Failing local communities

Report on the Land Assessment and Livelihoods Restoration Plan for the Nenskra Hydropower Project

September 2017
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I. Summary

A field investigation conducted by CEE Bankwatch Network in the Nenskra and Nakra valleys in Upper Svaneti in Georgia during two visits in July 2017 has found direct evidence that the Land Acquisition and Livelihood Restoration Plan (LALRP) developed by JSC Nenkra Hydro is inaccurate and fails to properly map, assess and provide adequate compensation for project affected persons (PAPs), especially for those that are significantly and severely affected by the planned Nenskra hydropower plant. The LALRP and its implementation so far do not comply with the requirements of international financiers’ policies concerning involuntary resettlement and economic displacement.

The main findings of the field investigation include:

- Pasture land and wooden cabins used by multiple users are recorded as being used by only one household, leaving entire households out of the compensation scheme.
- Some affected crops were not recorded at all
- Some wooden cabins were not recorded at all
- Incorrect numbers of people were recorded in two households
- Number of cattle owned was not taken into account
- The criteria for identifying vulnerable people leave out Internally Displaced Persons and potentially others who have a low income (those who practice subsistence farming, those affected by recent changes in logging licensing and indebted households).
- The land take impacts of associated facilities such as transmission lines, access roads and the new substation are not included, nor are the land impacts of the disposal sites.
- Systemic disparities in the compensation to which PAPs are entitled as a result of the inaccurate mapping of users of affected land and assets.
- Highly insufficient stakeholder engagement processes of the PAPs.

The gaps in the land acquisition and compensation process are particularly alarming in light of the fact that, according to the supplementary ESIA, compensation and purchase agreements were planned to be signed with all the affected households in the Nenskra and Nakra valleys by April and August 2017, respectively. This has not happened, but it is unclear what the new timeline is.
In the view of the disconcerting findings, the report concludes that the project’s land acquisition and compensation measures and practices are in violation of the policy requirements of the prospective international lenders both with respect to the timing (significant delay), process (lack of information and participation) as well as fairness of compensation (systematic flaws in mapping).

Therefore, international financial institutions need to suspend their consideration of the project for financing until the gaps identified in the report are satisfactorily resolved.

II. Introduction

In February 2017, JCS Nenskra Hydro released a supplementary package of documents to the Environmental and Social Impact Assessment (2015) for the Nenskra Hydropower project in order to comply with financing requirements by the European and Asian multilateral development institutions. The package contains a Social Impact Assessment and Land Acquisition and Livelihood Restoration Plan that map the socio-economic profile of the impacted communities, assess the land acquisition impacts and outline the compensation for PAPs.

As PAPs include the Svans, who manifest indigenous features, have traditional ways of life and depend largely on customary land for subsistence agriculture and livestock grazing, Bankwatch has been concerned about the threat the Nenskra hydropower project will pose to Svan livelihoods and cultural heritage. Despite practising customary land use rights for several generations, Svans do not have their rights recognized by the Georgian government. The weak legal status related to Svan land rights in the national legislation combined with their dependence on the land for their livelihoods makes Svans vulnerable. Adherence to international financiers’ safeguard policies therefore plays a vital role in this case.

On July 1–5 and July 17–19 2017, CEE Bankwatch Network travelled to the project site to better understand the scale of land acquisition and the state of the compensation process outlined in the Nenskra hydropower project documentation. Bankwatch teams interviewed heads of 20 households or their direct relatives to be impacted by permanent or temporary land loss in the Nakra and Nenskra valleys. The field investigation unveiled systemic gaps in the mapping of project affected people, assessment of impacts, compensation and related stakeholder engagement. Alarmingly, the majority of respondents in the Bankwatch survey claimed they had not been visited by consultants gathering socio-economic data in a house-to-house survey and that no-one had explained to them their rights related to land loss and the compensation instruments. Their contact with the company on the matter has been limited to one visit by a Tbilisi–based compensation officer who told them about compensation sums for wooden cabins and pasture land, without any consultation.
Presumably the officer had been able to make estimates based on public registries, talking to other users and making on the spot assessments, however this cannot be a substitute for real consultation. No one we spoke with was informed about all compensation instruments including for loss of agricultural land, vulnerability allowances, and allowances for severely affected people. Some of the respondents, in particular in Nakra, had not even been visited by the compensation liaison staff, and according to information gathered after the field visits, still have not been visited.

It is important to note that the extent of the concerns is broader than what is captured in this report. So is the number of the affected people who have shared their concerns. However, several respondents feared repercussions and asked us not to communicate their problems with the land loss and compensation scheme. Generally, the interviewed households expressed concerns that their opinions and positions are not accounted for properly, and that their land rights are threatened without sufficient protection and guarantees for fair and participatory processes of negotiations and decision-making.

The purpose of this report is to draw the attention of the prospective project financiers to a number of specific disparities between the information provided by the LALRP and the reality on the ground. The shortcomings in the LALRP and its implementation so far have caused violation of international financiers' involuntary resettlement standards. After laying out the methodology (Section 3), Section 4 of the report presents our findings related to discrepancies in socio-economic data collection, the mapping of affected people and impacts on their livelihoods, while Section 5 details disparities in the proposed compensation to PAPs.

III. Methodology

The Bankwatch teams conducted semi-structured interviews with 20 PAP households in the Nenskra and Nakra valleys. Sixteen interviews were carried out with the head of the household and four interviews were conducted with either their spouse or adult offspring. The team conducted complementary interviews with 4 local teachers.

Due to capacity and time restrictions, the team focused on the PAPs with land and assets in the dam and reservoir area and the construction camp area in the upper Nenskra valley and the PAPs with land and assets in the Nakra weir and transfer tunnel intake area. Twelve of the interviewed households were located in the Chuberi administrative area and 8 households in Nakra. Bankwatch considers the number of people interviewed to be a representative sample of the significantly and severely affected population (totalling 47 households/212 people). As we found structural flaws in the way that PAPs were mapped.
and compensation assessed, we believe that the concerns identified during the interviews are shared across the wider group of PAPs.

The field investigation was supplemented with desk research of the project documentation and performance requirements and policy safeguards of international lenders.

The report does not include the concerns of people who asked for confidentiality due to fears of repercussion by the state or the company.

IV. Discrepancies in socio-economic data collection and mapping of impacts on project affected people

According to the project documentation, socio-economic baseline data for the supplementary studies on social impacts and livelihood restoration – the Social Impact Assessment (SIA) and LALRP, respectively – was collected through a combination of surveys and focus groups. Specifically, the SIA and LALRP identify the following key sources of data for the socio-economic profile of the communities in general and more specifically, the PAPs:

1. Socio-economic survey undertaken in September and October 2015 encompassing all households in the Nenskra and Nakra valleys;

2. Focus groups organized with women and with other strategic groups such as farmers in September 2015, focusing on gender relationships and livelihoods;

3. Complementary socio-economic surveys undertaken between October and December 2016 targeting only the households affected by the Nenskra dam and reservoir site, the Nakra weir intake site and the powerhouse site;

4. An inventory of community infrastructure (schools, clinics, shops) carried out during the household surveys.

However this section outlines serious gaps in the data collected, which may lead to people losing out on compensation.
1. Affected people mapping

According to the LALRP\(^1\), in total 80 households representing 363 individuals are affected by land acquisition for the Nenskra dam project. Out of these, 47 households and 212 individuals would be affected in the three areas covered by the Bankwatch survey. As per the project documentation, their distribution across dam and reservoir, construction camp site and the Nakra intake tunnel is as follows:

Table 1: Affected people mapping

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of affected households</th>
<th>Numbers of individuals affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dam and reservoir area 1: Dam structure and reservoir</td>
<td>9</td>
<td>51</td>
</tr>
<tr>
<td>Dam and reservoir area 2: Construction camp site</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>Nakra weir and transfer tunnel intake channel</td>
<td>27</td>
<td>111</td>
</tr>
<tr>
<td>TOTAL</td>
<td>47</td>
<td>212</td>
</tr>
</tbody>
</table>

The LALRP says that PAPs in these areas will be mainly affected by the temporary or permanent loss of pastures for their animals, the loss of summer cabins and additional structures such as fences as well as the loss of small agricultural plots.

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Unrecorded co-use of pastures and assets

Bankwatch’s investigation has revealed that the number of people to be affected by land and/or asset losses is higher than the figures presented in the LALRP. The root cause of the differing calculations is that the LALRP lists only one household as the owner/user of the pastures and cabin structures. In reality, pastures and cabins have more users. Multiple families (households) belonging to a family clan use the high mountain land and wooden structures. The families are equally existentially dependent on the grazing land and the infrastructure. Bankwatch has come across pastures and cabins that are used by as many as four or five different households. The very rough estimate made by the interviewees is that the total number of families to be affected by land loss in the reservoir and construction camp area is double the LALRP estimate\(^2\). Bankwatch did not have the capacity to follow up this finding with exhaustive mapping of the affected families that co–use the pastures and structures.

Seven households interviewed by Bankwatch in the Nenskra valley and three families in the Nakra valley that are included in Tables 25 and 26 as private owners and sole users of pasture areas and structures in reality have shared assets with a number of other households, ranging from two to four other families.

Socio-economic surveys undertaken in 2015 and 2016 did not record co-use of the pastures and cabins and did not reflect on this in the project documentation. However some of the Bankwatch survey respondents mentioned that the Tbilisi-based compensation liaison officer is aware of the phenomenon of co-use and has proposed that compensation is shared among the multiple users in selected cases. **The absence of accurate mapping of all the co-users and the lack of official written record of the real number of the affected people may lead to arbitrary compensation and risks that co-users will be omitted from the compensation system.**

The following discrepancies in the mapping of co-use of affected pastures and related structures have been revealed by our field investigation:

- Co-use of a cabin and pastures has not been recorded in the case of a female-headed household in Sgurishi. The household is one of five households that use a wooden cabin in the Kvemo Memuli pasture area. The cabin was erected by the woman's now deceased husband. She is not listed as the owner of the cabin in Table 25 in the LALRP. Neither does the LALRP indicate that multiple families co-use the cabin, so they would lose out on compensation. For details, see the letter of concern addressed by Iso Chkhvimiani to the company and the banks in Annex 1.

- A family clan consisting of households of five brothers co-uses a cabin and pastures in Kvemo Memuli. In addition, one of the brothers has a private cabin and pastures. The owner of the private cabin has been informed of his entitlement to compensation and this cabin is included in Table 25 (household 8). However, for the other, co-used cabin, only one of the brothers has been informed of eligibility for compensation, and the cabin and pastures are not reported as being co-used by the others.

- A household that will be permanently affected by loss of pasture land and a wooden cabin at Mashrichala informed Bankwatch that the assets are used by six families and that the compensation liaison officer offered compensation to only one family, who would be responsible for sharing the amount with the remaining co-users.

- At least two families co-use a cabin located on the left side of the Nakra river inside the land take area for the water intake tunnel. Guram Gvarmiani co-uses his cabin with at least one more family – a female-headed household. The cabin is not listed among the affected structures in the LALRP.

**Incorrect data about those living in PAP households**

Bankwatch’s survey has detected further inaccuracies in the mapping of the number of people residing in each household. This might have caused distortion of the economic power of the families and their entitlement to vulnerability allowances. The mapping gaps included:
• An affected household in the Nakra valley that owns a wooden cabin and pasture land in the Lagiri pasture area (in the land take area for the water intake tunnel), is not properly assessed by the LALRP. The documents mention that there are 3 men and 3 women living in the household while in reality there are 5 women and a man.

• In the case of a female–headed household included in the Table 25 in the LALRP, the project documentation mentions that there are four people living in the household. In reality there are seven, including internally displaced people. Contrary to Table 25, the family makes no profit from agricultural activities.

The case of Iso Chkhvimiani from Sgurishi, Chuberi

Co–use of a cabin and pastures not recorded
A female–headed household in Sgurishi is one of five users of a wooden cabin in the Kvemo Memuli pasture area. The cabin was erected by the woman’s now–deceased husband. Iso Chkhvimiani is not listed as the owner of the cabin in Table 25 in the LALRP. Neither does the LALRP indicate that multiple families co–use Iso Chkhvimiani’s cabin. For details, see the letter of concern addressed by Iso Chkhvimiani to the company and the banks in Annex 1.

Inadequate compensation proposed
Interviews with Iso Chkhvimiani and other families co–using the cabin revealed that the compensation liaison officer has informed the affected families that the compensation for the cabin would not be awarded to Ms. Chkhvimiani but to another user of the cabin. The co–user was advised by the the compensation officer to split the financial compensation among the co–users in varying sums.

Additionally, no compensation was offered for the temporary loss of the pasture area in Kvemo Memuli. It is unclear whether the transitional supply of fodder (in cash or in kind) would be offered and whether it would also be split among the co–users.

Lack of consultations
Furthermore, the case is symptomatic of the absence of proper consultations with PAPs. Ms. Chkhvimiani was informed about the compensation for the cabin in mid–July 2017. The information was shared with her verbally without having been presented with any written document or having received any copy of the proposal. She had no opportunity to express her opinion. She was neither informed of her right to the compensation for temporary pasture loss, nor of her right to a specific vulnerability allowance or livelihood restoration measures for significantly affected people.

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While the Bankwatch team, out of limitations in resources and time, only spoke to a limited number of severely and significantly affected people that own and use pasture land at the project sites, the examples provided above show clearly that there are clear gaps in the mapping of the number of people affected by the take of land and assets. This is mainly due to the fact that both pasture lands and cabins are co-used by a number of households, each equally dependent on the pastures for livestock grazing and hay collection. The shortcomings in the mapping of the affected people threatens to leave some people without compensation or under-compensated.

2. Mapping of the affected structures

The LALRP maps structures belonging to households that will be severely and significantly affected by their permanent or temporary loss. These include mostly wooden cabins and fences. Bankwatch’s field visit however identified households whose structures have not been listed among the affected ones. Our findings cast doubt on whether the mapping of structures in the ESIA is exhaustive.

The structures unaccounted for in the LALRP according to the Bankwatch field visits include two wooden cabins located on the left bank of the Nakra river, approximately 100 m from the only cabin registered in the LALRP as an affected structure in the water intake tunnel area. The locals consider the location of the structure to be within the Lagiri pasture area and the project documentation marks the area as inside the land take area. (See map below).

The owner of one of the cabins, Soso Othkvani from Nakra, has not been contacted at all and has submitted a letter (see Annex 1) requesting that the company and the bank

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4 Tables 25 and 26. Land Acquisition and Livelihood Restoration Plan
reassess the project impacts on the pasture land and the cabin and include them in the compensation plan. Furthermore, as Soso Othkvani lives under the poverty line, the failure of the company to assess his situation should be an alarm signal for the project financiers as the household will lose its main source of income.

Guram Gvarmiani, head of another household in Nakra, has informed Bankwatch about his ownership of a second cabin located on the right side of the Nakra river inside the land take area for the water intake tunnel. Guram Gvarmiani co-uses his cabin with at least one more family – a female-headed household. Alarminglly, neither of the households has been consulted on the possible loss of or impaired access to the pastures or about the compensation scheme.

Figure 1: Map of Nakra valley and affected areas. Source: LALRP, page 64

3. Mapping of the affected crops and number of animals

Bankwatch found that the mapping of the affected crops contains discrepancies compared with the situation on the ground. Some of the small mountain plots adjacent to cabins and pastures and used mostly for potato growing have not been recorded in Table 25 of the LALRP. In the case of Malkhazi Chkhwimiani, the LALRP fails to record that the household practises agricultural activities on part of the pasture land to be affected by the project. The Malkhazi household hence runs the risk of not being adequately compensated by the
company for the loss of its agricultural produce (see the letter from Malkhazi Chkhvimiani in Annex 1).

Another crucial gap is the lack of data on and consideration of the number of cattle that people graze in the pasture area to be taken by the project. This is important as people rely on the cattle for subsistence produce. Additionally, some families sell the surplus dairy products. The failure to map the number of cattle owned by the affected households leads to situations in which households owning 15 cows and bulls would receive the same amount of compensation as households owning 2 cows (this issue is elaborated in more detail in the section on compensation). For the sake of fair allocation of compensation among all the pasture users, it is critical that the LALRP takes into consideration the number of co–users and the animals owned by each affected family.

4. Vulnerability mapping

The LALRP and the Social Impact Assessment assess four main categories of people who might be affected more or risk being marginalized by the effects of the project, especially by expropriation of land or other assets. These include:

- (i) female–headed households with dependents;
- (ii) disabled household heads without labour or means of support;
- (iii) poor households as defined by the official poverty line;
- (iv) elderly households with no labour or means of support;
- (v) cultural or ethnic minorities.

According to the project documentation, the company has to pay particular attention to the needs of vulnerable groups and provide extra assistance to them, especially in the land acquisition and compensation programme, including during the livelihood restoration activities. This is critical as vulnerable households might be entirely dependent on the income generated from their pasture lands and their vulnerability might impede them from developing alternative sources of income by themselves.

It is not completely clear how the LALRP authors analysed who falls into the categories above. Poor households appear to have been identified through the national registry on who is receiving poverty payments and other information appears to have been taken from the consultants’ survey and/or public consultations.
Twenty-seven of the 80 affected households fall into at least one of the criteria above and are considered in the LALRP as vulnerable.\(^5\)

**Table 2: Distribution of vulnerable households by vulnerability criteria**

<table>
<thead>
<tr>
<th>Vulnerability category</th>
<th>Number of affected households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total vulnerable households</td>
<td>27</td>
</tr>
<tr>
<td>Total households receiving poverty allowance</td>
<td>17</td>
</tr>
<tr>
<td>Total woman headed households</td>
<td>9</td>
</tr>
<tr>
<td>Total elderly-headed households without any other bread-winner in the household</td>
<td>7</td>
</tr>
<tr>
<td>Total disabled head of household</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: LALRP, p. vi*

However, our findings show that this may be a substantial underestimate. This is for two reasons:

- The LALRP does not recognize the vulnerable status of internally displaced people (IDPs), thus omitting a whole category of people who we consider likely to be vulnerable.

- The consultants’ classification classifies people by category rather than analyzing the surveyed households’ situation on a case by case basis. This approach may wrongly exclude people from being classified as vulnerable. This issue is exacerbated by overestimation of income from sources including logging and farming, which makes people appear to have more income than they really do.

**Internally Displaced Persons (IDPs)**

IDPs make up around 15% of the population in Chuberi and Nakra and are also among the affected families.

Our survey identified one IDP family in Chuberi and two IDP families in Nakra that co-use the pastures in the land take areas and will be directly affected by the project.

The SIA does mention the presence of IDPs from Abkhazia that reside in the Nenskra and Nakra valleys and receive a refugee allowance. However, the study considers the IDPs to

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\(^5\) On the national level 11% of the Georgian population is registered as living under the poverty line. Almost a fifth of all the families in the project area (65 of 353 households or 18.4%) report receiving poverty subsistence allowance. Fifteen of the affected households (or 19%) are receiving this poverty allowance. Women-headed households represent 23% of the total households residing permanently in Nenskra and Nakra valleys. They represent 11% of the affected households (9 households out of 80).
have settled well in the local community with whom they have kinship ties and share Svan origins. The SIA concludes that their refugee status is not considered as a vulnerability criterion in relation to the project’s impacts.

However, Bankwatch interviews with the affected IDP households in the Nenskra and Nakra valleys as well as with key informants (school staff) revealed that IDP families live in a disadvantaged position in the community because they have not been allocated housing or live in houses with no ownership titles. Although IDP families eventually settled in houses in the villages, they live in a state of constant insecurity because of difficulties connected with registration of the houses and/or receiving land and housing from the government. As an IDP woman informed Bankwatch (see letter from Nazibrola Kharziani in Annex 1), she has been living in other people’s houses for years as the government has not provided her with housing. Also, according to Chuberi and Kari school teachers, IDP students are visibly less well off than their classmates.

The Mestia Municipality registers 171 IDPs in Chuberi and 46 in Nakra. According to national policy, an IDP receives a monthly allowance, free primary and secondary schooling, a plot of arable land and assistance with finding employment. Yet, not all of these welfare instruments are operationalized in Chuberi and Nakra. Due to the land and housing scarcity in the mountain valley, there is a shortage of extra plots or houses for IDPs. Nor there are income earning opportunities. The state support in the area is limited to the monthly refugee welfare payment and free education. Bankwatch is not aware of any livelihood development programmes that supports the IDPs in Chuberi or Nakra to move towards self-sufficiency.

The Georgian welfare system does not allow people living on the refugee allowance to also receive a poverty allowance. Therefore, many IDP households that live close to or under the poverty line are not recognized as poor and therefore are not considered vulnerable in the company’s assessment of project impacts. Bankwatch’s survey identified 2 households in Nakra with IDP residents and 1 such household in Chuberi that will be affected by pasture loss. The IDPs receive 45 GEL (18 USD) per person per month. They would qualify as households living under the poverty line despite receiving no poverty allowance.

**Bankwatch firmly believes that IDP status needs to be taken into account as a vulnerability criteria** due to the economic conditions of IDP families, the challenges they face in realising their rights (eg. to state housing) and the pronounced impacts of the project they are likely to feel. The omission of IDPs in the affected households mapping and the lack of recognition of refugee allowance as a form of social welfare constitutes a major flaw in the vulnerability assessment of the project.
Possible underestimate of vulnerable households and overestimates of income

As far as we have been able to ascertain, vulnerable households have been selected by categories, not through a case by case assessment. Female-headed households, those headed by elderly people without any other breadwinner, and those receiving poverty payments are presumably possible to identify from the consultants’ survey and public consultations, however we are concerned that this approach may exclude some people who are in fact vulnerable.

This is because the Georgian poverty payments system is not likely to capture all those people who are living in poverty, especially those whose income has decreased in recent years. We have identified three factors which appear to have led to overestimates of some people’s incomes.

Logging

The supplementary SIA and the LALRP baseline surveys present logging as the key income-generating activity and the main factor influencing the economic status of families in the Nenskra and Nakra valleys. However, the studies omit to acknowledge the sharp decline in local forestry as a result of a new logging licence system that the government has been enforcing in Upper Svaneti since September 2015. Bankwatch has observed that due to the new licensing system, many households that had previously earned income from logging have no longer been able to access logging permits or pursue forestry works and their income has significantly decreased. By failing to assess the developments in the local logging industry after September 2015, the ESIA presents a distorted economic profile of the affected households and inflates their real income.

Both the SIA and the LALRP demonstrate that the authors of the supplementary package were informed of the new licensing system. Yet, the consultants did not conduct any further survey to explore thoroughly the system’s economic impacts on the communities in 2016 and 2017. They referred to the new licensing system as a cause of difficulties when obtaining relevant logging data from survey respondents: “At the time of the field surveys, Government had sent in officers to enforce the new system. There was, therefore, an understandable reluctance on the part of the local population to speak openly about their involvement in the logging and sawmill industries, either in households’ interviews or during thematic interviews or focus groups.”

The LALRP authors concluded that the economic significance of logging is likely to be higher due to the respondents’ lack of openness to talk about the topic: “Logging activities may have been underreported by the respondents. Logging was acknowledged as the main cash income source at the community level in both valleys during the baseline surveys. But

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6 LALRP, section D. Logging, p.22.
at the household level, it was not possible to get reliable answer regarding involvement of individuals in this activity.”

Yet logging is presented in the LALRP as an actively pursued economic activity and the changes are not reflected. The consultants speculate about volumes of wood that can be sold and at what price, however without further information on who is concretely engaged in logging and differentiation between the volumes that are being legally and illegally logged, such guesses do not bring us closer to knowing who earns what from logging.

Sources spoke of over 15 sawmills that operated in Chuberi in 2014. Bankwatch’s estimate is that the number of family businesses and individuals that were active in logging and wood processing prior to the enforcement of the new licensing system in 2015 was much higher than now. Based on a separate socio-economic survey conducted by Bankwatch in June 2016 at least one family member in every second family we interviewed in Chuberi had been engaged in forestry. However the new licensing system has left many people without income.

The LALRP fails to map the changes in the logging-related sources of employment after the enforcement of the new licensing system and as a consequence the economic status of the families is likely to be inflated. This means some PAPs’ income levels might be much lower than what has been described. The families may be vulnerable in reality, even if they are not in any of the categories and not receiving poverty payments.

Considering the extent of dependence on logging and the potential loss of income caused by the new licensing system, the economic mapping should be revised to ensure correct baseline data. Without accurate mapping, the project risks underestimating the socio-economic impacts and failing to properly target its initiatives on PAP households in poverty or close to the poverty line.

Agriculture

Farming is listed as a source of income for a number of impacted households at the Nenskra dam and reservoir site (see Table 25 in the LALRP). However, the field visit revealed that some of the project-affected households listed as recipients of income from agriculture practise farming only as a subsistence activity and gain no profit from it (for illustration see the case of Iso Chkhvimiani from Sgurishi, Chuberi, above).

Some of the fields are not even sufficient to feed a family, let alone to produce a surplus. Bankwatch is concerned that the mapping in Table 25 overstates the economic situation of

7 Ibid., section 3.3.4.1 Sources of income, p. 18.
8 LALRP, section D. Logging, p.22.
the affected families by wrongly considering subsistence farming as an income-generating activity. The mapping of contributions of farming in the households’ budgets should be revised. Careful distinctions should be made between subsistence agriculture and farming generating a saleable surplus. Households with poverty-level incomes should be classified as vulnerable whether or not they are receiving poverty allowance payments.

Furnishing and equipment as an indicator
Information on households’ furnishing and equipment, described in section 3.3.5 of the LALRP concludes that the households have “standards of living that cannot be achieved by relying solely on small-scale farming activities existing in both valleys”. The LALRP further suggests that the furnishing and equipment come from undeclared incomes such as logging. Bankwatch surveys conducted in 2016 and 2017 revealed that a number of families have used loans to finance household appliances and other basic needs such as boarding for university students. The ESIA surveys have neglected to map the indebtedness of households and micro-credit as a possible source of domestic appliances. Additional research into indebtedness should be carried out as part of the ESIA to obtain a full understanding of the economic situation of the affected families.

5. Associated facilities not included

In addition, it is clear from our desk research that the LALRP does not cover land issues related to the associated facilities of the project such as the 35, 110 and 220 KV transmission lines, access roads and the new substation needed to connect Nenskra plant to the energy system. According to the supplementary studies, “Georgian State Electrosystem (GSE) will design, construct, install, commission, own, operate and maintain this Transmission Line and connection facilities” and “GSE has confirmed that ESIA and the land acquisition processes of the proposed transmission line will be undertaken by GSE taking due consideration of the Lenders E&S policies standards.” It is also stated that “The preparation of the ESIA for the 220 kV Transmission Line will be the responsibility of GSE and is expected to start when the feasibility study is underway, i.e. from mid–2017” but currently it is not clear whether such studies are ongoing.

Taking into account the fact that Nenskra gorge is quite narrow and settlements are densely located downstream of the powerhouse (Lakhami village, agricultural lands, forests etc.) the impact of the associated facilities (transmission lines, access roads and the substation) on land owned by the population will be significant and needs to be assessed within the LALRP. Otherwise, moving the project forward without assessing these impacts will violate IFIs’ policies. Paragraph 30 of the EBRD Environmental and Social Policy section on Overall

10 Volume 2 “Project Definition” of the supplementary studies “3.9 Associated facilities: grid connection and power transmission”; page 79;
approach to project appraisal states that: “The environmental and social appraisal includes consideration of three key elements: (i) the environmental and social impacts and issues associated with the project; (ii) the capacity and commitment of the client to implement the project in accordance with the relevant PRs; and (iii) to the extent appropriate, the facilities and activities that are associated with the project, but are not financed by the EBRD.”

Disposal areas
The LALRP also does not cover the disposal sites’ location. According to the Supplementary studies,

“The total volume of excavated material that could not be reused for construction purposes and will have to be disposed of is 3.1 million cubic metres”, out of which:

- 1.94 million cubic metres generated during the excavation works for the foundation of the structures, 50% being produced at the dam site;
- 525,000 cubic metres of spoil from tunnelling activities (Nakra Transfer tunnel), and
- 625,000 cubic metres of overburden excavated from quarry areas and borrow areas.”

Further in the document it is indicated that “330,000 cubic metres could be stockpiled over 10 hectares (3.5 metres high)” at the Nakra Water Intake site. At the powerhouse site, “570,000 cubic metres could be disposed of over several sites over about 16 hectares (3.5 metres high). This volume would be made of 300,000 cubic metres of tunnelling spoil (headrace tunnel) and 270,000 cubic metres of structural excavation (powerhouse and penstock trench).” According to the Supplementary studies despite quite significant areas that will be used for disposal are within the narrow gorge, but “the location of the disposal areas at the powerhouse area were still under investigation when the present report was completed.” Therefore assessment of the impacts on the land plots needed for disposal is omitted in the LALRP, and could not be investigated in detail in our field trip. However it is clear that this is a significant omission that represents a violation of the IFIs’ policies.
V. Systemic disparities in compensation

1. Land acquisition

The project documentation acknowledges the customary/traditional land ownership in the Svaneti region, meaning that land is transmitted from family to family including pasture and forest lands. It also acknowledges that people are reliant on pasture lands for grazing their animals and agricultural activities and on the forest for firewood and logging activities (though now to a lesser extent than in the past).

The main land acquisition for the project has been carried out by the company and the state. The Partnership Fund was appointed to manage the land acquisition process in coordination with JSC Nenskra Hydro. It was the responsibility of the Fund to examine, amend – if needed, and approve the land take (according to the Land Report prepared by JSC Nenskra Hydro) required for the Project. The Partnership Fund is also responsible for land classification and transfer.

According to the Georgian public registry\(^1\), 96.2 hectares (equivalent to 962,936 sq metres) were granted to JSC Nenskra Hydro for 1 USD in Chuberi and 600.0252 hectares (equivalent to 6,000,252 sq metres) were granted to JSC Nenskra Hydro to use for 55 years. In total almost 700 hectares of mostly forested land were granted to the project promoter.

The LALRP stipulates that people would be compensated for affected structures, and for lack of food for their animals, meaning that they would receive cash compensation for assets such as wooden summer cabins and an annual amount of cash or hay to compensate for the temporary or permanent loss of pastures. The LALRP also includes information about compensation for land loss, more exactly, it includes a budget line for compensating 36ha of land belonging to 61 households\(^2\). However, the tables with affected households and the entitlement matrix do not define the specific compensation the households are entitled to for the land take. This generates a non-transparent situation and poses risks to accountable implementation.

The interviews conducted by Bankwatch show that people have only heard of compensation in the form of financial compensation for cabins and hay or financial support for animal food for a number of years. It is therefore unclear who is entitled to compensation for the land itself, and not only for pastures lost as a result of the project.

\(^1\) https://naprweb.reestri.gov.ge/#/search

2. Affected structures compensation

As mentioned in the previous sections, there is a major mismatch in the way the ESIA authors assess the number of households that use the cabins and their entitlement to compensation. Co-use of pastures and cabins is not recorded in the affected households mapping. Oral communication between the compensation liaison officer and the selected stakeholders insinuates that a number of households would have to share the amount of compensation for their assets, receiving thus very small amounts. At the same time, this may create conflicts among the different users, as the compensation would be given directly to just one user who is afterwards responsible for sharing the amount with the remaining recipients.

According to the project documentation and the information collected on the ground, PAPs would be compensated for temporary or permanent loss of access to wooden cabins and other structures such as fences. Compensation for summer cabins ranges from 5000 GEL to 16000 GEL, depending mostly on the technical parameters of the cabin.

The letters of concern from locals in two households in the Nenskra valley and discussions with other two households in Nakra valley reveal that 4 to 5 households would have to share compensation of 8000 GEL for wooden cabins that are co-used, meaning less than 2000 GEL for one household. Given the fact that these households would lose access – either temporarily, for seven years during construction, or permanently – to their summer cabins, the sum of 2000 GEL is not adequate to make up for the loss of the subsistence resources for the affected people. Furthermore, there are differences in the number of people living in the households that co-use the cabins as well as differences in the way their income or living costs are affected, which means they should be assessed individually and also screened for vulnerability.
The LALRP fails to provide accurate information regarding the amount of compensation granted for each structure lost based on the number of households using it and the way in which their income and living costs will be affected. It is critical that consultations on the amount of compensation for each user takes place with each household and not only with one of the co-users. Failure to do so can lead to situations such as that of Ms Iso Chkhvimiani from Sgurishi, Chuberi, in which another user is being compensated for the wooden cabin built by Ms Chkhvimiani’s deceased husband.

3. Pasture compensation

Similarly to the issue of co-use of structures such as cabins, the assessment of compensation to which PAPs are entitled for the loss of or impaired access to pasture land fails to take into account multiple use of pastures. Additionally, the LALRP does not take into account the number of cattle that depend on the pasture and that are kept by each household.

During the field investigation, Bankwatch was informed that the affected people were offered either 20 tonnes of hay or 20 000 GEL per year as compensation for the loss of pasture, for a period of up to seven years. However, in the case of multiple-user pastures, the monetary or fodder compensation is offered only to one of the users, thus risking that not all users are properly compensated for pasture loss and potentially generating conflict among the families. This is the case of Iso Chkhvimiani who will lose access to the Kvemo Memuli pasture area and who has been offered no fodder or monetary compensation for the pasture even though the household owns cattle and grazes it actively on the affected pasture land. The fodder/monetary compensation has been offered to only one of the co-users of the pasture, Ms Zhuzhuna.

This is very disturbing considering the fact that a high percentage of people who have used pasture lands that will be temporarily or permanently lost at Kvemo Memuli, Mashrichala and Lagiri own cattle that are dependent on these pastures. The failure to properly map all the users of the summer cabins and of the affected pasture areas has created a chain of effects leading to either unequal compensation for fodder when co-user households have to split the material or monetary compensation among themselves or to a complete lack of compensation as in the case of Ms Iso Chkhvimiani.

Moreover, all the respondents who have been approached with a compensation proposal, have been offered the same level of compensation for the pastures disregarding the number of cattle owned by their family. The selected households have been offered universal compensation consisting of either 20 tonnes of hay per year or 20 000 GEL per year despite the fact that the number of cattle owned by the individual affected families varies significantly from 4 to 30 cows. The respondents’ estimate is that one tonne of hay is required per cow for the winter season only. Some of the PAPs have deemed the fodder
compensation highly insufficient and stated that this is why they have chosen monetary compensation instead. Those who have more cows and those who would have to split the money with co-users regard the monetary compensation as too low, too.

Another solution included in the LALRP to compensate people for the lost pastures is to improve access to new pasture areas such as Zeda Memuli or Schkvandiri for PAPs from the Nenskra valley through new cow routes. However, according to the interviewees, these pasture areas already belong and are actively used by other families. Moreover, access to the areas is marked as “potentially impaired” in the LALRP.

In addition, **not all the PAPs have been informed about the pasture compensation measures.** A family owning a cabin and pastures at Khurkhtsari has been offered money for the cabin but no fodder or monetary compensation for pastures.

**Lenders’ policy requirements – the EBRD**

According to Art 12 of PR 5, the affected persons are to be given the opportunity to participate in consultation on the eligibility requirements, negotiation of the compensation packages and to have the compensation procedures and other related information provided in an understandable way so that they know what to expect at the various stages of the Project (Art 38 of PR 5). Moreover an effective grievance mechanism is to specifically address in a timely fashion specific concerns about compensation (Art 21 of PR 5).

4. Vulnerability allowances

According to the entitlement matrix in the LALRP\(^\text{13}\) there are two special allowances that are allocated for vulnerable households, as assessed by the LALRP, and for households that are severely affected by the project. Vulnerable households are entitled to an allowance of 326 GEL as minimum subsistence income per month for 3 months, reaching a total of 978 GEL per project affected household. Severely affected households are also entitled to a severe impact allowance which is the equivalent to 3 months of minimum subsistence income of 326 GEL, as minimum subsistence income per month for 3 months, reaching 978 GEL per potentially affected household.\(^\text{14}\) It is unclear how it has been decided that three months is a relevant length of time for such payments.


\(^{14}\) Idem, page 73
These two allowances are presented in the LALRP without further argumentation on the manner in which these sums have been agreed on and more importantly, without providing information on whether these have been consulted with the households that fall within the two PAP categories. The information collected by Bankwatch during discussions with both severely affected people and vulnerable people shows that none of the households interviewed and belonging to these groups had any information about their rights to the vulnerability allowances. These include: a widow-headed household with a pasture at Kvemo Memuli, a household with a disabled member and poverty allowance with a pasture at Kvemo Memuli, four severely affected households with pasture areas at Lagiri and two severely affected households with pastures at Mashrichala. No consultations or compensation agreements have been signed with these households for the additional vulnerability allowances they are entitled to.

5. Livelihood restoration programme

Section 7 of the LALRP describes the additional compensation that will be granted to significantly and severely affected households (these include vulnerable households according to the entitlement matrix) in the form of a livelihood restoration programme. According to the table below, 47 households are included in the livelihood restoration programme and should benefit from measures such as preferential hiring and skills training and assistance in developing alternative means of income. However, interviews conducted by Bankwatch during the field investigation have shown that people have no information about the measures included in the livelihood restoration plan even though some of them have had contact with company representatives on issues related to the compensation of summer cabins and pastures.

<table>
<thead>
<tr>
<th>Project component</th>
<th>Resources and productive assets lost</th>
<th>Number of households losing pasture area</th>
<th>Number of households significantly impacted</th>
<th>Number of households severely impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dam site &amp; reservoir area</td>
<td>Land and pasture areas</td>
<td>20</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Nenskra road</td>
<td>Trees, structures and land</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Powerhouse</td>
<td>Arable land and orchards</td>
<td>---</td>
<td>---</td>
<td>4</td>
</tr>
<tr>
<td>Nakra water intake</td>
<td>Land and pasture areas</td>
<td>27</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

Another worrying aspect related to the livelihood restoration plan is the lack of consultation with the groups that will benefit from it in order to align their priorities and needs with the measures included in the plan. Furthermore, some measures such as preferential employment and skills training are turning out to be a barrier for people to express concerns related to the project or to compensation out of fear of losing their workplace.
This is the case with two severely affected households interviewed by Bankwatch, of which one requested complete anonymity.

VI. Local grievance mechanism

Affected community members are largely unaware of the existence of the grievance mechanism. The community Information Center in Chuberi and the Grievance Mechanism were supposed to be established and implemented in the first quarter of 2017. The grievance registers and project billboards in each village outlining the grievance mechanism process are either difficult to find or non-existent, according to Bankwatch’s field visit in July 2017. During the Bankwatch visit only small information boards could be found in central Chuberi and Nakra with general information about the project – not about the grievance mechanism. In Chuberi there was also an opened wooden box for letters and comments. In Nakra the wooden box was sealed with screws.

These measures raise doubts about the system’s ability to guarantee the confidentiality of the senders and complainants, plus the rate of delivery and frequency of checks on the content of the grievance box, undermining the efficiency of the mechanism for communicating sensitive information or for encouraging members of affected community to seek redress.

VII. Conclusions and recommendations

Based on information collected during two Bankwatch field visits in July 2017 to the project sites of the Nenskra Hydro Power Plant project, this report presents a number of worrying gaps in the socio-economic data collection and mapping of impacts on potentially affected people as well as in the way compensation is being assessed and livelihood restoration measures are being considered. These are likely to result in numerous people missing out on compensation that they should be entitled to, and worsening livelihoods for many people in the valleys.

In light of the numerous violations of international standards on expropriation and compensation for assets that are essential to Svans, Bankwatch finds the project highly unfit for international support. The gaps in impact assessments and compensation identified in this report are proof of the highly insufficient stakeholder engagement processes by the project company that are violating lenders’ environmental and social policies.
International financial institutions ought to suspend their consideration of the project for financing till the loopholes identified in the report are satisfactorily resolved. These include namely:

- Redesigning the consultation processes with more careful consideration of the performance requirements of international lenders and in consultation with civil society groups that are familiar with the local context

- Revised baseline data collection and socio-economic profile mapping of PAPs including the number of people in a household, sources of income, impacts of the new logging licensing system, vulnerability and IDP status

- Including the land impacts of associated facilities such as transmission lines, access roads and the new substation, as well as the land impacts of the disposal sites.

- Careful revision of the mapping of the temporary and permanent loss of pastures and other assets and in the assessment of the impacts of the project on PAPs so that the mapping reflects co-use of pastures and other assets

- Reconsideration of the compensation to which PAPs are entitled to as a result of the inaccurate mapping of users of affected land and assets and taking into consideration the dependency of people of the forest land that has been mostly granted by the government to the project company

- Granting compensation to only one user of multi-user cabins and pastures, with the idea that they will later informally divide it between all users, is to be avoided.
VIII. Annex 1 – Letters of concern
Երաշխող էքսենտություն:

Հետիոտիպ հաշվարկում է գրանցելու համար, թե որոնք
չեն ցույց տվել սիրոն՝ ուսուցչության և ձևավորման միջոցով
այսօր իրականացվող միջազգային նախագծերի մեջ, և այսպիսով ձևավորման
բարձրության վրա կարգավորման պատճառները, որոնք լիովին համարվում
են համաշխարհային կազմակերպությունների և վերականգնված
զարգացումների համար, որ ևս շատ շաբաթ
ժամանակաշրջանում պահանջվում է.

Երբեմն, փոխազդեցությունների աճին մեջ 
ստանձավ ակնառություն.

Հղի և ժամը՝ 19:07:17
+995 (591) 05 39 80

Գ. Գրիգորյան
Հիշատակիչ եմ հետևյալ հանգամանքին, որ մինչև մեր վերջին հանդիպումը երկու կյանքով մեր հակառակորդը մեր հագուստի խաղացման խնդիրները անցկացնում էր միայն նպատակից պահանջումների համակցությամբ: Այս սեփականության սկզբնական ֆոնից հետո, երկու կյանքում միայն նպատակից պահանջումների համակցությամբ անցկացված են նպատակից պահանջումների համակցությամբ: © հագուստի խաղացման խնդիրների համար: Հերախոսորության համար:

որդովի մարմնով
19. 07. 17.
574.02.71.17 Հայա
To: JSC Nenskra Hydro

July 18, 2017

Dear Sirs,

My name is Io Chikurumiani and I am a resident of Sugershi, Chuberd. I am writing to express my concern over compensation for my pastures and related structures in connection to the Nenskra dam project.

I am a user of two summer pasture cabins. One is located at Okiili, the other in Kvemo Memuli. My husband built the latter cabin and we have been sharing it with four other households based in Sugershi.

There are seven people living in my household: This includes me, my three daughters and my daughter’s three children. The children are registered Internally Displaced People (IDPs) and receive refugee allowances. In addition to this, my 2 sons are registered residents in the house.

I used to receive poverty allowance. After the death of my husband my poverty status was reviewed and I stopped receiving the allowances. We rely solely on my pension of 200 GEL and since recently on my daughter’s salary.

I have not been approached about compensation till mid-July 2017 when a company representative visited me in my house. I was informed that the total compensation for the loss of the cabin is 8,000 GEL and that this sum is to be split among the four families using it. I disagree with such an approach as I think each user should be entitled to the equal amount of compensation because each of them loses the equal resource and will not be able to pursue animal grazing. Therefore, the compensation sum should not be split and each user should receive 8,000 GEL. Additionally, I was told the compensation sum will be transferred to the bank account of a co-user who would then pay me approximately 1,000 GEL out of the received sum.

All the information exchanged was delivered to me verbally and there is no written record of the talk. I have not been presented with any written proposal of a future agreement.

I own six cows and three bulls. Yet, I have been offered no fodder for the animals. If I have no access to hay and pastures, my animals will die and my family will lose the only source of livelihood.

I understand my family is recorded as one affected by a temporary loss pasture at Kvemo Memuli in the list of households in the Table 25 of the Land Acquisition and Livelihood Restoration Plan (LALRP). My understanding is that my family is listed as a woman-headed vulnerable household HH1. If this is the case, then I would like to notify you that the details describing HH1 are incorrect. The description fails to specify that I am a holder of a wooden cabin at Kvemo Memuli. It lists farming as a wrong source of income. I practice only subsistence farming on the premises of my house plot which is not even enough to feed the family and leaves me with no surplus. In contrast to the information provided in the table, my family relies on my pension, IDP allowances of my daughter’s children and recently a salary of my daughter employed by the company. Lastly, the number of household members is not up to date.

I would like to ask you to take the following steps:
1. Ensure that I and the remaining co-owners of the cabin are justly and equally compensated for the cabin's loss each of them receiving the full price of the cabin without splitting the sum. I also ask that the compensation is paid to me directly upon signing of an agreement.

2. Ensure that I receive the amount of fodder (or the financial compensation for) calculated per the number of animals and I do not share the fodder with other users of the cabin.

3. Corrections are made to the details describing the income and the affected structures.

4. Specify whether the fact that I am listed as a vulnerable household implies that I am entitled to receiving specific assistance and allowance for vulnerability as per the Table 30 – Entitlement Matrix in the LALRP. This includes specifically: “Allowance equivalent to 3 months of minimum subsistence income=326 GEL as minimum subsistence income per month for 3 months= 978 GEL per Project Affected Household. Specific assistance to benefit from activities developed as part of the Community Investment Programme”. If this is the case, I ask you to specify this in any future agreement.

5. Specify in the draft agreement that as a significantly affected household me and my family members can benefit from the Livelihood restoration measures listed in the 7.3 Livelihood restoration for significantly affected households in the LALRP and specify those that are relevant for my family and will be implemented? The measures include:

   • Preferential hiring and skills training;
   • Assistance for management of received financial compensation;
   • Support to improve existing economic activities;
   • Support for initiatives to develop alternative sources of income, and
   • Assistance for legalisation of land ownership.
   • Improvement of existing tracks to non-affected pasture areas
   • Restoration of pasture lost on temporary facilities
   • Cattle track by-passing the reservoir

6. All the compensation and restoration measures applicable to my household are written in a draft agreement and presented for my consent and signature. I ask that I am left with a copy of the document.

Sincerely,

Iso Chkhvimiani

Contact details: +995 551 53 96 79 (Eliko, daughter of Iso Chkhvimiani)
From: Malkhazi Chkhvimiani  
Sgurishi, Chuberi, Georgia  
+995 551 59 03 52  

To: JSC Nenskra Hydro  

18th July 2017  

Dear Sir/Madam,  

I am contacting you as a head of a household which is due to be affected by the construction of Nenskra HPP in Georgia. I am a resident of the Sgurishi village where I am living in with other 4 family members. My concerns surround the quality of Land Acquisition and Livelihood Restoration Plan (LALRP), under which affected structures and assessment of vulnerable households are detailed.  

The affected structures section in Table 25 of the aforementioned document correctly lists a cabin and a fence under my properties. However, the document fails to address the existence of a potato field in Kwebo Memuli pasture area currently in my possession. I urge you to reassess the method of defining affected structures and include the named agricultural land under my properties. In addition, a just method of compensation should be proposed under the current circumstances.  

I would like to get reassurance that the fact that I am listed as a vulnerable household implies that I am entitled to receiving specific assistance and allowance for vulnerability as per the Table 30 – Entitlement Matrix in the LALRP. This includes specifically: “Allowance equivalent to 3 months of minimum subsistence income – 326 GEL as minimum subsistence income per month for 3 months = 978 GEL per Project Affected Household. Specific assistance to benefit from activities developed as part of the Community Investment Programme”. If this is the case, I ask you to specify this in any future agreement.  

Finally, can you clarify in the draft agreement that as a significantly affected household, me and my family members can benefit from the livelihood restoration measures listed in the 7.3 Livelihood restoration for significantly affected households in the LALRP and specify those that are relevant for my family and will be implemented? The measures include:  

1. Preferential hiring and skills training;  
2. Assistance for management of received financial compensation;  
3. Support to improve existing economic activities;  
4. Support for initiatives to develop alternative sources of income; and  
5. Assistance for legalisation of land ownership.  
6. Improvement of existing tracks to non-affected pasture areas;  
7. Restoration of pasture lost on temporary facilities  
8. Cattle track by-passing the reservoir  

I request that all compensation and restoration measures applicable to my household are written in a draft agreement and presented for my consent and signature. I ask that I am left with a copy of the document.  

Sincerely,  

Mr. Malkhazi Chkhvimiani  

[Signature]