
Resettlement Planning Document

Addendum 1 to the Land Acquisition and Resettlement Plan
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LARP 1 approved in April 2012

Georgia:
MFF - Sustainable Urban Transport Investment
Program, Tranche 2 (Loan No 2879 / 2880)
Tbilisi – Rustavi Urban Link – Section 1

Prepared by Municipal Development Fund of Georgia.

The addendum to the land acquisition and resettlement plan is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

Municipal Development Fund of Georgia



ADDENDUMS TO THE LAND ACQUISITION AND RESETTLEMENT PLAN (LARP 1)

Addendum 1

Engineering, Procurement, Construction Management and Supervision
of the Modernization of Tbilisi-Rustavi Section of the Tbilisi-Red Bridge
(Azerbaijani Border) Road

Section-1: (km 0 to 4) Tbilisi - Phonichala

LARP 1 approved in April 2012

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CURRENCY EQUIVALENTS

(as of 17 November 2014)¹

Currency Unit	–	Georgian Lari (GEL)
		United States Dollar (USD, \$)
GEL 1.00	=	USD 0.5667
USD 1.00	=	GEL 1.7646

ABBREVIATIONS

ADB	Asian Development Bank
IA	Implementing Agency
km	Kilometre
LAR	Land Acquisition and Resettlement
LARF	Land Acquisition and Resettlement Framework
LARP	Land Acquisition and Resettlement Plan
MDFG	Municipal Development Fund of Georgia
MFF	Multitranchise Facility
SPS	Safeguard Policy Statement
SUTIP	Sustainable Urban Transport Investment Project
sq.m.	Square Meter

¹ <https://www.nbg.gov.ge/index.php?m=582&lng=eng>

1. GENERAL

1. Sustainable Urban Transport Investment Program is financed through an ADB Multitranche Financing Facility (MFF) and implemented by Municipal Development Fund (MDFG) of Georgia with an overall purpose to improve connectivity, reduce traffic congestion and promote sustainable, safe, reliable and efficient transport. The Project is, with other projects, included in Tranche 2 of the Sustainable Urban Transport Investment Program (SUTIP).

2. The Land Acquisition and Resettlement Plan 1 (LARP 1) was prepared by the MDFG to address Land Acquisition and Resettlement (LAR) impacts/compensation issues for section 1 (km 0 - 4) of the Tbilisi-Rustavi Urban Link. The LARP was based on detailed design, and was prepared in compliance with the provisions of the Land Acquisition and Resettlement Framework (LARF)² and the requirements of ADB's Safeguards Policy Statement of (SPS). With MDFG as the Implementing Agency (IA) the Project is included in Tranche 2 of the Sustainable Urban Transport Investment Program. The Program is financed through an ADB Multi-tranche Facility (MFF) of which Tranche 2 accounts for about 100 Million USD. In Tranche 2 of the program also includes the section 3 (km 10.5 – 17.1) of the same road for which the separate LARP was prepared and implemented.

2. LARP 1 IMPLEMENTATION

3. The LARP 1 was approved by Government of Georgia and ADB in April 2012. Implementation of LARP 1 commenced in 2012. Implementation of LARP 1 was finalized and the Compliance Report on LARP 1 (Section-1: (km 0 – 4) Tbilisi – Phonichala) and LARP 2 (Section-3: (km 10.5 to 17.1) Phonichala – Rustavi) was developed in August 2012. In the result of monitoring process the External Monitor concluded that land acquisition and resettlement procedures are accomplished completely according the LARP 1 and LARP 2 of The Modernization of Tbilisi-Rustavi Section of the Tbilisi – Red Bridge Road section 1 (km 0 – 4) Tbilisi – Phonichala and Section 3 (km 10.5 – 17.1) Phonichala – Rustavi.

4. Implementation of LARP 1 was completed and construction works commenced in the area. However, during implementation of construction works it appeared that there are additional impacts on one of the affected persons (AP) covered under the LARP 1 (AP #57). Within the framework of LARP 1, part of the land plot with an area of 21 sq.m. was taken and compensation in amount of 1344 GEL was provided to the owner. In the meantime the owner continued his activities on the remaining land plot with an area of 1402 sq.m., where the structures and operating business (gas station) are located. Later during implementation of civil works in 2014 it became clear that road in that particular section will be elevated by 3-4 meters through arrangement of embankment, which will make it impossible to effectively operate the gas station after completion of construction works. The AP was not aware of this fact when signing the agreement under the LARP 1 (in 2012) and agreed to keep the business at that time. However, considering the current circumstances, the owner strongly prefers to discontinue his business activities and requested full compensation for his entire land plot and property (including business activities). The Implementing Agency supports the claim and has agreed to acquire the entire property.

3. OBJECTIVES OF THE ADDENDUM 1 TO LARP 1

5. During implementation of civil works in the section 1 (km 0 - 4) of the Tbilisi-Rustavi Urban Link covered under LARP 1, certain circumstances have been revealed, which determine the necessity of introducing changes in LARP 1 and its implementation process. In

² Land Acquisition and Resettlement Framework was agreed in 2010 between MDFG, on behalf of the Government of Georgia, and the ADB upon the inception of SUTIP.

particular, additional impact on one land and property owner was revealed, which require acquisition of land plot, structures located on that land plot and permanent disruption of the business activities carried out on the affected land plot. These changes are reflected in the current Addendum 1 to LARP 1.

6. A compensation budget is provided in the Addendum 1 to LARP 1 to enable MDFG to pay compensation for temporary business disruption. Implementation of the mitigation measures described in this addendum is a precondition for starting civil works in the area, where the affected land plot is located.

4. ADDITIONAL IMPACTS AND COMPENSATION

4.1 Land loss and compensation

7. Additional impacts include loss of a non-agricultural land plot with total area of 1402 sq.m. owned by a single legal entity (the AP). The calculation of compensation was carried out in accordance with the Entitlement and Compensation Matrix of the LARP 1, that for privately-owned lands envisages compensation in cash based on the current market value in the area. The total compensation for the affected land plot is estimated at **GEL 148,526.60** including VAT³.

4.2 Structure losses and compensation

8. There are 5 structures located on the affected land plot (see table 1).

Table 1. Affected structures

Use of Structure	Type of Material	Total area (m ²)	Number of storeys
Structure 1 - Gas station main building	Concrete	213.65	2
Structure 2 –ancillary structure	Concrete	11.7	1
Structure 3 –ancillary structure	Concrete	9.51	1
Structure 4 –ancillary structure	Concrete	82.45	2
Canopy for gas filling station (pumps, meters, etc.)	Concrete, metal	268.18	1

9. Structures located on the affected land plot are also connected to centralized systems for water supply and sewerage, power supply, natural gas supply, and are equipped with air conditioning system. Valuation of the structures, including infrastructure required to connect to utilities, such as gas network, water supply and sewerage networks, power grid (including pipelines, cabling, etc.) was carried out in accordance with ADB requirements, by replacement (or construction of the similar new one) cost that included cost estimation for the station construction works. The total replacement cost for the affected structures is estimated at **GEL 1,425,857.00** including VAT.

4.3 Business losses and compensation

10. Business losses include loss of income from permanent disruption of business operations, cost of equipment required for business operation, as well as cost of connection to power network (one-time cost paid by the new consumer to get a permit for connecting to

³ According to section 5 of clause 177 of the Tax Code of Georgia “during delivery of the land plot with attached premises, the operation is considered as delivery of the premises“ and in such case it is liable to the VAT.

the power grid).

11. Compensation Matrix of LARP 1 envisaged provision of cash indemnity of one-year net income in case of permanent disruption of business activities. The average income based on two recent tax declarations was taken to calculate compensation, which is estimated at **GEL 36,226.00**.

12. In addition, some specific equipment is used to operate the business. These include a compressor for the gas fuelling station, gas filling columns / dispensers and other equipment required for operation of the station. Taking into account that no information on market cost is available for the (now obsolete) compressor (and that makes impossible to reveal the cost for used equipment), the compensation was based on the approach of taking the manufacturing cost of the compressor, including the cost of its materials, manufacture, transportation and mounting, adjusted to reflect its period of operation. The total replacement cost for the equipment is estimated at **GEL 677,698.78** including VAT.

13. The gas station is connected to the power network and its consumption rate is 321 - 500 kW. According to the Schedule 4 of the Decree #19 of the Georgian National Energy and Water Supply Regulatory Commission of November 16, 2011, cost of new consumer's connection for this category amounts to **GEL 50,500.00** including VAT.

4.4 Employment loss and compensation for lost jobs of workers

14. One business entity will be permanently affected due to Project activities. According to the information provided by the business owner, all of 13 employees will lose their jobs. These workers are entitled to indemnity for lost wages equal to 3 months of minimum subsistence income. The compensation for affected workers comprises **GEL 12,207.00**.

4.5 Relocation and transition allowance

15. According to the Compensation Matrix of LARP 1, the AP is entitled to provision of a monthly allowance of 313 GEL covering transport expenses and livelihood expenses for the transitional period for 3 months. Total amount of relocation and transition allowance is estimated at **GEL 939.00**.

4.6 Severely affected household

16. According to the Compensation Matrix of LARP 1, the AP is entitled to provision of an additional compensation for 3 months of minimum subsistence income (313 GEL * 3 months) totaling to **GEL 939.00**.

5. CONSULTATIONS WITH AP

17. MDF carried out several meetings with AP in months of October and November 2014 and consulted the AP regarding the valuation methodology and compensation calculation to ensure that AP is well informed and aware of the LAR process, and is provided with an opportunity to express his views. The AP is well informed of the proposed valuation methodology and compensation amount proposed, and has expressed his agreement.

6. COMPENSATION BUDGET

18. Total compensation budget is summarized below in the table 2.

Table 2. Additional land acquisition and resettlement budget

	Particulars/Items	Number of APs	Quantity	Estimated Budget (GEL)	Estimated Budget (USD)
1.	Compensation for privately-owned non-agricultural land (1 plot)	- HH, 1 LE	1,402 sq.m.	148,526,60	84,170.02
2.	Compensation for structures	- HH, 1 LE	4 units	1,425,857.00	808,033.16
3.	Compensation for business loss	- HH, 1 LE	1 unit (permanently affected)	764,424.78	433,199.52
4.	Compensation for employment loss	13 employees	13 units	12,207.00	6,917.71
5.	Relocation and transition allowance	- HH, 1 LE	1 unit	939.00	532.13
6.	Allowance to severely affected persons	- HH, 1 LE	3 months	939.00	532.13
Total		2,352,893.38		1,333,384.68	