility study, including an environmental and social impact assessment, was completed for the Adjaristsqali Hydropower Cascade Project.

Using the LALRF, a Land Acquisition and Livelihood Restoration Plan (LALRP) was prepared for the Shuakhevi Scheme. The LALRP, which complies with Georgian land law and other relevant legislation as well as with IFC PS5 and EBRD PR5, was disclosed on the AGL website in September 2013. Implementation of land acquisition and livelihood restoration for the Shuakhevi Scheme commenced in 2013 with the payment of compensation to affected households (AHs) and implementation of livelihood restoration measures via the AGL training centre. In January 2014, the LALRP for Shuakhevi dated September 2013 and already endorsed by IFC and EBRD, was submitted to Asian Development Bank (ADB) for review and comments. Following ADB's review, several revisions were made to address ADB's SPS, Safeguard Requirement 2: Involuntary Resettlement. The latest version of the LALRP is dated 04 April 2014.

A detailed external review of LALRP implementation was required by ADB prior to Board approval. AGL commissioned Mott MacDonald to undertake the external audit and a final version of the report was submitted to ADB on 10 May 2014. The purpose of the external audit was to determine whether AGL's actions were in line with the LALRP, to identify outstanding compliance issues and actions to address these. Where non-compliances were identified, actions to address these and associated timeframes were presented in a Corrective Action Plan (CAP). The CAP is presented in Appendix A.

Under the CAP, AGL was required to complete all actions prior to the first disbursement of funds. As well, an external monitor was required to review, sign off and advise ADB of the status of the implementation of the CAP prior to the disbursement taking place. This report presents the findings of the first external monitoring audit of the implementation of the CAP.

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<sup>1</sup> CEI was established in 2010 as a single purpose company to develop the project. It is a joint venture between Norsk Mineral AS (Norsk Mineral) and Clean Energy Group AS (CEG).

## **1.2 Structure of Report**

This implementation audit report focusses exclusively on the implementation of the CAP. For an overview of the applicable national and international standards for land acquisition, LALRP and project description please refer to the external audit report of 10 May 2014. An overview of the audit scope and methodology is presented in Section 2, with audit findings for the first CAP topic covered in Section 3. The remaining CAP items are covered in Section 4. Conclusions and follow up actions are summarised in Section 5.

## 2 Scope and Methodology

### 2.1 Scope

The scope of this audit is to review AGL's implementation of all items of the CAP contained within the LALRP Implementation Audit Report dated 10 May 2014. This section outlines the methodology used for the audit and the timeframes for execution.

### 2.2 Methodology of CAP Implementation Audit

The audit has focused on a review of documentation available in the Project offices and sent to Mott MacDonald via email or AGL's central document storage system. A team of four was deployed to Georgia to review documents focusing on, for corrective action one: whether a valuation of the affected assets was undertaken in line with the LALRP and the principle of replacement cost, whether the contract amount reflects the valuation of assets, whether the amount paid was the same as the contracted amount. For the remainder of the actions, a large number of documents were submitted by email to Mott MacDonald.

For this audit, the files were divided into three groups:

- 64 households, affected by a loss of 10% or more of their landholding
- 25 households for which contracts and payment have recently been completed (8 May 2014)
- 246 households which had small portions of land affected

The strategy for auditing these three groups is described below.

A document review was undertaken for the 64 significantly affected households and the 25 'new' households to:

- Record amounts owed according to contracts and amounts paid (step completed in May 2014)
- Review the 64 significantly affected households' valuations in detail, recording the rate used for land (in GEL/m<sup>2</sup> or US\$/m<sup>2</sup>), amount of land lost (m<sup>2</sup>), rates used for each individual species of tree (yield per year in kg and price per kg in GEL) and how many trees lost.
- Compare the valuation with the contracted amounts and identify areas of difference.
- Identify whether valuations meet 'replacement cost' criteria of the LALRP (see Table 6.1 - Entitlements Matrix of LALRP) and note any gaps. Specifically this involved reviewing the rate paid per m<sup>2</sup> and the number of years' yield paid for trees.

An elaborate and detailed spreadsheet has been used to record the results of the review.

For the 246 remaining households:

- Review the remaining 246 households' contracts and payment transcripts to verify that the amounts match. For this but we have recorded:
  - Payment amounts in one cell as a formula (e.g. =500+650+1150)
  - Transaction amounts in one cell as a formula as above

We have reviewed the 246 remaining households' valuations with a slightly simplified method. The valuations have been reviewed to check whether:

- They match the contracted amounts
- The rates used for land and trees meet with the 'replacement cost' criteria of the LALRP

In order to do this, the following information has been recorded:

- Land amount in m<sup>2</sup>
- Rate paid for land per m<sup>2</sup>
- Total amount according to land valuation
- Total amount according to tree valuation (checking that the calculations contained there-in are correct)
- Factor applied to yield in tree valuation to reflect number of years' yield to be paid within the tree valuation document itself (normally 1 (no factor applied), 4 or 5)

The main difference between the review of the remaining 246 households was that the detail on the number of trees, rate per kg of yield and kg produced per year, was only recorded for walnut, quince and mulberry trees. This is because we found that the valuation of these trees was incorrect, where instead of eight years' yield being paid, as required by the LALRP, no more than five years' yield was paid. We used the additional details recorded for the three tree types to calculate amounts owed for the outstanding three years' of payments.

### 2.3 Desktop Review of Documents and Information Provided

Mott MacDonald has received and reviewed all land and tree agreements and payment transcripts for 335 AHs. A range of titles has been used by AGL for the land sale and lease agreements, as detailed in Table 2.1.

Table 2.1: Land purchase, land lease and tree compensation agreement names and uses

Document Title	Users or Owners	Usage of Agreement
Call Option Agreement on Cease of Land Usage	Land users	Used for original contracts. Included option payment, also referred to as pre-compensation payment, for land users. Land officially purchased from the state.
Agreement of Cease of Land Usage	Land users	Used for revised contracts, follows on from "Call Option Agreement on Cease of Land Usage". Final contract does not include option payment. Land officially purchased from the state.
Call Option Agreement on Purchase of Unregistered Immovable Property	Land owners	Similar to "Call Option Agreement on Cease of Land Usage" before registration in public register was complete.
Immovable Property Sales Agreement	Land owners	Follows on from "Call Option Agreement on Purchase of Unregistered Immovable Property" once land is registered in public register.
Lease Agreement	Land owners	Used for temporary roads and for ground investigation works.
Agreement on Payment of Compensation for Trees	Tree owners	In some cases a one year agreement for trees is included in the original land contract and this four year contract has been used to

Document Title	Users or Owners	Usage of Agreement
		extend this. Where not in the original contract this trees contract is for a five year period. AGL have confirmed that where there is no tree agreement it is because there were no trees.
JSC "Bank of Georgia" Transfer Order (No.)	All	Detailed bank transfers from AGL to AHs

Table 2.2 below shows the schedule of the CAP Implementation Audit.

Table 2.2: Schedule of CAP Implementation Audit

Item	Location	Date
On-going work with AGL's Land Officers and Accounting Assistant	Batumi, Georgia	29 July – 4 August 2014
Discussion on valuation methodology with Expert XXI	Batumi	29 July 2014
Interview with AGL's Land Manager	Batumi	30, 31 July 2014
Meeting with AGL's Land Manager, EHS Manager and Chief Financial Officer	Batumi	1 August 2014
On-going work with AGL's Land Officers and Accounting Assistant	United Kingdom	August – September 2014
On-going provision of updates on the status of CAP and reporting	United Kingdom	August – September 2014

The following spreadsheets were produced by Mott MacDonald to show the data and calculations necessary to conduct the audit. They constitute the main appendices (these documents contain personal and confidential information and have been supplied to ADB as separate files):

- The 'short spreadsheet', entitled: 'CAP Audit MASTER Short Spreadsheet V21 03 10 2014.xlsx' which shows those households affected by loss of more than 10% of their land and the newly affected households identified by ADB during their mission in March 2014.
- The 'long spreadsheet', entitled 'CAP Audit MASTER Long Spreadsheet V15 03 10 2014.xlsx' which shows those households affected by loss of less than 10% of their land

The following documents were reviewed as evidence for the actions 2 to 12 of the CAP and constitute the supplementary appendices, also supplied to ADB as separate files:

- 'Agreement between Government of Ajara A.R., Adjaristsqali Georgia LLC and Residents of Diakonidzeebi/Geladzeebi/Paksadzeebi/Makhalkidzeebi Village'
- Minutes of consultation meetings
- Grievance log
- Communications log
- Employment data for AGL and AGE
- Job description for the Assistant to the Land, Social and Environment Director
- Training records including a powerpoint presentation and minutes
- Signed form stating that staff know to report verbally raised grievances
- Newspaper extracts

- Leaflets
- Letters of explanation to AHs
- Revised contract of employment for a Land Officer
- Draft revised service contract with Expert XXI, the expert valuers working for AGL
- Project Management Plan containing summary job descriptions
- Shuakhevi Hydro Power Plant (HPP) Management Organogram
- Lease agreements\_verification
- Data Households Shuakhevi Khulo (showing analysis of inaccessible/unproductive land)

## 2.4 Description of Actions

Since the initial LALRP Audit Report, the CAP has undergone some minor modifications to its format and further clarifications have been provided by Mott MacDonald in certain areas in order to assist in the resolution of actions. A small number of additional points were added to the CAP by ADB on 19 August 2014 after their mission to site and these are listed in the tables in Sections 3 and 4 as 'Further Actions'. The reporting of actions to close-out the CAP in Sections 3 and 4 reflect these updates.

## 2.5 Limitations

Several limitations were identified during the undertaking of the audit:

- The data held by AGL was not kept on excel spreadsheets in a format that was easily auditable
- Some of the data on AGL's excel spreadsheets is incorrect
- Progress with the audit was hampered by AGL providing to Mott MacDonald multiple copies of the same documents and superseded documents which were not marked as copies or 'superseded'

## 3 Findings Related to Compensation

### 3.1 Overview

Mott MacDonald has reviewed the outstanding payments identified in the LALRP Implementation Audit for completion and the implementation status of the compensation actions set out in the CAP (Corrective Action 1). The following sections provide a description of the findings of this audit related to compensation.

### 3.2 Outstanding Payments from LALRP Implementation Audit

The LALRP Audit identified that there were five payments outstanding for land compensation due to the five of the 64 significantly affected households, totalling GEL 17,827.50. The cases were outlined in the LALRP Audit Report as follows:

- A tree contract was signed in March 2014 and is still to be paid
- A contract is currently under negotiation
- There is an outstanding payment for trees and the delay is due to confirming number and types of trees
- For an outstanding 800 GEL (which was an error related to a payment on trees), AGL has stated that it will process payment
- For a pre-compensation/options contract still to be paid, AGL has stated that it will process payment

Mott MacDonald has verified, via review of bank transcripts, that four out of the five affected households have been paid what they were owed and that the fifth remains under negotiation. The details are provided in Table 3.1.

Table 3.1: Verification of outstanding payments identified in LALRP Audit Report

AH ID Number	Payment reference	Amount paid (GEL)	Date	Issue closed?
61010004204	2765047859	5,675	22/05/14	Yes
61010009054	2786388900	3,663	02/06/14	Yes
61010011599	2786318923	800	02/06/14	Yes
61009001984	2786318933	400	02/06/14	Yes
61010008548	Negotiations with this AH are still underway as some more of their land may be acquired for the Koromkheti scheme. Issue considered to be on-hold as of October 2014.			

Source: AGL payment transcripts

The review of the bank transcript values against the various contracts for each of the AHs for which payment remained outstanding as of ADB's due diligence of March 2014 indicated that there were no cases of mismatch between bank transcripts and contract values.



### 3.3 Action 1 – Compensation

In the LALRP Audit Report, actions related to completing the compensation was given high priority. Table 3.2 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to compensation. Actions 1a to 1c require further and more detailed explanation, which is provided underneath the table.

Table 3.2: CAP compensation requirements

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
1a	Review the compensation arrangements for the 69 AHs to check that they meet with the LALRP's provisions to cover the 'replacement cost' requirements of ADB.	Payment records, valuations, contracts.	Verbal explanation of what is required.	Assistance provided to Mott MacDonald to close out these actions, see further information underneath this table.	Yes
1b	Review compensation payments for the rest of the AHs (those losing less than 10% of their productive land) against agreements made with AHs and replacement cost criteria.	Excel Sheet.	Verbal explanation of what is required.	Assistance provided to Mott MacDonald to close out these actions , see further information underneath this table.	Yes
1c	Reconcile records of compensation payments made, investigate each case of potential underpayment and complete payment as per signed contract and in line with the LALRP for households affected by loss of less than 10% of land.	Excel Sheet. Payment transcripts. Contracts.	Verbal explanation of what is required.	Five cases of underpayment from the last audit on the significantly affected households were reviewed with AGL on 31st July. Four have been closed out and one remains under negotiation between the owner and AGL. Some of his land may be needed for the later scheme (Koromkheti) and hence an agreement has not been reached (see Table 3.1).  Results of the audit of all records are presented below this table. There are outstanding payments owed to people from both the significantly affected and non-significantly affected groups.	On-going
1d	Investigate claims regarding inaccessible/unproductive land and provide an explanation of the expected impact to the people concerned. Compensate in line with the LALRP if appropriate.	Written explanations	Verbal explanation of what is required.	AGL has provided written responses to two AHs, one of which was identified through review of the grievance mechanism and one during the LALRP Audit.  Another Affected Person (AP) who was affected by this issue was identified through the interviews during the LALRP Audit. This person lives in Tsablana and is part of the negotiations underway with the Government of Adjara to resettle the whole village. AGL will not pursue this issue further until these negotiations are closed.	Yes
1e	Investigate inaccessible/unproductive land issue for severely affected (loss of more than 50% of land) households and	Household by household record of each investigation with		AGL has investigated the issue of inaccessible/unproductive land for each household losing more than (or close to) 50% of its land, a total of 21 households. Nine of these lost pasture or grazing land and were	Yes

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
	compensate if appropriate.	photos, measurements and reasoning, signed by AH representative.		compensated the equivalent of in excess of 66 years' worth of hay purchase for land loss; 11 live in Batumi, or another city, or were not using the land at the outset; five are working on the Project; AGL intends to return land to 12 AHs and four are due to be offered employment. It is recommended that the internal monitoring reports review these issues regularly, especially for those expected to be offered work on the Project and those to whom AGL intends to return land.	

### 3.3.1 Actions 1a to 1c

Mott MacDonald has reviewed the valuations, agreements and payment transcripts for all Affected Households (AH). We checked to see if the valuations and payments matched the agreements and whether these were all in line with the entitlements matrix presented in the LALRP. Key elements of the entitlements matrix which should apply to the valuations and payments for every AH are:

- The price point around which negotiations for land was to be negotiated according to the LALRP was \$4.60 USD. The exchange rate used at the time of the valuations was 1.6688GEL: 1 USD. Therefore the price point in GEL was 7.68.
- The entitlements matrix states that five years' yield would be paid for all fruit or productive trees except for walnut, quince or mulberry, for which eight years' yield was due.

A summary of our findings is presented below in relation to the:

- 'Short spreadsheet' which covers the significantly affected households (those losing more than 10% of land) and the newly purchased land
- 'Long spreadsheet' which covers households losing less than 10% of land.

It is important to note that in some cases, an AH has received a slight overpayment on land and an underpayment on trees. As land and trees are subject to different contracts, we do not think that overpayments on land can be used to partially offset underpayments on trees. Therefore, in calculating amounts owed by AGL, we have treated underpayments as separate from overpayments in each AH's case.

Our findings are recent and therefore AGL has not yet had the opportunity to act upon the underpayments, although we have been in constant contact with the relevant staff members at AGL who have been verifying our work as we have been progressing.

The short spreadsheet findings are as follows:

#### Land:

The lowest amount paid for land was 5.46 GEL (2.22 GEL below the price point) and the highest amount paid was 9.86 GEL (2.18 GEL above the price point). These are considered to be acceptable variations around the price point. The total overpaid, where AGL has payment transcripts which exceed the contracted amounts for land is, 6,884.5 GEL.

The total underpaid<sup>2</sup>, where the payment transcripts are lower than the amount agreed to be paid on the land contracts and valuations, is 30,005 GEL, affecting 26 households (5 of these have been underpaid by

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<sup>2</sup> In some cases there were discrepancies between the stated valuation for land, which is listed on the front page of the land valuation documents, and Mott MacDonald's calculated value which was calculated using the rate per m<sup>2</sup> identified in the valuation and the amount of land valued. For underpayments, we have compared the higher of the two possible values against the amounts paid, which gives the Project Affected Households the benefit of the doubt

less than 50 GEL). This amount excludes one AH which is still under negotiation with AGL. Eight of the underpayments are greater than 1,000 GEL, the highest being 8,001 GEL. The main reason for underpayment has been the non-payment of the 10% uplift in Didachara which was owed to each AH according to the entitlements matrix to account for vulnerability.

**Trees:**

Instead of paying eight years' yield for walnut, quince and mulberry trees, AGL has paid five years' yield. This is the major source of underpayment on trees, except for in a few cases where there were miscalculations on the fruit tree values in the valuation documents. The underpayment on trees amounts to 163,393 GEL affecting 61 households. There are 49 underpayments on trees of more than 1,000 GEL, the highest three are: 9,420 GEL, 8,100 GEL and 6,480 GEL.

The long spreadsheet findings are as follows:

**Land:**

The lowest amount paid for land was 5.46 GEL (2.22 GEL below the price point) and the highest amount paid was 10.06 GEL (2.38 GEL above the price point). These are considered to be acceptable variations around the price point. The total overpaid, where AGL has payment transcripts which exceed the contracted amounts for land, is 6,995.5 GEL.

The total under-paid<sup>2</sup>, where the payment transcripts are lower than the amount agreed to be paid on the contracts and valuations, is 78,818 GEL, affecting 104 households (31 of these have been underpaid by less than 50 GEL). This includes 32 AHs which are owed more than 1,000 GEL on land; the largest of these is an underpayment of approximately 3,700 GEL.

As with the short spreadsheet, the main reason for underpayment has been found to be the non-payment of the 10% uplift in Didachara which was owed to each AH according to the entitlements matrix to account for vulnerability.

**Trees:**

As with the short spreadsheet, the non-payment of eight years' yield for walnut, quince and mulberry trees is the main source of underpayment on trees. The underpayment on trees amounts to 162,240 GEL affecting 65 households. There are 41 underpayments on trees which are greater than 1,000 GEL. The three largest underpayments on trees are 10,500 GEL, 9,510 GEL and 8,100 GEL.

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in each case and corrects the rounding down of the value that has been undertaken by Expert XXI. In our view it is acceptable to round up to reach the total value, but not down. For overpayments we have added the 10% to the total value as stated in the valuation documents.

## Summary

Table 3.3 summarises the total estimated underpayments on both land and trees for all AHs.

**Table 3.3: Total Estimated Underpayments**

	Underpayments on Land (GEL)	Underpayments on Trees (GEL)	Total of Underpayments (GEL)
Short spreadsheet	30,005	163,393	193,398
Long spreadsheet	78,818	162,240	241,058
Total of Underpayments	108,823	325,633	434,456

Table 3.4 summarises the total number underpayments of greater than 1,000 GEL on both land and trees for all AHs. It accounts for land and trees underpayments separately and the total number of underpayments of more than 1,000 GEL does not necessarily equal the total number of households affected by an underpayment of more than 1,000 GEL.

**Table 3.4: Number of Underpayments of more than 1,000 GEL**

	Underpayments of >1,000 GEL		Total Number of Underpayments
	Number AHs with an Underpayment on Land	Number of AHs with an Underpayment on Trees	
Short spreadsheet	8	49	57
Long spreadsheet	32	41	73
Total Number of Underpayments	40	90	130

The cumulative total of underpayments is estimated at 434,456 GEL. Payment of outstanding compensation to AHs will require careful consideration by AGL regarding how to manage the community engagement required to inform people that they have been underpaid. Consideration will need to be given to the possibility that once some AHs have been told that they are due money, they will inform their family and neighbours and AGL may receive a large number of requests to review individual cases to check for inaccuracies. Further, there is the possibility that the underpayment of compensation may create distrust between the communities and the company, or, if carefully managed, AGL could benefit from improved trust from communities. AGL should also consider that households affected by underpayments may request interest on unpaid compensation for the duration that the monies were outstanding.

## 4 Audit Findings on CAP Implementation and Close-Out

### 4.1 Action 2 – Consultation

In the LALRP Implementation Audit Report, consultation was given MEDIUM priority. Table 4.1 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to consultation.

Table 4.1: Consultation Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
2a	Ensure that comments raised to land officers during meetings and informal discussions at villages are documented and responded to in a timely manner. Land officers and other staff visiting villages to respond to issues as they arise if possible; any outstanding issues should be reported back to the CLO for raising in the grievance mechanism.	Written mechanism.	Land Manager (LM) to notify staff that they should acknowledge verbal grievances in the grievance mechanism and obtain signatures of all field staff that they understand and agree to implement.	All land officers have signed to say that they now know to report grievances raised verbally to them in the grievance mechanism. Mott MacDonald has been presented evidence of this.	Yes
2b	Train land team on above.	Training records/ signed attendance list.			Yes
2c	Record minutes of meetings in English.	Minutes.	None.	Meeting notes in the form of weekly reports and minutes of meetings were provided to Mott MacDonald for review. Fifty were provided in total, although a large number were related to issues other than land. Of the notes provided, 37 were in Georgian and 13 were in English.  AGL has stated that all meetings will be recorded in English from now on and has recruited a new member of staff who will help in this task.	Yes
2d	Record all land-related stakeholder engagement in a communications log specifically	Land comm-unications	AGL to complete communications log in suggested format for June, July and August.	The communications log for June, July and August has been received and the format used is acceptable.  The meeting minutes provided showed that a large number of questions	Yes

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
	for that purpose.	log.		were asked regarding a variety of issues on the Project such as landslides, dust, damage caused by tunnelling, Corporate Social Responsibility (CSR) plans and employment. Only four of the meetings had issues raised in relation to land acquisition, access issues and compensation. In a large number of the meetings, it would have been appropriate to return to the villages with further information to answer questions raised. Use of a communications log to record all meetings and follow-up actions will make it easier for AGL to manage the issue of responding to outstanding queries. This could help to manage the level of community complaints and dissatisfaction about the Project in general.	
2e	Weekly meeting between land team, CLO and information officers to ensure that consistent messages are being given to communities.	Minutes.	None.	AGL's Land Manager informed Mott MacDonald that meetings amongst the team are held daily. It is not expected that such frequent meetings should be minuted.	Yes

#### 4.2 Action 3 – Information disclosure

In the LALRP Implementation Audit Report, information disclosure was given MEDIUM priority. Table 4.2 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to information disclosure.

Table 4.2: Information Disclosure Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
3a	Continue to advise against purchase of expensive equipment in advance of securing contracts for work on the project.	Comm-unications log.	None.	AGL informed Mott MacDonald that they have consistently told community members not to purchase equipment or transportation vehicles in the hope that they will be used on the Project. AGL has used some of the equipment on community projects and Mott MacDonald has seen photos of examples of this. AGL will continue to reinforce the message to communities not to purchase equipment.	Yes
3b	AGL to conduct meetings at village level to inform people about access restrictions to be caused by the Project to reduce confusion on this topic. Appropriate mitigation to be discussed with affected people and implemented by AGL.	Minutes of access meetings and comm-unications log.	Issue discussed and examples of where this issue arose during the first audit visit were given. AGL to record all of these meetings as they happen in the communications log.	AGL has hired an NGO, 'Institute of Democracy' to draw up agreements between AGL, the Government of Adjara and villages which state that there will be at least one meeting every two weeks between AGL. The agreements also contain a number of other commitments for each party relating to CSR, employment, scholarships, water issues, potential impacts related to blasting, community protest and sabotage and are designed to create trust between the company and the affected communities. Minutes of meetings specifically to discuss access issues have been supplied for the villages where this is relevant, which are: Tsablana/Kvatia,	Yes

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
				<p>Iakobadzeebi, Makhalakidzeebi, Nenia and Vashlovani. Some of the proposed solutions to difficulty accessing grazing land and forest include provision of new access roads, provision of wood when access is limited because of construction, relocation of a footbridge at Iakobadzeebi and assistance provided by the contractor to allow access periodically during construction.</p> <p>Signed agreements with Diakonidzeebi, Makhlakidzeebi, Geladzeebi and Paksadzeebi villages have been received; these are the only four in existence at present. The agreement for Didachara is under negotiation (as of 12 September 2014) as a social project has not yet been agreed.</p> <p>The signed agreement regarding relocation of Tsablana remains under negotiation and is not available to AGL at this time (October 2014). AGL will attempt to gain sight of the document once it has been prepared however, they are not one of the legal parties to the document, so this is dependent on the Government of Adjara making it available. AGL has supplied a letter from the Chairman of the Government of Adjara to the residents of Tsablana village stating that a plot of land in Batumi will be secured and that an apartment block will be put up for people to move in to.</p>	
	<p><b>Further Action:</b> AGL to provide Mott MacDonald with all agreements signed with the villages including recent agreement with GoA regarding relocating Tsablana to Batumi.</p>				
3c	Train land officers and information officers on technical aspects of the Project so that they can answer questions in the villages.	Training records/ signed attendance list.	AGL to complete communications log in suggested format for June, July and August.	<p>AGL stated that their position on this is that their information officers are the interface between the Company and the communities and that communities would not expect their neighbours (the information officers) to know this information and would therefore not necessarily trust them to report on technical issues. To resolve this, AGL have implemented one page spreads in local newspapers (Shuakhevi, Adjara and Batumi, and planned for Khulo) giving information about the Project's key technical issues. They have also prepared leaflets on tunnelling, spring water, etc.) which are available in the municipality offices. AGL has also set up agreements to have regular meetings to answer questions as detailed above.</p> <p>The communications log showing communications for June, July and August has been received and the format used is acceptable.</p> <p>Minutes of meetings have been received. These contain details of questions raised by community members but little information regarding the answers provided. Use of the communications log in future is expected to help resolve this problem.</p> <p>Photos of consultation meetings are included in some of the 50 meeting notes provided and a further set of photos was submitted on 28 August 2014.</p>	Yes
	<p><b>Further Action:</b> AGL also to share photos of consultation activities if available.</p>				



### 4.3 Action 4 – Grievances

In the LALRP Implementation Audit Report, grievances were given HIGH priority. The initial actions for grievances were as follows:

- Separate grievance log for land and general project performance grievances
- Have land grievance log managed by land team
- Insert columns to indicate priority and whether grievance was substantiated or unsubstantiated
- Train all land officers to report all complaints relayed to them verbally in the villages as grievances

During the site visit it became clear that two grievance logs were being maintained for the Project, one from the Batumi office and one from Shuakhevi, and that they both reflected general project performance grievances. We advised against duplication and to avoid further confusion on this issue, changed some of the actions to reflect a simplification of the process. The new actions were to amalgamate the grievance logs by keeping the one run from Shuakhevi open, to transfer any open grievances from the Batumi log onto the open grievance log and to slightly revise the log to increase its effectiveness. The action to train land officers to report verbally-raised complaints remained. Details on the new actions are provided in Table 4.3 below which also outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to grievances.

Table 4.3: Grievance Actions

#	Updated Action	KPI	Measures undertaken by AGL to meet requirement/Comment	Action closed
4a	AGL to transfer all open grievances from Batumi grievance log onto Shuakhevi grievance log.	Grievance log.	An updated grievance log has been received and AGL has confirmed that all open grievances have been transferred onto one 'Shuakhevi' grievance log which is run from the site office.	Yes
4b	AGL to revise Shuakhevi grievance log to effectively categorise grievances and to show land/trees/compensation related grievances clearly. This should also include land related grievances raised against AGE as any temporary land requirements by AGE should comply with the LALRP.  AGL to add column or colour coding to state the priority of the grievance (24hrs, 7 days, 21 days).  AGL to add column to grievance log stating how issue was resolved and whether the grievance was substantiated or not.  AGL to add column to grievance log stating when the resolution was communicated to the complainant (date) and a further column stating the method of communication.	Grievance log (also showing close out of grievances within the requisite priority times).	The updated grievance log provides improved categorisation of grievances with a category for resettlement and includes grievances raised against AGE. Colour coding has been added to show priority of grievances in accordance with the grievance mechanism. An 'outcome' column has been added to the grievance log to show how grievances have been closed out as well as columns showing dates and methods of communications with complainants.	Yes
4c	Carry out awareness training on grievance	Training records/	Training records which include a Powerpoint presentation, minutes and an attendance list	Yes

#	Updated Action	KPI	Measures undertaken by AGL to meet requirement/Comment	Action closed
	mechanism with appropriate staff and record it.	signed attendance list.	have been received. The grievance mechanism was covered with appropriate staff members. Further, AGL reports that staff have been informed during a separate meeting on the new format for the grievance log and that it will be in use from mid-September onwards.	
4d	AGL to enforce mechanism with AGE to ensure that they gather the requisite information for the completion of the log and the close-out of grievances.	Training records.	AGE attended the training described above.	Yes
4d	Train all land officers to report all complaints relayed to them verbally in the villages as grievances.	Training records/ signed attendance list.	All land officers have signed to say that they now know to report grievances raised verbally to them in the grievance mechanism.	Yes

#### 4.4 Action 5 – Livelihood restoration

In the LALRP Implementation Audit Report, livelihood restoration was given HIGH priority. Table 4.4 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to livelihood restoration.

Table 4.4: Livelihood Restoration Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
5a	Prepare detailed Livelihood Restoration Plan (LRP) as required by LALRP to include:	Detailed LRP.	Responsibilities amongst AGL staff for this task were initially agreed on 1st August and Mott MacDonald sent both the LALRP and the LALRP Audit Report to highlight what needs to be done to Land Officer and Land Manager.	Mott MacDonald was commissioned on 24 September 2014 to provide a Draft Detailed LRP to AGL and ADB on 31 <sup>st</sup> October 2014. The site visit to undertake community engagement for the Detailed LRP commences on 6 October 2014.	On-going
5b	Consideration of fairness of trees compensation and development of in-kind restoration measures to those losing a significant number of trees if necessary.	Detailed LRP.		The tree payments have not reflected the requirements of the LALRP for walnut, quince or mulberry trees (see Section 3.3). Payment of outstanding amounts for trees in accordance with the entitlements matrix in the LALRP will close out this issue. The updated corrective actions are presented in Section 5 where this action is captured.	Yes
5c	Data on number of AHs trained and getting jobs on the project, type of work and incomes.	Detailed LRP.	AGL mentioned that the issue of jobs is contentious amongst local communities because generally the opportunity to sell land is viewed as a benefit and people think that jobs should go to people who have not been able to participate in the sale of land. It was explained that it is important for jobs to go to people who have lost land so that they can	As of 1 September 2014, a total of 293 Georgians are employed by the main contractor, AGE. Of these, 239 people are from the municipalities of Khulo and Shuakhevi where the Project is currently under construction and a further 39 are from Keda, Khelvachauri, Kobuleti and Batumi which are all in the Autonomous Republic of Adjara. The 239 from Khulo and Shuakhevi are considered to be 'local' to the Project itself. Of the Georgian people employed by AGE, 31 (10.6%) are from affected households which have been	On-going

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
			start to rebuild their livelihoods, generate income and develop skills for the future when they will no longer be able to draw on their land for subsistence or cash income.	<p>affected by loss of more than 10% of their land. AGE employees are paid between 600 and 900 GEL per month and are on one year contracts with the possibility of a one year extension. Jobs include security, interpreters, cleaners, electrical work and welders.</p> <p>As of 1 September 2014, AGL employs 77 Georgians, all of whom are from Khulo and Shuakhevi and six (8%) of whom have lost 10% of more of land to the Project. AGL workers are on one year contracts with the possibility of a one year extension and are paid 600-650 GEL per month. The roles include street marshals and drivers.</p> <p>Efforts to improve employment of people from AHs should be included in the Detailed LRP.</p>	
5d	Measures to support those losing more than 50% of their land.	Detailed LRP.	Responsibilities amongst AGL staff for this task were initially agreed on 1st August and Mott MacDonald sent both the LALRP and the LALRP Audit Report to highlight what needs to be done to Land Officer and Land Manager.	Mott MacDonald was commissioned on 24 September 2014 to provide a Draft Detailed LRP to AGL and ADB on 31 <sup>st</sup> October 2014. The site visit to undertake community engagement for the Detailed LRP commences on 6 October 2014.	On-going
5e	Measures to support those losing more than 10% of their land.	Detailed LRP.			
5f	Measures to disseminate the content of the plan to the land team at AGL and assign responsibilities for its delivery.	Detailed LRP.			
5g	Mechanism to prioritise APs for jobs once they have been through the training.	Detailed LRP.			
5h	Consideration of which plots can be returned to productive use after the project, how this will be done and stakeholder engagement on this issue	Detailed LRP.			
5g	<b>Further Action:</b> Include discussion on livelihood restoration strategies at the individual household level (e.g. employment, etc.) and at the community level (e.g. conversion of spoil pits to grazing land)	Detailed LRP.			

#### 4.5 Action 6 – Internal monitoring

In the LALRP Implementation Audit Report, internal monitoring was given HIGH priority. Table 4.5 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to internal monitoring.

Table 4.5: Internal Monitoring Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
6a	Commence internal monitoring of LALRP and act on results.	Monthly internal monitoring reports.	<p>AGL agreed to commence monthly updates as of September 2014.</p> <p>This should include monitoring of key issues occurring at the time. For example, the first monitoring report could include updated information on close-out of CAP items. Regular monitoring reports should include issues such as:</p> <ul style="list-style-type: none"> <li>• Number of APs employed on the Project</li> <li>• Types of grievances raised in the previous month, total number raised for month and construction phase and number outstanding</li> <li>• Communications log for the month</li> <li>• Training carried out during the month</li> <li>• Efforts towards data management</li> <li>• Etc. as issues arise</li> </ul>	AGL has stated that this action was to be commenced in September 2014 however, a monitoring report has yet to be received.	No

#### 4.6 Action 7 – Capacity building

In the LALRP Implementation Audit Report, capacity building was given HIGH priority. Table 4.6 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to capacity building.

Table 4.6: Capacity Building Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
7a	Train land team and community liaison staff on appropriate aspects of LALRP.	Training records/signed	Community liaison requirements have been met by completion of action 2a. AGL have committed in writing that they will train land	AGL has devised and delivered training on the LALRP to a group of Project staff including the Project Deputy Director for AGL, Land Officers, Information Officers and a representative from Expert XXI.	Yes

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
		attendance list.	<p>team and Expert XXI on the LALRP prior to implementing any further land acquisition for the Project.</p> <p>'AGL can confirm that thorough training will be given to its land team and the Georgian land acquisition, Expert XXI on the LALRP. This measure, along with active monitoring from the AGL line manager, will help to ensure full compliance with the LALRP'.</p> <p>Further land acquisition is needed soon for Shuakhevi, therefore training should be carried out with immediate effect.</p>	<p>Training records which include a Powerpoint presentation, minutes and an attendance list have been received.</p> <p>The training provided is deemed to have been appropriate to meet the needs of the Project team.</p>	
7b	Prior to using Expert XXI for further land acquisition, ensure that they have read the LALRP and provide training on its contents if deemed necessary.	Training records.	None.	This action is considered closed as per the above.	Yes
7c	Update contracts with Expert XII to contractually oblige them to adhere to the LALRP.	Updated contracts.	None.	AGL has sent a revised contract which it is planned to use next time Expert XXI are needed. The revised contract requires adherence to the LALRP.	Yes

#### 4.7 Action 8 – Roles and responsibilities

In the LALRP Implementation Audit Report, capacity building was given LOW priority, however during the site visit for the CAP Implementation Audit it became clear that one of the key issues delaying close-out of actions was that responsibility for delivery of each action had not been taken on by the relevant managers. A meeting was held between Mott MacDonald and AGL’s HSE Director, the Land, Social and Environment Director and the Chief Financial Officer to assign responsibilities for tasks in order to expedite the process.

Table 4.7 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to roles and responsibilities.

Table 4.7: Roles and Responsibilities Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
8a	Develop job descriptions for members of the land team to include expected hours of work, number of hours in the office and in the field, expected tasks to be carried out weekly and monthly, reporting of grievances, compliance with LALRP.	Job descriptions	None.	The updated contract of employment for a Land Officer on the Project shows that hours of work are stipulated, split between field and office, as well as a general description of duties which include compliance with the LALRP and reporting of grievances. Two examples have been submitted for review.	Yes
8b	<b>Further Action:</b> ADB requested for the organisation structure, information on staffing and description of roles and responsibilities of AGE, Owner's Engineer and AGL social staff to be provided.	Organogram for each company. Written descriptions.	None.	An organogram has been provided which shows the roles of all the resettlement and social staff working on the Project for AGL, AGE and the Owner's Engineer. AGL has 15 resettlement and social staff (plus two working on payments of compensation amongst other financial duties), AGE has one person working on social issues and the Owner's Engineer also has one person. The Shuakhevi HPP Project Management Plan also contains brief summary job descriptions for members of AGL's Land Team. AGL has recently (August/September 2014) hired a new member of staff in the social/resettlement team who is an assistant to the Land, Social and Environment Director and will assist with record keeping (taking minutes of meetings in Georgian and English) and other tasks. This person will strengthen AGL's capacity to implement further land acquisition, corrective actions and the Detailed LRP. A separate job description for this person has been provided for review and the role requires them to have familiarity with the LALRP and Lenders' requirements on land acquisition and involuntary resettlement.	Yes

## 4.8 Action 9 – Data management

In the LALRP Implementation Audit Report, data management was given HIGH priority. Table 4.8 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to data management.

Table 4.8: Data Management Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
9a	Improve record-keeping on information regarding land acquisition and livelihood restoration.	Electronic files and paper folders.	Issue re-iterated during site visit. AGL to remove superseded documents from filing system (paper and electronic) by end of August 2014. Superseded documents to be filed in a separate system and archived (put in boxes and stored away from current records).	Mott MacDonald visited AGL's Batumi office to review the paper and electronic land and tree acquisition files (valuations, contracts and payment transcripts). We reviewed ten paper files and ten different electronic files at random. We found that the paper files are clearly arranged with contract followed by valuation. Transcripts are together at start of file for each individual. Superseded documents are included at the rear of the file and are marked as such. The valid electronic files are stored in folders by Affected Household and no longer contain superseded documents. AGL is in the process of transferring the files to the central document storage system.	Yes
9b	Ensure that the excel database of information is kept up to date with all AHs and plots affected, contract numbers, amount of compensation paid, date of payment, payment transcript numbers, whether severely affected or losing 10% or more of land, whether plot is needed temporarily or permanently.	Excel database.	Issue re-iterated during site visit.	<p>This work had not been done prior to the CAP Implementation Audit visit and Mott MacDonald has created the spreadsheets with the relevant information to record the audit process. The data needs to be stored in this way due to the complexities of the multiple agreements signed with AHs and therefore ongoing land acquisition should be recorded in a similar manner.</p> <p>It is strongly recommended that in future, where possible, only one agreement is signed per AH containing all the compensation arrangements and that efforts are made to ensure that it is correct and will not later needed to be superseded.</p> <p>Discussions with AGL in October 2014 revealed that information about whether land is to be returned to owners/users or not is not expected to be available until the operations phase as only then will it be possible to identify for certain plots that AGL will not need. Note, AGL is not under any legal obligation to return land that is not subject to lease agreements.</p> <p>Once Mott MacDonald has finalised the spreadsheets for this audit, AGL to ensure that each AH is listed correctly on the 'short' or the 'long' spreadsheet according to whether they lost less or more than 10% of their land.</p>	On-going
9c	Maintain up to date records on the number of AHs employed on the project, type of work, income	Employment information tables.	None. As detailed in Table 4.4, it was explained that it is important for jobs to go to people who have lost land so that they	AGL has provided a list of Georgian people employed on the Project which shows their role, approximate monthly wages, duration of employment and whether they were affected by loss of 10% or more	Yes

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
	and expected duration of employment. <b>Further Action:</b> ADB requested AGL to add a column on list people employed to show who are affected people and who are significantly affected (losing 10% or more) by land acquisition		can start to rebuild their livelihoods, generate income and develop skills for the future when they will no longer be able to draw on their land for subsistence or cash income.	of land. Details of the numbers of people employed are shown in Table 4.4.	

#### 4.9 Action 10 – Update of LALRP

In the LALRP Implementation Audit Report, updating the LALRP was given LOW priority as further land acquisition was not thought to be imminent. Table 4.9 below outlines the activities undertaken and evidence produced by AGL to close-out corrective actions related to updating the LALRP.

Table 4.9: Update of LALRP Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
10a	So that LALRP is fully up to date with the findings of this audit in preparation for use as a template for further land acquisition:				
10b	Update LALRP to re-define 'productive' land in line with AGL's interpretation (i.e. not just arable but arable and grazing land).	Updated LALRP.	None.	The LALRP has been updated to reflect these changes.	Yes
10c	Include entitlement to sale of land rendered unproductive and/or inaccessible by loss of land to the project in the entitlements matrix.				
10d	Revise section 5 and the entitlements matrix to reflect the correct evaluation method.				
10e	Identify new or additional land			Approximately twenty-two land plots are expected to be needed in Didachara for an	On-



#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
	to be acquired or assets to be affected and include information on any additional affected households.			access road. AGL informed Mott MacDonald that an Addendum to the LALRP would be commissioned after the land has been measured. The details of the land needed have not yet been finalised by AGL and the Addendum LALRP is not expected imminently.	going
10f	<b>Further Action:</b> If the transmission lines are part of the Project the LALRP should also cover this.			AGL has stated that there is a Land Acquisition and Livelihood Restoration Framework for the Transmission Line which has been accepted by both Georgian State Electricity and the World Bank.	Yes

#### 4.10 Action 11 – Completion audit

In the LALRP Implementation Audit Report, the completion audit was given MEDIUM priority. During the site visit, it became clear that further land was needed for the Project and therefore the completion audit is not due at this stage. Table 4.10 below outlines an update on the activities undertaken towards the completion audit.

Table 4.10: Completion Audit Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
11a	AGL to prepare LALRP completion audit report, including the following information:				On-going
11b	Update number of severely affected people.				
11c	Provide table showing which AHs lost 10% or more of their land.			No action at present, further land is likely to be needed for Shuakhevi and the completion audit will follow on from this. This action has been transferred onto the updated CAP in Section 5.	
11d	Update Annex E with amount of compensation paid, payment date, loss of more than 50% or 10% of land, if plot is needed temporarily or permanently, ensure all AHs and plots included.	Completion audit report.	None.		
11e	Provide summary tables for land needed permanently and land to be returned to AHs. Further action: HSE Director will prepare maps (as per Arcview maps presented to the ADB) to show which parcels of land are permanently needed and which will be returned in whole or in part to individuals or to the community. ADB also requested that the list of landowners should also include two columns to indicate (1)			In its efforts close out Conditions Precedent with ADB, AGL submitted to ADB mapping and a list of land needed temporarily for the Project on 7 May 2014. AGL has informed Mott MacDonald in October 2014 that the only land needed temporarily is leased land, all of the remaining land should be considered as belonging to AGL until the operations phase at the earliest, when the company will consider allowing owners/users the right to use the land if it is not needed by AGL. Leased land is listed separately from land that AGL has purchased from owners or the State (where land has been purchased from the State,	Yes

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
	which parcels of land will be returned and which are permanently required; (2) estimated time for return of lands.			compensation for relinquishing use rights has been paid to users). All of the land on the 'long' and the 'short' spreadsheets should be considered as belonging to AGL until the operations phase. Mott MacDonald has also reviewed records for list of leased land and found all documentation to be in order. This information is held on a separate spreadsheet. The Detailed LRP should put in place mechanisms for managing any return of land use rights during operations.	
11f	Update budget.			No action at present, further land is likely to be needed for Shuakhevi and the completion audit will follow on from this.	On-going
11g	<b>Further action:</b> H&S Manager to supply update on likely amount of land still required for Shuakhevi, where and when this will be needed by 15th August. If these details are unknown, please supply written justification stating why they are unknown at this time and general description of the land needed.	Written update.	None.	AGL has verbally informed Mott MacDonald that approximately twenty-two plots are needed for an access road in Didachara but that the plans submitted to the Government of Adjara roads department have been refused on more than one occasion, hence the precise amount and location of land needed is not clear at this stage.	Yes

#### 4.11 Action 12 – External monitoring

In the LALRP Implementation Audit Report, external monitoring was given HIGH priority. Table 4.11 below outlines an update on the activities undertaken towards the completion audit.

Table 4.11: External Monitoring Actions

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
12a	An external monitor will review, sign off and advise ADB of the status of the implementation of this Corrective Action Plan (CAP) including confirmation of payment as per signed contracts and other relevant documentation (as far as possible according to relevant information to be provided by	Semi-annual external monitoring reports	None.	AGL commissioned Mott MacDonald in July 2014 to undertake the Audit of the CAP. This report closes-out this action.	Yes

#	Action	KPI	Further clarification provided during site visit	Measures undertaken by AGL to meet requirement/Comment	Action closed
	AGL) and in line with the LALRP.				
12b	External monitor to undertake external monitoring of LALRP and CAP implementation. <b>Further Action:</b> External monitoring report format to be shared by AGL with ADB.			Further monitoring of the LALRP implementation will be required in the future as more land acquisition is needed. This is considered to be covered under Action 11 'Completion Audit'  Mott MacDonald shared the Table of Contents for this report with AGL for sharing with ADB on 28 August 2014.	Yes

## 5 Conclusions and Corrective Actions

As of October 2014 most of the required CAP actions have completed. The following topic areas were either closed-out fully or were closed-out with the exception of one element: compensation, consultation, information disclosure, grievances, capacity building, roles and responsibilities, data management and external monitoring. Progress is considered satisfactory because during the CAP Implementation Audit it became clear that it would not be possible to complete some of the remaining actions at this time. An example of this is the update to the LALRP (action 10), which will now require an addendum and the completion audit (action 11) which will follow on from this. Where actions remain outstanding, they have been put into an updated CAP, as shown in Table 5.1. There are no completely new actions in the updated CAP.

The original CAP implementation is important for ADB's first loan disbursement for the Project. Based on the results of this review and the significant number of underpayments of more than 1,000 GEL, the first disbursement may be affected by the time it will take for AGL to pay the outstanding compensation to AHs. However this is subject to ADB's review of this report and their final decision on this matter. As noted in Section 3.3, the process of reconciling underpayments will require careful management and close-out of issues is estimated to take one to two months for those identified as affected by underpayments. It is expected to take longer to provide answers to any queries generated by paying monies to some households.

When considering how to manage payment of outstanding monies, it is recommended that AGL considers the following potential issues:

- How to engage with AHs about underpayment of compensation
- A ripple effect causing people to request reviews of their own individual cases to check for inaccuracies
- Creation of distrust between the communities and the company, or, if carefully managed, AGL could benefit from improved trust from communities
- Requests for payment of interest on unpaid compensation
- It is recommended that AGL considers paying the most affected first, in other words those who were underpaid by more than 1,000 GEL.

The remaining outstanding actions are presented in Table 5.1 overleaf.

Table 5.1: Updated CAP

#	Topic	Priority	Action	KPI	Timeframe
1	Compensation	High	Pay outstanding amounts as identified on both short and long spreadsheets (described in Section 3)	Payment transcripts to be provided for review	To be agreed
2	Detailed Livelihood Restoration Plan (LRP)	High	Prepare and implement Detailed LRP as per Action 5 The Detailed LRP should put in place mechanisms for managing any return of land use rights during operations	Detailed LRP Internal Monitoring Reports on progress with implementation	Detailed LRP by end October 2014 Monitoring reports as below
3	Internal Monitoring	High	Monthly internal monitoring reports to be produced, commencing in October 2014. Issues to be covered include but should not be limited to: <ul style="list-style-type: none"> <li>• Implementation of livelihood restoration measures</li> <li>• Employment for severely affected households identified by AGL as due to be offered work in inaccessible/ unproductive land review (names can be supplied by Mott MacDonald)</li> <li>• Return of land to those severely affected households identified by AGL as part of inaccessible/unproductive land review (names can be supplied by Mott MacDonald, details not expected until operations phase)</li> <li>• Number of APs employed on the Project</li> <li>• Types of grievances raised in the previous month, total number raised for month and construction phase and number outstanding</li> <li>• Communications log for the month</li> <li>• Training carried out during the month</li> </ul>	Monthly reports submitted to ADB	From October 2014
4a	Data management	High	Ensure that the excel database of information is kept up to date with all AHs and plots affected, contract numbers, amount of compensation paid, date of payment, payment transcript numbers, whether severely affected or significantly affected (losing 50% or 10% or more of land), whether plot is needed temporarily or permanently (when this information becomes available in operations).	Database updates as more land is acquired	On each occasion that land is acquired
4b	Data management	High	AGL to ensure that each AH is listed correctly on the 'short' or the 'long' spreadsheet according to whether they lost more or less than 10% of their land. AGL to integrate the 25 'newly affected' into one or other of the main lists.	Organisation of AHs into correct categorisation (more or less than 10% of land lost)	Organisation of AHs into correct list by November 2014
5	Addendum LALRP	Low	Once the land required for the Didachara access road has been identified and measured, AGL to commission an Addendum to the LALRP to cover the additional impacts and management measures	Addendum LALRP	Unknown at present
6	Completion Audit	Low	Following the purchase of land and implementation of mitigation measures for the last remaining AHs for Shuakhevi, AGL to commission a Completion Audit	Completion Audit	Unknown at present

# Appendices

Appendix A. Original CAP – May 2014 \_\_\_\_\_ 31

## Appendix A. Original CAP – May 2014

Table A.1: Correction Action Plan

#	Topic	Priority	Action	KPI	Timeframe	Status and continuing actions
1	Compensation	High	<p>Review the compensation arrangements for the 69 AHs to check that they meet with the LALRP's provisions to cover the 'replacement cost' requirements of the ADB.</p> <p>Review compensation payments for the rest of the AHs (those losing less than 10% of their productive land) against agreements made with AHs and replacement cost criteria.</p> <p>Reconcile records of compensation payments made, investigate each case of potential underpayment and complete payment as per signed contract and in line with the LALRP for households affected by loss of less than 10% of land.</p> <p>Investigate claims regarding inaccessible/unproductive land and provide an explanation of the expected impact to the people concerned. Compensate in line with the LALRP if appropriate.</p> <p>Investigate inaccessible/unproductive land issue for severely affected households and compensate if appropriate.</p>	<p>Payment records</p> <p>Excel Sheet</p> <p>Household by household record of each investigation with photos, measurements and reasoning, signed by AH representative.</p>	<p>Review of replacement cost criteria against compensation prior to first disbursement.</p> <p>Review of compensation for those losing less than 10% of their land prior to first disbursement.</p> <p>All compensation payments due during the period before the first disbursement by ADB should be completed.</p> <p>Begin investigating claims by mid-May 2014. Aim to complete within one month.</p>	<p>Review of replacement cost criteria against compensation prior to first disbursement.</p> <p>Review of compensation for those losing less than 10% of their land prior to first disbursement.</p> <p>All compensation payments due during the period before the first disbursement by ADB should be completed.</p> <p>Begin investigating claims by mid-May 2014. Aim to complete within one month.</p>
2	Consultation	Medium	<p>Ensure that comments raised to land officers during meetings and informal discussions at villages are documented and responded to in a timely manner. Land officers and other staff visiting villages to respond to issues as they arise if possible; any outstanding issues should be reported back to the CLO for raising in the grievance mechanism.</p> <p>Train land team on above.</p> <p>Record minutes of meetings in English.</p> <p>Record all land-related stakeholder engagement in a communications log specifically for that purpose.</p> <p>Weekly meeting between land team, CLO and information officers to ensure that consistent messages are being given to communities.</p>	<p>Written mechanism.</p> <p>Training records/signed attendance list.</p> <p>Minutes.</p> <p>Land communications log.</p>	<p>Implemented end of July 2014 and to be continued throughout construction and operation.</p>	<p>Implemented end of July 2014 and to be continued throughout construction and operation.</p>

#	Topic	Priority	Action	KPI	Timeframe	Status and continuing actions
3	Information disclosure	Medium	<p>Continue to advise against purchase of expensive equipment in advance of securing contracts for work on the project.</p> <p>AGL to conduct meetings at village level to inform people about access restrictions to be caused by the project to reduce confusion on this topic. Appropriate mitigation to be discussed with affected people and implemented by AGL.</p> <p>Train land officers and information officers on technical aspects of the project so that they can answer questions in the villages.</p>	<p>Communications log.</p> <p>Minutes of access meetings and communications log.</p> <p>Training records/signed attendance list.</p>	By end of May 2014 and to be continued throughout construction.	
4	Grievances	High	<p>Separate grievance log for land and general project performance grievances.</p> <p>Have land grievance log managed by land team.</p> <p>Insert columns to indicate priority and whether grievance was substantiated or unsubstantiated.</p> <p>Train all land officers to report all complaints relayed to them verbally in the villages as grievances.</p>	<p>Land grievance log.</p> <p>Job descriptions for members of the land team.</p> <p>Training records/signed attendance list.</p>	By end of May 2014.	
5	Livelihood restoration	High	<p>Prepare detailed Livelihood Restoration Plan (LRP) as required by LALRP to include:</p> <ul style="list-style-type: none"> <li>• Consideration of fairness of trees compensation and development of in-kind restoration measures to those losing a significant number of trees if necessary.</li> <li>• Data on number of AHs trained and getting jobs on the project, type of work and incomes.</li> <li>• Measures to support those losing more than 50% of their land.</li> <li>• Measures to support those losing more than 10% of their land.</li> <li>• Measures to disseminate the content of the plan to the land team at AGL and assign responsibilities for its delivery.</li> <li>• Mechanism to prioritise APs for jobs once they have been through the training – AGL has already commenced this.</li> <li>• Consideration of which plots can be returned to productive use after the project, how this will be done and stakeholder engagement on this issue.</li> </ul>	Detailed LRP.	By end of July 2014.	
6	Internal Monitoring	High	Commence internal monitoring of LALRP and act on results.	Monthly internal monitoring reports.	By end of May 2014.	
7	Capacity building and improving commitment to	High	<p>Train land team and community liaison staff on appropriate aspects of LALRP.</p> <p>Prior to using Expert XXI for further land acquisition, ensure that they have read the LALRP and provide training on its contents if deemed</p>	<p>Training records/signed attendance list.</p> <p>Updated contracts.</p>	<p>By end of July 2014.</p> <p>Prior to procuring services of Expert XII.</p>	



#	Topic	Priority	Action	KPI	Timeframe	Status and continuing actions
	the LALRP		necessary. Update contracts with Expert XII to contractually oblige them to adhere to the LALRP.			
8	Roles and responsibilities	Low	Develop job descriptions for members of the land team to include expected hours of work, number of hours in the office and in the field, expected tasks to be carried out weekly and monthly, reporting of grievances, compliance with LALRP.	Job descriptions.	By end of July 2014.	
9	Data management	High	Improve record-keeping on information regarding land acquisition and livelihood restoration. Ensure that the excel database of information is kept up to date with all AHs and plots affected, contract numbers, amount of compensation paid, date of payment, payment transcript numbers, whether severely affected or losing 10% or more of land, whether plot is needed temporarily or permanently.. Maintain up to date records on the number of AHs employed on the project, type of work, income and expected duration of employment.	Excel database. Employment information tables.	By end of May 2014.	
10	Update of LALRP	Low	So that LALRP is fully up to date with the findings of this audit in preparation for use as a template for further land acquisition: Update LALRP to re-define 'productive' land in line with AGL's interpretation (i.e. not just arable but arable and grazing land). Include entitlement to sale of land rendered unproductive and/or inaccessible by loss of land to the project in the entitlements matrix. Revise section 5 and the entitlements matrix to reflect the correct evaluation method. Identify new or additional land to be acquired or assets to be affected and include information on any additional affected households.	Updated LALRP.	By end of July 2014 and before any further additional land to be acquired or assets affected.	
11	Completion audit (internal) on April 2014 LALRP	Medium	AGL to prepare LALRP completion audit report, including the following information: <ul style="list-style-type: none"> <li>• Update number of severely affected people.</li> <li>• Provide table showing which AHs lost 10% or more of their land.</li> <li>• Update Annex E with amount of compensation paid, payment date, loss of more than 50% or 10% of land, if plot is needed temporarily or permanently, ensure all AHs and plots included.</li> <li>• Provide summary tables for land needed permanently and land to be returned to AHs.</li> <li>• Update budget.</li> </ul>	Completion audit report.	After 31 AHs have been paid (see row 1 of this table).	
12	External	High	An external monitor will review, sign off and advise ADB of the status	Semi-annual external	First report by end	

#	Topic	Priority	Action	KPI	Timeframe	Status and continuing actions
	Monitoring		<p>of the implementation of this Corrective Action Plan (CAP) including confirmation of payment as per signed contracts and other relevant documentation (as far as possible according to relevant information to be provided by AGL) and in line with the LALRP.</p> <p>External monitor to undertake external monitoring of LALRP and CAP implementation.</p>	monitoring reports	<p>June 2014 covering the implementation of the CAP.</p> <p>Subsequent external monitoring report to be submitted every June and December of each calendar year.</p>	