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International
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Lessons of Experience

The Baku-Tbilisi-Ceyhan (BTC) Pipeline Project

The planning, design and construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline provides a good example of an IFC-financed project that faced a wide variety of complex and often difficult social and environmental challenges. From the outset, both the sponsor and the lenders were committed to achieving sustainable outcomes and striving to ensure that the project was constructed and operated to international best practice environmental and social standards. At the time of its commencement, BTC was the largest cross-border infrastructure construction project in the world. The scale and multitude of environmental and social aspects on such a mega-project should not be underestimated nor should the amount of resources and level of effort expended by BTC staff during the planning and construction phases, or IFC staff during project appraisal and supervision.

This *Lessons of Experience* has been prepared by staff of the Environmental and Social Development Department of the IFC for the purposes of internal learning throughout the institution. While it is impossible to capture all the complexities and challenges encountered during the design and construction phase of the BTC project, this paper focuses on six key areas where lessons learned were thought to be most valuable and applicable to other IFC-financed projects. These are: environmental and social assessment and management (including contractor management); the regional review; stakeholder engagement and disclosure; land acquisition and compensation; monitoring and reporting;

and, community investment. The project also yielded many valuable "process" lessons that may be useful to IFC staff and clients working on future projects.

The BTC pipeline was developed by a company (BTC Co.) formed by the affiliates of eleven national and international oil companies with BP as the majority shareholder and operator of the company. Construction began in spring 2003 and export from the new terminal at Ceyhan commenced in June 2006. Approximately 70% of the project costs were funded by a group of lenders including IFC, the European Bank for Reconstruction and Development (EBRD), the export credit agencies of seven countries, and a syndicate of fifteen commercial banks. Financing was agreed in February 2004 after over two years of appraisal of the potential environmental and social impacts relating to the project.

The pipeline is over 1,760 km long and is of regional significance as it provides the first direct transport link for exporting crude oil between the land-locked but hydrocarbon

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Source: BTC Co.

rich Caspian Sea and the Mediterranean. Running through Azerbaijan and Georgia to a terminal facility at Ceyhan on the Turkish Mediterranean coast, the pipeline has the capacity to transport one million barrels of crude oil every day. The pipeline is buried along its entire length, however, the pipeline system requires more than a hundred above ground installations of varying types.

Until now, countries in the region such as Azerbaijan, which have oil reserves far exceeding their domestic requirements, have had to rely on a combination of pipelines, rail and shipping
to export oil to world markets. A large percentage of these exports passes through the narrow and congested Turkish Straits, posing an increasing environmental and public safety risk to the city of Istanbul and surrounding areas. The BTC pipeline offers an inherently safer means of transporting oil over long distances and relieves further congestion through the Turkish straits. Azerbaijan will derive substantial economic benefits through the generation of royalty and tax revenues, while Georgia and Turkey will gain financial benefits through transit fees. These revenues, combined with the indirect benefits associated with the purchase of local goods and services, employment, and specific programs designed to encourage the development of

small and medium sized enterprises, have the potential to contribute to economic stability and sustainable development within each country, as well as promote regional integration and interdependence.[1]

The pipeline route passes through a wide range of land-use types impacting over 17,700 parcels of land utilized by local households in 515 villages. Social and environmental issues encountered included: severely limited regional routing options due to complex environmental, social, geo-hazard and geo-political constraints; potential impacts on sensitive flora and fauna habitats as well as on groundwater resources; temporary land acquisition under complex land tenure systems; disturbance to local livelihoods and activities affecting large numbers of people; community safety; local employment; potential impacts to marginalized and vulnerable groups (including ethnic minorities, women and the elderly); and, the implementation of a major public consultation and disclosure program. The project also attracted intense scrutiny by stakeholders, press, and civil society, including international NGOs.

IFC and the wider lender group worked closely with the sponsor in designing an

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[1] Source: Environmental and Social Overview, BTC, September 2002.

oversight mechanism to address the potential environmental and social impacts of the project and to monitor performance. This included the development of a comprehensive environmental and social action plan, the design and implementation of a transparent land acquisition and compensation program, local employment and training, community investment programs, and NGO capacity building. In many areas, the BTC construction program exceeded expectations in terms of environmental and social management, setting new benchmarks in transparency and environmental and social standards for construction programs, and developing innovative practices along the way. Among the highlights of the BTC project was a ground breaking Regional Review which addressed macro-issues of concern such as human rights, revenue management, and security; an extensive public consultation and disclosure program; a 25 million dollar Community Investment Program undertaken on a scale unprecedented in BP's history; a program of NGO capacity building; an 8.8 million dollar Environmental Investment Program, and the enhancement of development impacts through linkages with small and medium enterprises (SMEs).

For IFC as a lender, the process of capturing lessons of experience from projects is an important one in which the objective is not to criticize or dwell on shortcomings but to learn. Analyzing events in retrospect and with hindsight is, of course, always easier than taking action and making difficult choices in real time. The sponsor deserves significant credit for its management of the environmental and social aspects of the project and our attempt to distill lessons from BTC for future projects should not in any way detract from this fact. In the pages that follow, IFC environmental and social staff look back on an extremely challenging process and endeavor to extract some of the key operational lessons and good practices for the benefit of colleagues, clients and the

Pipeline construction passes near a hillside community in Turkey.

wider institution. Although the project sponsor has been consulted and BTC environmental and social staff have contributed their perspective to the issues raised, the content of this paper reflects the opinions of its authors.

Environmental and Social Impact Assessment and Management

Both the Environmental and Social Impact Assessment (ESIA) and the Environmental and Social Action Plan (ESAP) were considerable undertakings for the BTC project and a number of lessons were learned along the way and in looking back. This section focuses on six key areas of assessment and management where process lessons and good practice were thought to be most relevant and applicable to future projects. These include: (i) ESIA scoping; (ii) Commitments Register; (iii) Environmental and Social Action Plan; (iv) Management of Change; (v) Contractor Management; and, (vi) Contracting Strategy.

The ESIA program carried out for the BTC pipeline project was an enormous task and in many ways a remarkable achievement in

The end result of the ESIA was thirty-eight volumes of publicly disclosed documentation covering 1,760 km of pipeline and 515 villages stretched over three culturally diverse countries.

its scope and comprehensiveness. The process was unique in that there were three separate ESIAs, one for each country, done by different consultants—a fact that led to variations in quality and contributed to the complexity of the process. The end result was thirty-eight volumes of publicly disclosed documentation covering 1,760 kilometers of pipeline and 515 villages stretched over three culturally diverse countries. The Turkey ESIA, in particular, is considered by IFC technical staff to be "best in class." However, all involved agree that in hindsight there were aspects of the process that could be addressed differently in future projects.

ESIA Scoping

A valuable lesson learned was that effective "scoping" of an ESIA program for a complex project such as BTC is critically important. The objective of scoping is to set the terms of reference for subsequent ESIA studies. It involves four main elements: characterization of the project and the region; an initial screening and prioritizing of issues; the defining of project boundaries; and, the design of any studies required for the analysis of potential impacts and opportunities associated with the project. How scoping is done in the beginning largely determines the focus, quality and utility of the future ESIA.

Despite the importance of scoping in the ESIA process, IFC experience has shown that on many projects the scoping stage is not allocated the sufficient time, budget or expertise required to get it right. In some cases this may be due to the uncertainty of whether the project will actually go forward, or the importance of scoping may be underestimated resulting in insufficient resources being committed. In other cases, the time allocated for the scoping phase may get squeezed within the overall timetable of the project.

This poses a risk because, in scoping, one is designing a data gathering process that will extend far beyond the ESIA through to implementation and monitoring. As such, having a credible baseline against which to monitor future impacts is vital. For these reasons it is critical that the most experienced specialists familiar with the project area be sought to provide input to the scoping process.

One example from the BTC project relates to the collection of social baseline data appropriate to the project. The sponsor invested substantial resources in collecting social baseline data. However, there was a sense at the end of the ESIA process that while this exercise yielded good basic information on affected villages, too much unnecessary social data might have been collected in some areas while not enough in others. This highlighted the importance of a good scoping process at the beginning to help focus the data collection. Prioritizing the key social issues for investigation at the study design stage, and clearly defining what the information collected will be used for during implementation, will narrow the focus and help clients save on both time and money. While it is unlikely that every impact and issue can be accurately predicted ahead of time, targeting social data collection as much as possible is particularly important for a large project like BTC with over 515 villages (comprising nearly one million people) in the project affected area. For example, the BTC ESIA program could have benefited from a clearer identification at the scoping stage of the complexity of the land use and land rights issues that would be encountered during the subsequent land acquisition and construction phases of the project. (Discussed further on page 19.)

While more effective scoping may have helped focus the social baseline data gathering requirements, it is also true that at the time of the BTC project there was a growth in interest (by NGOs and other parties)

in certain types of social issues that had not traditionally been included in past impact assessments. Given the complex and often sensitive cultural, social and political issues surrounding the BTC project, new and emerging issues arose such as worker welfare, human rights, and security which neither the sponsor nor the lenders had foreseen at the time of the ESIA as requiring significant additional attention. This demonstrates that for both sponsors and lenders alike, keeping up with an ever evolving range of social issues that may need to be covered as part of the scoping and assessment process can be a challenge. Indeed since the time of the BTC project appraisal, IFC's own Performance Standards have been expanded to include issues such as labor, community health and safety, and security based on the corporation's experience of many recent projects including BTC. IFC has also developed good practice guidance for its clients on undertaking social impact assessment entitled, *Addressing the Social Dimensions of Private Sector Development."*

This is not to say, however, that all of the issues identified during scoping must be covered in the subsequent ESIA. Rather, early identification of potential issues through a robust scoping process will allow an early judgment on the approach required. It will help determine whether additional studies might be necessary and if so, what form they might take. For example, because the BTC project involved three countries and numerous cross-border issues, the company chose to address the analysis of macro-level regional and strategic topics in a separate "Regional Review" document. (Discussed further on page 11.)

Commitments Register

The BTC ESIA documents provided a wealth of baseline information and impact analysis along with numerous management and mitigation measures that the sponsor had committed to implement. These commitments were scattered across various sections of the documentation and, initially, the sponsor experienced difficulty organizing these commitments into actions, so that the environmental and social management program for the project could be developed. To overcome this, a comprehensive list of all of the commitments was developed in a "Commitments Register". The register clearly laid out each commitment, its original source, and where in the management program the commitment would be covered.

Once established, the commitments register was a valuable tool in the development of the environmental and social management structure and arrangements necessary for the project. It served as a link between the ESIA documentation and management system and provided a mechanism whereby commitments made could be followed through to actions on the ground.

However, extracting the commitments into a register for the BTC project after the fact was a time-consuming process. It was also found that once extracted from the original documentation the commitments were often vague or poorly phrased, responsibility for implementation of the commitment was not always clear, and there was significant duplication of the same commitment throughout the ESIA documentation.

In future, commitments being developed as part of the ESIA should be carefully reviewed as they are included in the project documentation. Clear and concise language should be used and a register of commitments is recommended as part of the ESIA documentation deliverable. Ideally, commitments registers could then be organized into a structure that is in line with the project phases (e.g. construction or operations) and sorted by issue (e.g. waste management) to provide greater clarity for both the sponsor and the contractor as to responsibilities for implementation.

Effective "scoping" of an ESIA program for a complex project such as BTC is critically important.

The Environmental and Social Action Plan (ESAP)

An essential component of an ESIA is the specific measures and actions developed to mitigate and manage the environmental and social impacts identified in the assessment and committed to by the sponsor. These measures are typically organized into a management plan for implementation. IFC and the other lenders required that BTC prepare an ESAP which comprised the environmental and social actions and mitigation measures to be taken for the project before financial closure. However, an ESAP was not included in the initial ESIA documents submitted by the sponsor. Final management arrangements were yet to be developed based on the commitments included in the ESIA and other project documentation.

In the case of BTC, what would otherwise be a straightforward ESAP or management system evolving out of the ESIA, became complicated by a range of factors unique to the project, including: timing issues, the large volume of ESIA documentation and related documents containing the management commitments for all three countries, the multiplicity of lenders involved, and management arrangements for the numerous contractors involved. As a result, it was initially difficult for all parties to determine how to establish an appropriate action plan. The ESAP content negotiation process between the project sponsor and the lenders became protracted and overly legalistic and the final ESAP, while containing a useful framework for an environmental and social management system, turned into a long, negotiated legal document whose provisions were in many ways quite rigid and did not possess the flexibility needed to respond to the changing realities of the project on the ground.

From IFC's perspective, an ESAP needs to have legal teeth when things go wrong but sufficient flexibility to anticipate issues that were missed or come up later during implementation. Change is inevitable particularly in large construction projects such as BTC. At certain milestones in a project of this scale there should be a means to review the management arrangements in an ESAP and make changes if necessary. Unfortunately in the case of BTC, the ESAP became a legally binding document and the difficulties of the negotiations during the ESAP development made both the sponsor and some of the lenders unwilling to reopen the agreement to potential renegotiation and changes in the future. This made change difficult to implement which undermined the objective of having a "dynamic" environmental and social management mechanism within the ESAP that can change and respond to developments on the ground as needed.

Based on BTC and other experiences, IFC should exercise caution in future when agreeing the legal requirements of an ESAP. Legal language should be separate from the environmental and social management system, plans, and policies. In future, clients should be encouraged to limit the involvement of their legal representatives in the drafting of environmental and social management system language and action plans.

Management of Change

While the above may suggest that changes to the environmental and social management procedures were not made as circumstances changed on the ground, this in fact was not the case. Change is inescapable and not surprisingly the project had to make numerous changes to its original planning during the construction program using their Management of Change (MoC) mechanism.

MoC is essential, it ensures that significant changes are managed and recorded and that all project disciplines are consulted and agree to the change. A single unified project MoC is required which recognizes that whatever the source of the change (e.g. design, engineering, construction, health and safety or environmental and social issues) the implications of the change are assessed by all.

IFC and the other lenders needed to be notified of any material changes to project implementation that would result in significant environmental or social impacts that might not have been sufficiently covered in the ESIAs or catered for in the ESAP. A specific MoC mechanism was therefore included in the ESAP and used to notify lenders. While the inclusion of an MoC process was necessary, the criteria developed to determine when a "change notification" to the lenders should be triggered did not work particularly well in practice. The criteria were somewhat ambiguous and, as such, open to interpretation. They were also too narrowly focused on pipeline route changes and not other possible changes. The ambiguity led to disagreements between BTC, the lenders (including IFC) and the independent environmental consultant (commissioned to monitor compliance with the ESAP) as to what constituted a "significant" change and whether lender notification was warranted. In future, criteria need to be better defined to differentiate between what is considered a minor change and what is significant across all project related activities. From a lender's perspective, the MoC mechanism should be able to identify any changes in project implementation that would require an amendment to the provisions of the original ESAP and allow for the adjustment of ESAP procedures to effectively deal with environmental and social impacts on the ground.
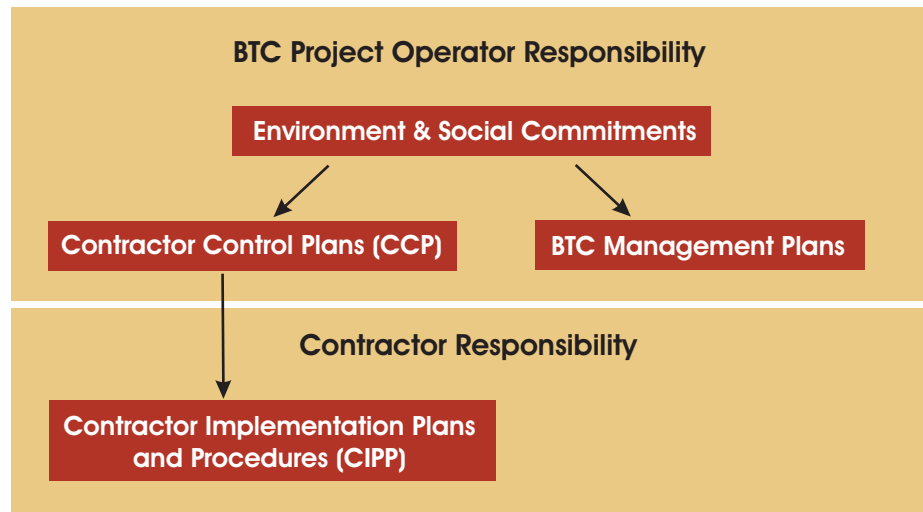

Pipeline construction operations.

One of the reasons for disagreements among the parties on this issue was that any change that triggered notification to the lenders required a review of MoC documentation by the Independent Environmental Consultant (IEC) and confirmation by them to the wider lender group that the changes were being accompanied with appropriate mitigation measures. While a system of review was necessary, the process specified in the ESAP was not entirely satisfactory. In particular, the IEC found it difficult to be flexible when responding to change since their principal requirement was to ensure compliance with the ESAP. In some cases, however, flexibility was necessary so that pragmatic solutions to ground conditions could be quickly agreed.

The MoC process on BTC was a clear example of an aspect of the ESAP that was not flexible enough to respond to the measures required by changes during project implementation and which led to an overly cumbersome process for all parties. While MoC is an essential component of a company's environmental and social management program, the mechanism to notify lenders of changes to the project needs to be carefully considered. In particular, criteria that trigger notification of change should be developed with unambiguous language, and the "change

An ESAP needs to have legal teeth when things go wrong but sufficient flexibility to anticipate issues that come up later during implementation.

BTC Project Operator Responsibility

Environment & Social Commitments

Contractor Control Plans (CCP)

BTC Management Plans

Contractor Responsibility

Contractor Implementation Plans and Procedures (CIPP)

review procedure" should be sufficiently flexible to enable a discussion of the issues and timely agreement on the best way forward.

Contractor Management

In pipeline projects such as BTC, the construction phase usually carries the highest risk of potential environmental and social impacts and unforeseen events. As such, substandard performance by the construction contractors involved in a project can lead to adverse impacts and the exposure of both the project sponsor and project lenders to financial and reputational risks. Active management by the project sponsor of contractor performance on environmental and social issues is therefore critically important to ensure successful outcomes, and to prevent subsequent time consuming and expensive corrective action.

There were numerous contractors involved in the BTC construction program. The amount of time and level of effort required by the sponsor for effective contractor management was underestimated at the outset of the project. As a result, BTC had to significantly increase its number of

environmental and social staff on the ground in all three countries. BTC had initially presumed that the environmental and social management requirements to be implemented during construction were the responsibility of the contractors since these contractors had signed up to the project's environmental and social commitments included in their contracts. Once the contracts were awarded however, it quickly became apparent that many of the contractors did not in fact have a full understanding of all of their commitments with respect to environmental and social management (which, for BTC, were set at a very high standard) and they did not necessarily appreciate what the requirements entailed in terms of implementation. For example, as is typically the case, the contracts included a requirement for the contractor to develop measures to meet their environmental and social commitments and document these in management plans *before* they started construction. But the contractors, in reality, lacked the capacity to develop and implement the type of management plans BTC required. At the same time, the lenders required that the contractor's management plans be ready for inclusion in the ESAP before financial closure.

In order to ensure contractor compliance with their environmental and social

commitments, and at the same time demonstrate to the lenders how they intended to manage their contractors, BTC had to find a simpler way of communicating to the contractors what their obligations were. A mechanism was developed whereby a series of "Contractor Control Plans" (CCPs) were prepared by BTC that contained detailed and specific control and mitigation measures that each contractor must implement in order to meet their contractual obligations. These specific measures then allowed the contractor to in turn develop "Contractor Implementation Plans and Procedures" (CIPP) that contained procedures and method statements specifying how the contractor would implement the measures included in the CCPs.

Individual CCPs were developed based on specific environmental and social areas that needed to be managed (e.g. waste management). The main benefit of the CCPs was that they clearly translated the many commitments made in the ESIA documentation into specific actions; assigned responsibilities between the contractor and the sponsor; and, provided a means to monitor contractor performance while at the same time providing assurance to the lenders that the environmental and social commitments made by the sponsor were being implemented by the contractor. The CCPs followed a "performance based approach" so that contractor compliance and performance could be monitored and measured using key performance indicators, inspections and audits.

Although the CCP mechanism of contractor control was considered a very useful tool for the BTC project construction program in working with the contractors on implementation requirements, the plans were developed and issued retroactively, after the main construction contracts had been awarded and as a response to contractor management difficulties and capacity issues.

For future projects where there is significant contractor involvement, a similar control mechanism is recommended as good practice. However, the CCPs would be of greatest benefit if they were included from the beginning as part of the initial contracts.

A more general lesson for both IFC and their clients is that passing all the environmental and social requirements to the contractor and making it their responsibility, involves risk. Sponsors need to be sure of the contractor's capacity in this area and understand that in the lenders' eyes it is they, and not the contractor, who will ultimately be held responsible for meeting lender commitments and ensuring positive outcomes. In order to effectively manage this risk, the sponsor needs to actively monitor contractor implementation on the ground by having a "contractor control system" in place, and if necessary, as was the case for BTC, be prepared to step in with training and technical assistance as required.

Contracting Strategy

For all projects, getting the right contractors on board and avoiding problems down the line requires that environmental and social considerations fit within a company's overall contracting strategy. The Invitation to Tender (ITT) documentation for BTC consisted of a series of documents describing the environmental and social management requirements to be met by each contractor throughout the contract term which the contractors agreed to implement. However, as outlined above, many of the contractors initially did not have the capacity or understanding to meet these obligations. The costs of not spending sufficient time and focus on contractor environmental and social management and capacity issues upfront proved substantial to all parties involved. Both BTC and its lenders were exposed to non-compliance risks, while the

Passing all the environmental and social requirements to the contractor involves risk.

financial consequences of retrofitting, cost overruns, and delays were borne by BTC and its contractors.

It is not the role of IFC to dictate a sponsor's contracting strategy, however, certain lessons from the BTC project have led to a number of very useful contracting strategy suggestions by the sponsor which may be appropriate for future projects. For example:

◗ The sponsor should ensure that specific, clear and consistent information is included in the ITT in relation to environmental and social requirements so that contractors know what their obligations are upfront. (Contractor Control Plans provide a good mechanism for this.)

◗ The sponsor should, where possible, schedule the ESIA program so that it has been completed and the environmental and social commitments identified *before* the ITT is released so that all contractor environmental and social obligations can be included in the ITT documentation.

◗ In the absence of a completed ESIA, the sponsor should include as many standard environmental and social measures in the ITT as possible based on previous projects or past experience, but should keep close track of any commitments arising from the final ESIA which were not included in the ITT or contractor's tender. In this case, the sponsor should make sure these outstanding obligations are managed, either by themselves or by specific agreement with the contractor.

◗ The sponsor should make best efforts to ensure that the contractors have a clear understanding of what is expected of them from a technical, resource allocation, time input, and cost perspective, as well as the capacity to deliver.

◗ To assess whether adequate funds have been allocated for environmental and social management in a tender submission, the sponsor should consider requesting an itemized budget for environmental and social expenditures given as line items as part of the "lump sum" contract, or consider a provision for environmental and social management separate from the "lump sum" contract.

◗ Sponsors should consider involving their environmental and social staff in drafting the environmental and social portions of the ITT and in reviewing tenders submitted by contractors.

◗ Depending on the extent of environmental and social obligations involved in the contract, the sponsor should consider requiring the contractor to have a qualified Environmental and Social Manager.

◗ The sponsor should consider sub-contracting specialist companies for some of the more specialized aspects of environmental and social management such as waste water treatment or waste management and disposal.

Summary of Key Lessons and Future Recommendations

◗ *Scoping is a strategically important component of the ESIA program, it should be considered an important milestone in the program and sufficient time and expertise (including input from experienced specialists familiar with the project area) should be allocated to get it right.*

◗ *The BTC project demonstrated that the social aspects of a project can cover many issues that have not traditionally been covered in impact assessments. Future scoping exercises should be broadened to identify all potential social issues that might be important to the project including new and emerging issues such as worker welfare, human rights and security.*

- *All the issues identified during scoping do not necessarily need to be covered in the ESIA program but the results of the scoping exercise should include an early judgment on the most appropriate approach for each issue and should establish any studies in addition to the ESIA that will be required for the project.*

- *The ESIA documentation should contain a "register" of environmental and social commitments made by the sponsor. Clear and concise language should be used for the project commitments with a clear indication of responsibility for implementation.*

- *The legal language in a project ESAP should be kept separate from the environmental and social management program in order to allow for sufficient flexibility in the management procedures to respond to the changing realities of the project on the ground. IFC should exercise caution when agreeing the legal requirements within an ESAP. Flexibility is particularly important in a large scale project such as BTC where change is inevitable.*

- *A Management of Change (MoC) mechanism is an essential component of a project management system (and ESAP). The criteria that signal a change (and the trigger for the notification of a change) should be carefully considered and the criteria should contain unambiguous language.*

- *The arrangements for an MoC document review procedure in the ESAP should be carefully considered and, if possible, should not be entirely based on compliance. The procedure should be sufficiently flexible to enable discussion of the issues and timely agreement between all parties involved on the best way forward.*

- *Sufficient time and focus on contractor environmental and social management and capacity issues upfront (and prior to contract award) is critical. The sponsor should be sure of the contractor's capacity in this area and that the contractor fully understands what is expected of them.*

- *Active management and monitoring of contractor performance on environmental and social issues is vital and sufficient resources should be allocated to this activity.*

- *A "contractor control" mechanism should be in place as part of the management arrangements and sponsors must be prepared to step in with training and technical assistance as required.*

- *The contractor control mechanism developed by BTC is considered good practice. It translated the commitments made in the ESIA documentation into actions to be implemented on the ground. The mechanism consisted of a series of Contractor Control Plans containing the mitigation measures that the contractor must implement. The contractor then developed Contractor Implementation Plans and Procedures (CIPPs) that specified how the contractor would implement the measures laid out in the CCPs.*

Regional Review

One of the clear good practices to emerge from the BTC project was the preparation of a Regional Review. The sponsor assembled a well-qualified team and devoted considerable time and resources to undertake what has proven to be a ground breaking approach. Originally suggested by IFC, the Regional Review provided a much needed contextualization of the project within the larger geopolitical setting of Azerbaijan, Georgia and Turkey. While perhaps not needed for all projects, this macro- level assessment is particularly relevant in emerging markets where complex cross-border projects raise sensitive issues that have implications beyond the usual project boundaries. On BTC, the Review undertook a higher level analysis of regional issues, documenting considerations and actions taken with respect to macro concerns such as: regional export options examined in pipeline route selection; revenue management; local employment and supply chain management; the non-oil economy; poverty and inequality; access to energy; climate change; governance and corruption; and human rights, among other

Macro-level assessment is particularly relevant in emerging markets where complex cross-border projects raise sensitive issues that have implications beyond the usual project boundaries.

issues. As such it addressed issues not covered in the project-specific ESIAs undertaken for each of the three countries, but nevertheless important enough to warrant a separate study.

Given the numerous geo-political concerns and constraints in the region related to exporting oil from the landlocked Caspian Sea, as well as the sensitivities involved in publicly disclosing them, there had not been sufficient public discussion about pipeline route selection or the alternatives considered. This sparked criticism of the project from the international media and NGO community, along with concerns about the lack of discussion of cumulative impacts. In this respect a Regional Review can be an important discussion tool for the sponsor and the project by: (i) providing a coherent explanation of the impact of oil development on the region and the alternatives considered; (ii) serving as a baseline of sorts for assessing the cumulative effects of other pipeline projects in the region; (iii) proactively demonstrating that the sponsor is aware of and committed to addressing some of the broader environmental, socioeconomic, and development issues; and, (iv) contributing to the project's desire to be transparent.

The Benefits

In the case of BTC, the Regional Review proved particularly important given the lack of formal Strategic Environmental Assessment (SEA) studies by the relevant governments available for any of the three host countries. From IFC's perspective, the Review filled a critical information gap and bolstered the development justifications for project financing which was extremely important to its Board of Directors. For some BTC staff who were focused on day-to-day issues at the project level rather than the larger strategic questions faced by the project, the Regional

Review was a less important document than the ESIA. However other staff reflect that, in retrospect, doing a Regional Review made the company focus on difficult issues that were not necessarily covered in the ESIAs (e.g. governance, human rights, the oil fund, security, private sector vs. government responsibility) and that they benefited from the process of having to think through these questions in depth. In addition, BP, as the project operator, garnered significant praise in terms of external reputation for undertaking the review. Carrying out the process on a voluntary basis demonstrated leadership by the company and a willingness to be progressive, open, and forward-looking in their approach. If done at the earliest stages, this type of advance preparation can also help to pre-empt and allay many of the concerns expressed by the shareholders of the lending institutions, civil society, and NGOs. Although some BTC staff felt that no amount of effort to provide information concerning the regional context of the project would alter the views of certain NGOs fundamentally opposed to the project, IFC staff believe that the value of the Regional Review process lies in laying the groundwork to interact with those stakeholders and interested parties who do want to engage constructively to find solutions.

Another lesson learned by the sponsor had to do with balancing the demands of NGOs with positions outside the mainstream who wanted BTC to assume responsibilities far beyond those of a private sector company. By consulting and soliciting views of a wide array of stakeholders (more than 100 organizations were interviewed as part of the Regional Review process) the company gained a more moderate and pragmatic set of recommendations from the majority of stakeholders as to what they thought BP's role should be with respect to issues such as human rights and corruption. This helped to demonstrate that the views of some of the more extreme critics were not representative of the larger majority.

Timing

While BTC assembled a multi-disciplinary team of experts and devoted considerable time and resources to producing this important document, both the sponsor and IFC agree that the Regional Review came too late in the process. The exercise did not begin until much of the ESIA work was well underway and the Review itself was not released until much later. Part of this had to do with the fact that this was a new approach without examples for BTC to draw upon. Many of the issues addressed in the Regional Review (especially on the social side) were new, sensitive, and outside the scope of traditional ESIAs, and therefore required careful consideration prior to publication. In hindsight, the delayed timing reduced the overall effectiveness of the document as an informational tool and ideally would have commenced prior to, or in parallel with, the early scoping and pre-feasibility studies for the project.

It is likely that having BTC publicly state its position on a number of these issues early on would have saved much time and effort on the part of both the sponsor and lenders in providing responses to NGO concerns since certain potentially controversial topics would have already been addressed publicly. Timing issues aside, the Regional Review was nevertheless successful in complementing the work done through the ESIA process and in providing insights into key risks and opportunities at the national and regional levels. From the lenders' perspective it had great value in providing further comfort that these larger issues were being considered seriously.

Replicability

In terms of replicability of this good practice, the IFC would recommend that such a review be considered for large scale complex projects in emerging markets, particularly those with sensitive issues and that generate significant revenues and/or involve more than one country. The practice is already being replicated in other private sector projects not being financed by the IFC. Another approach, building on the BTC experience, has been to bring the big picture issues such as revenue management, security, and human rights into the ESIA rather than undertake a separate regional review exercise. Either way, such practices demonstrate an increasing recognition of the need to broaden the scope of issues to be assessed on projects of this nature beyond the set of typical environmental and social issues covered in an ESIA.

Summary of Key Lessons and Future Recommendations

- *From IFC's perspective, the BTC Regional Review provided an important analysis of macro regional issues relevant to the project. The document complemented the ESIAs, filled information gaps, increased transparency, and publicized some of the important issues with respect to crude oil export options in the region and pipeline route alternatives.*

- *The BTC sponsor benefited from discussions with a wide array of stakeholders in the preparation of the Regional Review as well as from having to think through a number of difficult and sensitive issues not traditionally considered as part of a project impact assessment such as revenue management, governance, human rights and security among others. This provided a better understanding of the key risks and opportunities presented by the project.*

- *A Regional Review should be considered for complex projects in emerging markets. For maximum effect, the timing of the review is important. Early preparation of a review that considers sensitive and difficult issues in the region can help pre-empt and allay many of the concerns expressed by the shareholders of lending institutions, civil society and the international NGO community. Ideally the Regional Review would be most effective if commenced in parallel with the earliest scoping and feasibility studies for the project.*

The Regional Review filled a critical information gap and bolstered the development justifications for project financing.

Stakeholder Engagement and Disclosure

International standards for public consultation and disclosure for private sector projects in emerging markets are continuously evolving. In this respect, BTC was perhaps precedent-setting among projects of this type and size in terms of the extent of local consultation carried out and the amount of information disclosed as part of the ESIA process. IFC staff (and in particular social development and environmental specialists) spent a considerable amount of time meeting with BTC and their specialists, affected communities, and other interested parties along the pipeline route over a period of eighteen months before presenting the project to IFC's Board. IFC and EBRD set a precedent as well through the Multi-Stakeholder Forum in which a series of meetings were held in all three countries to enable the lenders to hear feedback directly from members of affected communities, civil society, local authorities and other stakeholders. From both the client and IFC perspective, the comprehensive stakeholder engagement process yielded a number of valuable lessons including good practices in some areas and ways to improve in others. Overall, the considerable amount of IFC staff engagement with the sponsor, affected communities, and interested parties in-country helped IFC achieve an in-depth understanding of the key issues and concerns relating to the project. This enabled IFC staff to respond effectively to intense scrutiny and questioning by the World Bank Group's Executive Directors and international NGOs during the disclosure period, which ultimately facilitated support for the project by allaying the concerns of IFC's Board.

Because IFC involvement came later in the process, BTC had already commenced an initial program of consultation as part of the data collection phase of the ESIA. IFC's perspective on this early consultation was that the scope was very impressive. Every affected community within 2 km either side of the pipeline right-of-way and within 5 km of permanent facilities was contacted via initial meetings and then a second time once the draft ESIA was produced. To achieve this, BTC brought in local academics to provide knowledge of the area and socio-cultural issues as well as a social research company, and undertook training of these teams. However, due to the logistics and personnel demands of consulting along 1,760 kilometers, BTC had to subcontract and, as a result, the quality of consultation in some locations may have been inconsistent. In addition, given the amount of information that had to be provided in a short time, there were inevitably significant information gaps. From IFC's perspective, the amount of time and resources put into the consultation process by BTC was commendable. However, one recommendation for future projects would be to incorporate more participatory techniques and methodologies into the consultation process in order to create more opportunities for meaningful interaction and two way-dialogue between the project and affected stakeholders.

One aspect that was not fully addressed in these early consultations was the complex set of issues around impacts to land use and land acquisition which was a primary concern of all affected communities. This was due in part to BTC concerns about managing expectations when there was still uncertainty about the final routing of the pipeline. The consultation exercise was undertaken based on a 500 meter corridor, so the company was unable to tell the communities at that time exactly where the pipeline and permanent facilities would be within this corridor. However, once the details and complexities of the land acquisition and pipeline right-of-way issues were more clearly understood by both the sponsor and their consultants, a separate and very comprehensive process of consultation

Consultation meeting with villagers in Turkey.

on compensation and land acquisition commenced. BTC carried out its commitment that every individual whose land was affected by the project would be contacted and consulted—no small feat for over 100,000 people with claims to land.

IFC social development and environmental specialists visited a large sample of villages along the pipeline route and were able to observe many of the ESIA consultations, particularly around the time of disclosure of the draft ESIA. They also observed on several occasions the interaction between the sponsor's land acquisition and compensation program teams, and affected households. The lesson here is that a thorough process of consultation benefited the project by providing valuable information that informed the project planning process and helped to improve outcomes, for example: in helping to identify re-routes for the pipeline to avoid sensitive cultural and archaeological sites, and contributing to the formulation of employment, community relations, and community investment initiatives.

Learning from Criticism

In addition to consultations with locally affected communities, BTC consulted extensively through workshops and face to face meetings with local, regional and national government authorities; national, regional, and international NGOs; academic institutions and other interested parties. However, despite the extensive consultation carried out and the considerable effort by BTC, much criticism of the local consultation process was received from international NGOs. In hindsight, perhaps more should have been done to publicize the local public consultation process on a national and international scale, and to engage directly with those international NGOs willing to discuss the issue constructively. This is an area where the client expressed the frustration that, with certain organizations fundamentally opposed to the project, no amount of time and effort devoted to dialogue would change their position or understanding of the project, or result in a constructive dialogue. While such frustrations are understandable, IFC continues to hold the view that the process of engaging all the project's critics is an important one and ultimately valuable to the client because it demonstrates a willingness to listen, learn, and discuss possible solutions.

The Multi-Stakeholder Forum

There were a number of factors that led to IFC and EBRD jointly carrying out a Multi-Stakeholder Forum (MSF) consisting of meetings with local stakeholders in Azerbaijan, Georgia, and Turkey, which cost a significant amount in terms of resources and staff time. During lender appraisal of the project, concerns and criticisms by international NGOs were escalating in anticipation of the date for loan approval

BTC was precedent-setting in terms of the extent of local consultation carried out and the amount of information disclosed.

by IFC's board. Ultimately, the MSF resulted from pressure from IFC's Senior Management to have an "independent process" to assess local community support for the project along the BTC pipeline by creating a direct platform for discussion.

The purpose of the meetings was to allow IFC and EBRD staff to hear directly from local stakeholders about issues related to their potential financing, and present their respective Boards with firsthand information before making final lending decisions. The exercise was not meant in any way to supplant or detract from the comprehensive process of consultation undertaken by BTC. In the run up to Board approvals, these meetings were intended to provide the lenders access to local communities affected by the pipeline and to allow verification of opinions of local people. This constituted an important component of the lender's 120 day public disclosure period. Consequently, two separate day-long meetings were held in each of the three countries with a total attendance of over 800 people.

Reviews on the effectiveness and value of the MSF are mixed, and vary significantly depending on whom one asks. On the positive side, the MSF helped to facilitate board approval to finance the project by giving needed additional comfort and confidence to the lenders and their shareholders. While the process was not perfect, it did increase stakeholder participation and access to IFC by ensuring that the Corporation widened its circle beyond a small cadre of international NGOs and created a forum in which to hear local NGO and civil society concerns directly. Many of the more critical international NGOs declined to participate in the MSF, but this facilitated local civil society organizations speaking for themselves. In fact, in Georgia in particular, the MSF meetings revealed that there was little local support for some of the positions advocated by some of the most

vocal international NGOs. The lesson learned by IFC in this case is that while international NGOs can often help in giving voice to the concerns of the local population, this is not always the case when agendas and interests differ. Moreover, in certain situations, local public opinion in support of the project does not receive attention at the international level and the voices of local communities go unheard in the international media.

On the downside of the process, the MSF caused tension between IFC/EBRD and the sponsor for a number of reasons. BTC rightly felt that they had already undertaken an extensive consultation process and that this had already been verified on a number of occasions by field visits of IFC and EBRD specialists. In this respect, the MSF risked undermining the sponsor's own program and creating expectations by being perceived as an alternative consultation and grievance process. The sponsor also expressed a legitimate complaint about double standards: BTC had undertaken a thorough, in-depth and ongoing process of consultation (some of which was considered best practice by the lenders) whereas IFC/EBRD's own stakeholder engagement through the MSF was one-off and superficial by comparison. IFC specialists agree that while the concepts of stakeholder engagement and lender verification of broad community support for prospective projects (now a requirement in IFC's new Sustainability Policy) are good and necessary, more thought is needed on how best to achieve these objectives. The model of large public forums, as embodied by the MSF process, might not be the only nor most effective means of engendering meaningful interaction between lenders (including members of their senior management) and local stakeholders. For example, rather than public meetings with hundreds of people, smaller focus groups with key representatives—as was done as a follow-up to the MSF in Georgia—might be a more productive way of fostering dialogue on key issues. In either case, care must be taken not to duplicate or undermine the work of the sponsor.

Other IFC Lessons on Engaging with Stakeholders

Separate from the sponsor's process, IFC staff spent considerable time engaging with stakeholders. This occurred on two levels: in the field and in Washington, D.C. IFC's Executive Vice President at the time wanted IFC staff in the field as often as possible in order for the Corporation to gain its own independent understanding of the issues on the ground. As a result, IFC environmental and social development specialists undertook close to twenty field visits during project appraisal, often remaining in country for two or three weeks at a time and spending time in the villages along the pipeline. While this is costly from a resources point of view, it proved extremely beneficial in terms of IFC's ability to respond to questions and critiques. Direct experience enabled staff to respond with confidence (i.e. "this is what villagers told me.")

IFC staff also spent an enormous amount of time responding to comments from NGOs prior to and during the 120 day disclosure period for the ESIAs and related documents. One month prior to Board, the team prepared a 60-page response to NGO questions and continued responding to comments right up to the eve of the Board date. Again, from a resources point of view, this response proved very time-consuming, but it was very effective in addressing the concerns of IFC's Executive Directors.

Another practical tool that the team found useful in managing the engagement process was maintaining a "Stakeholder Log" which tracked every meeting IFC staff held with interested parties, including the date, location, and key issues discussed. A written record or "paper trail" is important both to retain institutional memory and to be able to demonstrate the frequency of engagement and range of stakeholders with which IFC dealt. The sponsor also developed a

"consultation tracker" and spent much time responding to issues raised by stakeholders. A key lesson is that the time and resources required to initiate and maintain a robust process of consultation with stakeholders should not be underestimated.

Disclosure of Documents

The quantity of environmental and social information on the BTC pipeline that was disclosed locally and in the IFC's InfoShop was vast (38 volumes). The documents were translated into local languages and made available at local libraries, regional centers, and offices of local government, NGOs, and BTC in all three countries. These locations were announced through the national and local newspapers and through radio. A lesson learned during this process was that the disclosure of excessively large volumes of information does not necessarily facilitate effective communication with, and use by, affected stakeholders. The quantity and presentation of relevant material for disclosure must receive special attention, particularly on large complex projects. Where possible there is a need for more focused summary reports to be disclosed that local people can readily digest and understand, rather than the voluminous suite of technical documents that have been prepared. (The latter can always be made available upon request.) To help address this, BTC produced community pamphlets, non-technical summaries, posters and case studies on specific issues, and held many village meetings on disclosure of information. In Turkey, for example, simplified presentations were made at the village level as it was found that oral communication was a more effective means of conveying key ESIA findings.

This is a view shared by the sponsor who felt that some of IFC's disclosure requirements regarding what to disclose, and to whom,

The time and resources required to initiate and maintain a robust process of consultation with stakeholders should not be underestimated.

were overly burdensome and in certain cases not sensible. They found the logistics and relevance both difficult and questionable especially with an ESIA document numbering over eleven thousand pages. The cost to the client of printing, photocopying, translation, and dissemination of the documentation was considerable. Some of these concerns have been recently addressed in IFC's new Disclosure Policy.

Summary of Key Lessons and Future Recommendations

◗ *The BTC project benefited greatly from the comprehensive process of consultation with affected communities that the company carried out. Consultation provided valuable information that informed project planning (such as route selection to avoid cultural and archaeological sites) and contributed to the formulation of employment, community relations, and community investment initiatives.*

◗ *In addition to the community consultation, BTC consulted extensively with local, regional and national government, national academics, specialist organizations, and national, regional, and international NGOs regarding the project. BTC personnel were not always convinced that the effort expended in their interaction with certain international NGOs fundamentally opposed to the project was worthwhile, but IFC specialists maintain that the process of engaging with all of the project's critics is an important one. It demonstrates a willingness to listen, learn and discuss.*

◗ *For a project of this scale, the extent of the public consultation process should be publicized both nationally and internationally to reduce potential criticism of the process due to lack of awareness.*

◗ *Skilled consultants with experience in participatory techniques and methodologies are needed to facilitate an effective two-way dialogue between the project and affected communities.*

◗ *The independent Multi-Stakeholder Forum carried out by IFC and EBRD to communicate the lenders' position on the potential financing of the project and to listen to stakeholder views helped facilitate board approval for the project by confirming that the project did have local community support. However, in undertaking such initiatives, IFC must take care not to duplicate or undermine the sponsor's own consultation program by raising expectations, or giving the perception of being an alternative grievance channel.*

◗ *In addition to the MSF program, significant IFC time and resources were invested in engaging with the sponsor, affected communities, and NGOs during project appraisal. This level of engagement provided in-depth understanding of the project and improved IFC's ability to respond to questions and critiques which was a significant factor in facilitating board support for the project.*

◗ *IFC staff developed a "Stakeholder Log" for the BTC project which tracked every meeting IFC staff held with interested parties, including the date, location, and key issues discussed. This written record was important in retaining institutional memory and demonstrating the frequency of engagement and range of stakeholders IFC dealt with during project appraisal and supervision. This should be considered as good practice for future projects.*

◗ *The disclosure of excessively large volumes of information as was the case for BTC does not necessarily facilitate effective communication with, and use by, affected stakeholders. IFC should be attentive to the quantity and presentation of relevant and appropriate material in summary form to ensure meaningful disclosure.*

Land Acquisition and Compensation

A key principle in land acquisition (which is also a requirement under IFC policy) is to try to avoid or minimize the physical resettlement of households to the greatest degree possible. BTC successfully achieved this objective through careful initial planning that avoided all villages and towns, and by making subsequent minor route changes to avoid any homesteads that were encountered in finalizing the pipeline right-of-way. Given the statistics involved—a 1,760km pipeline, 515 villages, and land acquisition affecting over 17,700 parcels of land and more than 100,000 people—it is remarkable that not a single household was forced to move on account of the project. This was achievable because the BTC pipeline traverses mainly a rural environment with few large settlements, and may not be possible for other projects in more densely populated areas. Nevertheless, the BTC example serves to demonstrate that taking social considerations into account in project design can significantly reduce impacts to the local population. Other notable good practices emerging from the BTC land acquisition process include the preparation of a "Guide to Land Acquisition and Compensation" (GLAC) as a supplement to traditional Resettlement Action Plans (RAPs), and the development of a RAP Fund to cover miscellaneous impacts not covered by Turkish legislation.

The land acquisition and compensation process for BTC was complicated, difficult, and not without problems. A comprehensive program was required to address mostly temporary impacts to the livelihoods and activities of a very large number of households, exacerbated by complex land tenure systems in all three countries. A relatively small proportion of land was required permanently for above ground installations such as pump stations and block valve stations. Most land acquisition was required temporarily for construction purposes and will be returned to the original land right holders. All land users on the more than 17,700 affected land parcels along the route (many with multiple owners) were visited by BTC land acquisition teams, and considerable effort was made to contact absentee land owners. The land teams were assisted by local NGOs, and NGOs in each country were also commissioned to give independent advice and counsel to land owners and users.

Timing Issues

In hindsight it is fair to say that, at least initially, BTC underestimated the scale and complexity of the land acquisition process and how much lead time and resources this would require in countries where land registration systems and land records were weak or non-existent. Part of this resulted from the fact that such a comprehensive land acquisition process for a pipeline project (including compensation for physical and livelihood impacts) had not been undertaken in any of these countries before, so there was no direct experience to draw upon. In many cases BTC found they had to start from scratch, initiating land survey work and identifying thousands of rights holders, which ultimately resulted in a significantly improved land management system, but took considerably longer than originally anticipated. Contributing to the timing issue was the fact that the original scoping studies had not sufficiently emphasized the extent and nature of the land issue early on (although it was known that this was an important issue) and that the subsequent ESIA and RAP studies were not integrated. Instead, much of the data on land issues required for the RAP was not collected specifically as part of the ESIA process but undertaken separately and later on by different consultants with specialized expertise. While this approach seemed to

The land acquisition and compensation process for BTC was complicated, difficult, and not without problems.

make sense to the sponsor at the time, in retrospect, integrating the two processes would have likely been more efficient from both a timing and resources point of view. The lesson here is that land acquisition and resettlement should be addressed as part of, or in parallel with, the ESIA process.

Disclosure issues also affected timing. For example, there was a lack of clarity between IFC and the sponsor over when the resettlement action plan had to be disclosed. On BTC, the ESIA reports and the RAPs were required to be disclosed for 120 days *before* IFC's Board decision. However the sponsor wanted to commence land acquisition in advance of the 120 day disclosure date and hence, before the relevant reports were ready. At the time, IFC's policy was not explicit about the need to disclose RAPs before commencement of land acquisition, and only stipulated disclosure requirements in terms of the Board date. IFC, however, insisted on the need for RAP disclosure to *precede the land acquisition* (in the event this was to happen before the Board date) based on the principle that affected people needed to have such information in advance of agreeing to compensation packages.[2] This misunderstanding caused a timing crisis for the sponsor because work on the RAPs had started late and time for completion and disclosure could delay implementation of construction contracts, which had already been awarded, and could result in costly contractual penalties.

In the end, construction was delayed for other reasons, but in the meantime a solution to ensuring adequate disclosure of land acquisition information was found. BTC prepared and disclosed a concise "Guide to Land Acquisition and Compensation" (GLAC) to affected villages so that land owners and users had the basic information

they needed from the sponsor before any land acquisition took place.

The GLAC

The "Guide to Land Acquisition and Compensation" (GLAC) came into being as a practical compromise between IFC and the sponsor to prevent the resettlement plan timetable from bringing project construction to a costly halt, while at the same time, safeguarding the rights of project affected people to receive key information prior to the commencement of land acquisition. In advance of the full resettlement plans, GLACs were prepared for each of the three countries traversed by the pipeline and translated into local languages. They consisted of a shortened and easily digestible summary of the land acquisition and compensation process, targeted at the level of the individual farmer. The GLACs summarized the project land needs for the pipeline and the compensation framework. Key areas covered were clear descriptions of the terms of eligibility for compensation; land valuation; and the calculations to be used for compensation of crops, pasture loss and damage to orchards, trees and so on. Methods to be used for compensation payment to affected households, and restrictions to land use and access during the pipeline construction and operational phases, were also summarized in each GLAC as well as other practical information such as whom to contact and how to register grievances.

Although, in the end, the complete and detailed resettlement plans were actually released before land acquisition commenced, the GLACs proved extremely useful for local households since they presented the information in a clearer and simpler form than the detailed resettlement plans, and did much to clarify compensation issues and avoid misunderstandings. As such

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[2] IFC's new Disclosure Policy is now much more explicit concerning timing and disclosure of environmental and social documents, including RAPs.

Herder affected by land acquisition in Azerbaijan.

IFC now recommends the supplemental production of GLACs as good practice for summarizing relevant resettlement information (particularly in cases of complex land acquisition situations) for ease of use by affected households. The BTC project demonstrated that, from the community's perspective, GLACs may prove more useful than the more technical resettlement plans. Detailed resettlement plans are nevertheless essential to record relevant baseline data, regulatory and policy requirements, and analysis of compensation requirements. They also provide details of the total extent and cost of compensation as well as the measures to implement compensation, including establishing land valuation teams, liaison and grievance mechanisms, and monitoring and evaluation systems.

The RAP Fund

Turkish law does not provide for compensation of certain losses, including: loss of use of some communal lands used for livestock grazing (particularly where ownership of the land resides with the state); informal land users using land owned by the state or others; loss of fishing grounds; and, other miscellaneous claims. As such, BTC developed innovative approaches to address gaps between the provisions of Turkish legislation and the requirements of IFC/WB Safeguard Policies and set up a separate "RAP Fund" to facilitate implementation of these measures. Essentially the RAP Fund was a pool of extra budgetary resources made available by the sponsor, but its success in the BTC project was ultimately determined by what these funds were spent on. The RAP fund covered extras such as expenses incurred by affected people including legal, registration and transportation costs, or compensation for grazing land or forest products which were not covered under Turkish law. (This is also the case in many other countries.) In Turkey, inherited land is commonly not registered and this presents a particular problem in formalizing ownership, especially when the process involves resolving entitlements over generations and large extended families. The RAP Fund was used to cover miscellaneous expenses incurred to formalize ownership and registration and greatly facilitated the land acquisition process. In particular, a ground breaking approach was developed to compensate fishermen/farmers for partial impacts to the extent of their available fishing grounds caused by the construction of the oil terminal and jetty at Ceyhan. This included measures to improve and further develop their existing agricultural activities, purchase vehicles and agricultural equipment to diversify economic activities, and contribute to household income. They also received assistance to construct houses, pay their debts to social security institutions to become eligible for retirement, and establish additional entrepreneurial opportunities (e.g. a transportation co-operative which would receive some contracts from the project). Fifteen fishermen were also employed during construction of the project. These measures developed to mitigate impacts to fishermen are a first for Turkey and likely set a benchmark internationally as they have rarely been addressed as comprehensively elsewhere.

BTC developed innovative approaches to address gaps between the provisions of Turkish legislation and the requirements of IFC.

Summary of Key Lessons and Future Recommendations

▶ *The scale and complexity of the land acquisition process should be clearly identified as early as possible in project planning (ideally during the ESIA scoping exercise); especially where there are weak or non-existent land registration systems as was the case for the BTC project. This will help establish the lead time and resources required to formally register the land.*

▶ *Land acquisition and resettlement should be addressed as part of, or in parallel with, the ESIA process. These were separate for BTC but in hindsight, integrating the two processes would have resulted in efficiencies of resources and timing, in particular with respect to baseline data gathering. In this way, data on land and households collected for the ESIA can also be used for the resettlement plan.*

▶ *Land acquisition can be a lengthy and complicated process. To avoid delays, work on the RAP should begin far in advance of breaking ground and construction.*

▶ *Project land acquisition teams should consider assistance from local NGOs in providing independent advice and counsel to land owners and users. The BTC project experience in this regard was mainly positive.*

▶ *IFC should ensure that the sponsor is clearly informed of the RAP disclosure requirements in terms of the timing required prior to the IFC board approval of financing and/or actual land acquisition proceedings.*

▶ *The BTC project prepared a concise Guide to Land Acquisition and Compensation (GLAC) document that summarized relevant resettlement information for distribution to affected communities. The ease of use of the GLACs by the affected households indicated that they were more useful than the more technical resettlement plans. As a result, IFC now recommends the supplemental production of a GLAC as good practice, particularly in complex land acquisition situations such as BTC.*

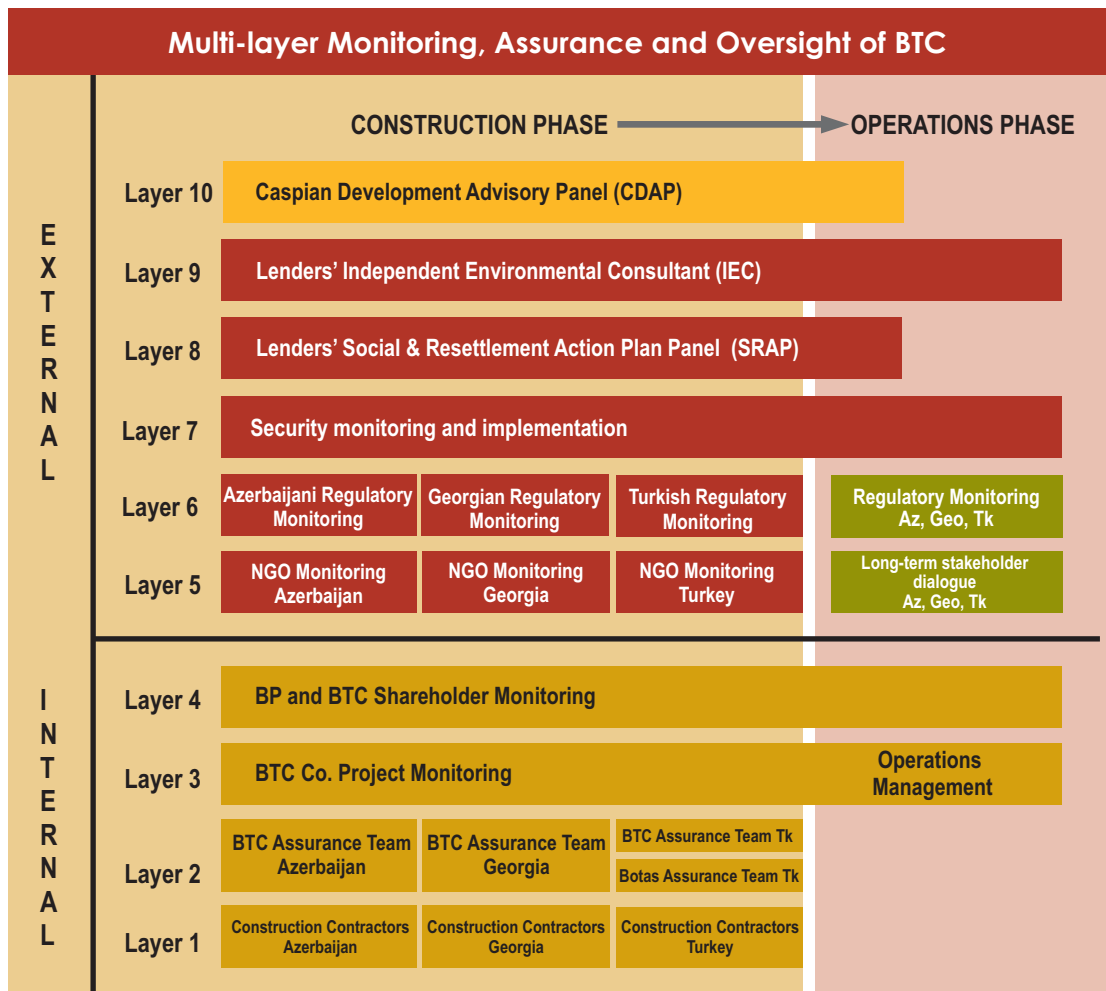▶ *A RAP Fund set up by BTC proved an important tool and budget mechanism in meeting the social objectives of the project by providing additional compensation to mitigate losses not covered under Turkish legislation. A similar funding mechanism should be considered for future projects to address gaps between the provisions of host country legislation and IFC requirements on land acquisition.*

Monitoring and Reporting

Due to the size and complexity of BTC and the high level of international interest it attracted, there were multiple stakeholders who wanted to be able to monitor the project's environmental and social risks over and above the internal management and assurance mechanisms put in place by IFC and the overall lender group. As a result there were multiple layers of internal and external monitoring and oversight being carried out at any given time during the construction phase of the project. This included monitoring by the lenders, government regulatory bodies, independent monitors, NGOs, contractor personnel, BP corporate, and BTC's own staff, among others.

The general conclusion to emerge from the construction phase is that monitoring did indeed result in better environmental and social outcomes for the project by helping to focus management attention on issues that needed to be addressed. The public disclosure of all external monitoring reports for BTC is also considered international good practice for a project of this nature and should be replicated for similar projects. However, from the sponsor's point of view the number of layers of oversight, the frequency of monitoring visits, and the quarterly reporting requirements imposed by lenders during construction came at a significant cost in terms of time, level of effort, and resources.

In terms of external parties, the monitoring that stands out as having provided the most value were the three independent monitoring

Multi-layer Monitoring, Assurance and Oversight of BTC

CONSTRUCTION PHASE ⟶ OPERATIONS PHASE

EXTERNAL

Layer 10	Caspian Development Advisory Panel (CDAP)			
Layer 9	Lenders' Independent Environmental Consultant (IEC)			
Layer 8	Lenders' Social & Resettlement Action Plan Panel (SRAP)			
Layer 7	Security monitoring and implementation			
Layer 6	Azerbaijani Regulatory Monitoring	Georgian Regulatory Monitoring	Turkish Regulatory Monitoring	Regulatory Monitoring Az, Geo, Tk
Layer 5	NGO Monitoring Azerbaijan	NGO Monitoring Georgia	NGO Monitoring Turkey	Long-term stakeholder dialogue Az, Geo, Tk

INTERNAL

Layer 4	BP and BTC Shareholder Monitoring			
Layer 3	BTC Co. Project Monitoring			Operations Management
Layer 2	BTC Assurance Team Azerbaijan	BTC Assurance Team Georgia	BTC Assurance Team Tk / Botas Assurance Team Tk	
Layer 1	Construction Contractors Azerbaijan	Construction Contractors Georgia	Construction Contractors Turkey	

Source: BTC Project Environmental and Social Annual Report (Construction Phase) 2004.

The public disclosure of external monitoring reports is considered international good practice.

panels—the Caspian Development Advisory Panel (CDAP), the Independent Environmental Consultant (IEC) to the lender group, and the Social and Resettlement Action Plan (SRAP) panel. Multiple field visits were also undertaken by IFC social development and environmental staff and are viewed by IFC as necessary and beneficial due diligence for a project of this size. In addition, support to local NGOs to enable them to undertake their own monitoring was a good practice initiative piloted during the BTC construction phase with positive results. With respect to internal monitoring, it was felt that BTC assurance teams operating in each country to supervise the work of the contractors on the ground were the most effective at identifying issues and finding solutions.

On BTC, IFC drew on a number of monitoring lessons from its experience with the Chad-Cameroon Pipeline project. (For more information, see *IFC's Lessons of Experience: External Monitoring of the Chad-Cameroon Pipeline Project.)*

The Caspian Development Advisory Panel (CDAP)

CDAP (comprised of members with well-established international standing) was commissioned as an independent, external body reporting directly to BP's Chief Executive Officer, Lord Brown, with the objective of providing advice on the economic,

environmental and social aspects of all of BP's developments in the region, including the BTC pipeline, in order to ensure implementation according to world class standards. Unlike other monitoring bodies, the value of CDAP is that it took a "10,000 foot view" of the project and focused on a number of big-picture, strategic items that did not get covered elsewhere. For example, the Regional Development Initiative (RDI), referenced further on page 29, is a direct result of CDAP recommendations. The panel travels along the pipeline once a year and their reports are made public.

By reporting directly to BP's CEO and having a different monitoring emphasis (i.e. viewing issues through a lens other than compliance) the CDAP approach has some apparent advantages. These include the sponsor's ready acceptance of the advisory panel concept and a willingness by BP Senior Management to proactively address CDAP recommendations, which has not always been the case on other projects. This is a different model from the well known Chad-Cameroon International Advisory Group (IAG) which reported directly to the World Bank Group (WBG) President. A possible disadvantage with the CDAP approach is that some civil society organizations may not perceive the panel as sufficiently independent, however this has not emerged to date as an issue on BTC.

The Independent Environmental and Social Monitoring Panels: IEC and SRAP

The Independent Environmental Consultant (IEC) to the Lender Group and the Social and Resettlement Action Plan (SRAP) panel were contracted as independent third-party monitors, a requirement by the lenders. Whereas in most cases IFC recommends integrated environmental and social monitoring as good practice, (the Chad-Cameroon pipeline project is an example of

where integrated monitoring worked well) the two teams were separate for the BTC project. The division of labor in this case assisted with complex logistics to enable field visits to specific sites and communities all along the 1,760km pipeline. The SRAP panel, which visited the project every six months, had its hands full dealing with large-scale land and compensation issues, and spent the bulk of their time with directly affected communities and households. The IEC panel made quarterly visits, monitoring the implementation of environmental management measures included in the ESAP for the construction of the pipeline and associated above ground installations and workforce camp sites. The separated monitoring also lent itself well to BTC's organizational structure in Azerbaijan and Georgia which had separate team leads for environment and social issues. The disadvantage of a separate approach, however, is the possibility that overall coordination and communication may suffer. To avoid this, special attention may be needed to foster regular dialogue between the two teams through integration meetings and coordination of field visits.

Costs and Effectiveness

Perhaps the single most important factor in independent monitoring effectiveness is the skill and technical competence of the monitoring team. In order to draw management attention to critical issues and influence decision-making on actions to be taken, the monitoring team members must be respected for their professional judgment and be able to engage in constructive feedback and dialogue with the company. Effective monitors recognize that projects cannot be 100% compliant all of the time, but work to identify and prioritize key issues for attention. The identification of risks and continuous improvement in compliance are key to ensuring the adequate performance of a project. Both IFC and BTC staff agree that the

NGO Monitoring in Azerbaijan and Georgia

Monitoring of the Project by national NGOs was a recommendation made by the CDAP panel in 2004 and supported by IFC and EBRD. BTC took up this recommendation, with a view that constructive and well-informed NGO monitoring could be useful to the company in helping to improve the performance of the project. However, a number of NGOs in the pipeline countries lacked the experience and financial resources to effectively perform a monitoring role. The challenge for BTC was to find a way to provide a learning process and financial support for the NGOs without financing them directly in order to preserve their independence.

To achieve this, BTC engaged third-party organizations to facilitate the implementation of the NGO monitoring program in Azerbaijan and Georgia. (In Turkey, a facilitating organization was not engaged because the experience and capacity of Turkish NGOs was generally greater than in Azerbaijan and Georgia and a number of Turkish NGOs were already involved in the Project.) The facilitating organizations were able to establish a number of Working Groups in both Azerbaijan and Georgia. Members of each Working Group received training in monitoring and audit techniques, as well as presentations and information sessions about the Project from BTC staff. Throughout the monitoring period, BTC provided access to construction sites and documentation, supported by meetings with relevant BTC and contractor personnel. The objectives of the program were as follows:

◗ to enable participating NGOs to acquire the skills to plan and implement a program of objective monitoring and reporting of the BTC pipeline to international standards.

◗ to provide the NGOs with transferable skills to monitor environmental and social impacts of other projects.

◗ to demonstrate to Lenders, CDAP, partners, the public and the international community that BTC is taking their commitment to transparency seriously.

Participants from the Azerbaijan program visited Georgia during March 2005 to share their experiences, and this cooperation between the two countries is expected to continue as the programs progress. This level of formal collaboration between industry and civil society is seen as providing a model for future developments in the Caucasus region.

Azerbaijan

In Azerbaijan BTC formed a partnership with Open Society Institute (OSI) Azerbaijan. OSI acted as a coordinator for the NGOs as well as contributed vital funds to support the participating NGOs. It also established a registration, training and mentoring system for the NGOs. Azeri NGOs subsequently identified five monitoring themes (social, land and worker rights, local content, cultural heritage, and environment), formed a group for each theme, and created smaller working groups to perform the monitoring on behalf of the others. They also took part in training on monitoring, evaluation and reporting techniques and received presentations about the BTC project.

Sharing Experience with the Chad-Cameroon Pipeline

OSI brought in Catholic Relief Services to provide training in monitoring techniques, using the expertise of an NGO monitor on the Chad-Cameroon pipeline project. There are few projects equivalent to the BTC pipeline, so this was an opportunity to share valuable experience from a comparable project. The Chad-Cameroon NGO monitor continued to support the Azeri NGOs while they prepared and implemented their monitoring plans and wrote their reports. In five years' time perhaps the Azeri NGOs, like those monitoring Chad-Cameroon, will be asked to travel to other countries to train their local NGOs in monitoring. The Chad-Cameroon NGO monitoring experience has led to greater dialogue and a relationship of mutual respect between the operating company and the NGOs, and the same long term result is hoped for in Azerbaijan.

Georgia

In Georgia, the NGO monitoring facilitating organization is the Eurasia Foundation whose Pipeline Monitoring and Dialogue Initiative (PMDI) is assisting NGOs in Tbilisi and along the pipeline corridor. PMDI is a "facilitated monitoring" program to build an expert cadre of NGO monitors and encourage informed participation by a wide variety of NGO representatives in monitoring the impact of the pipeline route. Many NGOs responded to the initial invitation to register, and a selection process resulted in the formation of three Working Groups: Waste Management, Reinstatement, and Social and Human Rights. IFC provided direct funding to Eurasia Foundation and an additional grant to BTC towards the first component of PDMI. NGO training and monitoring was successfully achieved in December 2005 and further capacity building is underway in 2006.

Source: *BTC Project E&S Quarterly Reports* (Q2 2004 and Q2 2005), BTC; Social Responsibility Program (Corporate Citizenship Facility), IFC.

BTC took a view that constructive and well-informed NGO monitoring could be useful in helping to improve the performance of the project.

external monitors were generally successful at catalyzing management action on a number of environmental and social issues, and some made helpful recommendations that positively influenced project outcomes. A key lesson here is that external monitors are most effective when they can go beyond monitoring and assist the client by providing technical advice and helping find pragmatic solutions to identified problems.

Overall, it is felt that external audits produced a number of benefits. The very process of having to prepare for an audit is an important driver for senior management, prompting internal focus, prioritizing of issues and reaction to findings. Environmental and social staff say that external monitoring tends to strengthen their position internally by giving them greater leverage with their own management to act on various issues.

Based on the BTC experience, IFC staff believe that regular third-party monitoring visits to the sites during construction were extremely valuable and significantly helped the lenders demonstrate compliance and keep track of a myriad of issues on a project of this scale. The monitoring gave lenders the insight required to allow them not only to measure performance but to better understand the constraints under which the operator was working. While the sponsor agrees with the value of external monitoring, they expressed the view that quarterly visits were excessive and overly burdensome on BTC staff and that these should be reduced to a maximum of three times a year. They also point to the significant addition of personnel (close to 20 extra people had to be hired for this purpose) and resources necessary to accommodate lender monitoring requirements. In hindsight, IFC staff agree that three times per annum would have been sufficient and should be recommended for future projects of this scale.

Reporting

The sponsor also expressed similar views when it comes to reporting requirements. BTC was required to produce quarterly and annual E&S reports for the lender group during the construction program. Some found quarterly reporting to be excessive, suggesting that this level of frequency was "overkill" and that the level of effort put into producing such quarterly reports was not commensurate with the number of people who actually read it. On the positive side there are benefits to such reporting. For lender purposes—as well as its own needs—BTC has developed robust internal monitoring, tracking, and data recording systems. The company has set benchmarks in terms of the quality and comprehensiveness of its environmental and social reports which constitute an excellent historical record of the project. Such reports have proved useful in tracking issues over time, demonstrating positive outcomes and/or defending the project if needed. BTC has also used case studies in their reporting to document some of the innovations and achievements on the ground.

Summary of Key Lessons and Future Recommendations

▶ *Frequent monitoring of the BTC pipeline construction program by internal and external monitors resulted in better environmental and social outcomes for the project by helping to focus management attention on issues that needed to be addressed.*

▶ *Frequent monitoring and independent verification visits during the construction phase of large scale projects should be carried out; however the frequency of monitoring should be commensurate with the scale and complexity of the project. BTC agreed to a quarterly environmental monitoring schedule and social monitoring every six months during the construction program with the lender group. In practice, the frequency of the external environmental monitoring was considered to be*

too high and three times per year would have been more appropriate.

▶ *External monitoring teams should be carefully selected for their ability to exercise professional judgment and be able to engage in constructive feedback and dialogue with the sponsor. External monitoring teams were most effective on the BTC project when they were able to go beyond monitoring compliance and provide technical advice and solutions to problems.*

▶ *External reporting on environmental and social management activities and performance should be conducted. BTC reports were comprehensive and provided an excellent record of the project; however the frequency of reporting requested by the lender group was perhaps excessive at four times a year during the construction phase.*

Social License to Operate

In order to improve conditions for local populations living near to the pipeline route, BTC broadened its scope from typical project impact mitigation and compensation requirements, to a wider concept of sustainable development among locally affected communities. This type of sustainable approach to project development is becoming an increasingly important aspect of IFC-financed projects. However, this approach posed several challenges for the sponsor. First, community investment on such a scale had never been done before by BP. Secondly, the entire community liaison and community investment program was outside the traditional skill set of both the BTC project teams and the contractors. To address this, BTC hired personnel with specific skills in these areas to manage the programs.

From the sponsor's perspective there were a number of objectives in undertaking broad-based community initiatives in each of the three countries. These included the

management and mitigation of "non-technical risk" (i.e. social risk); ensuring the project's license to operate and expand; enhancing reputation and shareholder value; improving community and stakeholder relations; and, promoting a stable operating environment. Making this level of commitment was also in keeping with BP's stated ethic of bringing real and measurable benefits to those communities adjacent to its businesses.

Community Investment Program

In establishing a multi-million dollar Community Investment Program (CIP), BTC decided to go beyond simply providing philanthropic contributions and sponsorship donations. The pipeline traverses some of the most economically disadvantaged regions in Azerbaijan, Georgia and Turkey and the CIP aimed to provide long-term sustainable development projects in the local communities while at the same time supporting local social infrastructure development and stimulating economic opportunities. The CIP specifically targeted income generation and employment creation (including strengthening local agricultural development), infrastructure rehabilitation, health and sanitation programs, capacity building programs and training.

From the outset, the approach has been to avoid fostering dependency by helping to build the skills and capacity of local communities, NGOs and other local organizations to implement community-identified projects. The community projects have been designed in consultation with local communities and other stakeholders and, following community needs assessment studies, investments were selected from proposals submitted by potential implementing organizations. To implement the programs, BTC partnered with a number

External monitors are most effective when they can go beyond monitoring and help find solutions to identified problems.

of international and local NGOs in Azerbaijan and Georgia and with local NGOs in Turkey. A great deal of effort went into managing expectations on all sides. This was accomplished in part by the integration of BTC's Community Liaison and Community Investment programs in order to facilitate a holistic approach to the company's externally-focused activities. In this way CIP benefits could be leveraged to help manage community liaison beyond and outside of the project's official grievance mechanism.

In the early phases of implementation, there were a number of lessons learned by BTC staff working on the community side of operations, the first of which is that CIP does not guarantee good community relations in and of itself, but if done right can help foster long-term trust and goodwill with affected communities and other stakeholders. By contrast, one can have an extremely successful community development program, but if the community liaison side is not working well, relations can be problematic. In other words, the two initiatives go hand in hand. This underscores a second important lesson: social risk mitigation is not only about providing money. There are many other intangibles involved when dealing with communities such as communication, transparency, relationships and trust without which no CIP can succeed. BTC staff also emphasize the necessity of having qualified field personnel in both the CIP and community liaison areas and in hindsight would have put their Community Liaison Officers in place sooner.

Independent monitoring has shown that the CIP has resulted in significant progress. Over 500 communities have benefited from the program. Community members involved with the program are supportive and satisfied with the programs accomplishments in terms of community mobilization and capacity building, medical training and support, infrastructure upgrades, farmer

Environmental Investment Program

BTC has contributed $8.8 million to an environmental investment program which aims to promote and conserve biodiversity. A number of projects are underway and, where possible, projects have been selected to complement national and regional biodiversity strategies. Projects range from the conservation of vulnerable floral and faunal species and their habitats in each country, forestry projects, and public awareness programs. A number of implementing partners are involved including NGOs, universities, consultancies and foundations.

training and livestock vaccination programs as well as numerous examples of micro-financing. The CIP has provided a wide variety of training and capacity building activities in relation to project planning and implementation. BTC staff point to the importance of communicating the achievements and benefits of the CIP both internally and externally to raise awareness of the many positive things happening on the ground.

Promoting Economic Opportunities at the Local Level

BP, as the operator of BTC, has also taken measures to facilitate the participation of local companies in the supply of services and goods for project construction. In 2002, BP opened an Enterprise Centre in Baku, Azerbaijan. This center has served as a focal point for efforts to enhance local business capacity with the aim of helping local companies develop their business in support of the BTC development and other major oil and gas developments in the region.

Typically the center assists local companies in understanding BP's contracting policies and standards, provides advisory services and training in the competitive tender process as well as in finance and accounting skills. The center also informs these companies of contracting opportunities.

IFC partnered with BP and others in late 2002 to implement a small and medium sized enterprise (SME) linkage program specifically related to the BTC project and other BP operated projects in the region. Operating from BP's Enterprise Centre, this program is part of IFC's ongoing strategy of working closely with its clients to provide developmental support through linkages to IFC's investment projects. The purpose of this SME linkage program is to direct support to

Georgian women returning from the fields.

Social risk mitigation is not only about providing money.

Grievance Mechanism

An effective and well-functioning grievance mechanism is an essential part of managing community relations. For BTC, the sponsor developed a separate grievance process for each country to manage complaints arising from the project. The objectives were to: (i) provide affected people with straightforward and accessible avenues for making a complaint or resolving any dispute that may arise during the course of the project; (ii) ensure that appropriate and mutually acceptable corrective actions were identified and implemented; and (iii) verify that complainants were satisfied with outcomes of corrective actions. In addition, a parallel grievance process was developed by the BTC construction contractors.

Some key elements of BTC's grievance mechanism included:

▶ Community Liaison Officers (CLOs) based in the field and responsible for receiving complaints and coordinating responses.
▶ A "Complaints Log" recording individual complaints, corrective actions taken and responses to complainants.
▶ A two-week response time to all complaints (even if just a summary of proposed actions that will be taken to resolve the complaint.)
▶ All complaints responded to in writing (or verbally where circumstances warrant.)
▶ Recourse to pre-judicial and judicial process under host country law in cases where satisfactory response to the complaint cannot be negotiated.
▶ Weekly and monthly reports prepared by the lead CLO detailing the number and status of complaints and any outstanding issues sent to the BTC Community Relations Manager in each country.

During the construction program BTC had to continually augment their CLO resources in some locations to manage their response to the number of complaints received by project affected communities in a timely manner. A general lesson learned is that despite extensive community consultation carried out, significant complaints may still arise. Sponsors and contractors need to be prepared for this possibility and be able to source additional skilled resources.

expanding local supply and distribution chains and to create more opportunities for smaller businesses as well as assist in sustainable community development efforts. Specifically, the program was designed to improve the capacity and know-how of local companies active in the oil and gas service and supply sectors in order to help them benefit from investments in the industry. Many local companies have already received technical assistance and training and several additional projects are in active implementation since the start of this program.

Following a recommendation made by the CDAP panel, BP decided to also develop an additional program, the Regional Development Initiative (RDI). Working in partnership with other international development institutions, this program is being designed to contribute to various selected long-term sustainable development initiatives in the region. The program will continue through BTC operations and will focus on enterprise development, effective governance and access to energy.

Summary of Key Lessons and Future Recommendations

❯ *An effective and well-functioning grievance mechanism is an essential part of managing community relations. Despite extensive community consultation, significant complaints may still arise. Sponsors need to be prepared for this possibility and be able to source additional skilled resources to manage the process.*

❯ *BTC broadened its scope from typical project impact mitigation and compensation requirements, to a wider concept of sustainable development among locally affected communities. This type of sustainable approach to project development is becoming an increasingly important aspect of IFC-financed projects.*

❯ *Community investment programs do not guarantee good community relations, but if done right they can help foster long-term trust and goodwill with affected communities. Good community relations and successful community investment programs go hand in hand and should be integrated from the beginning.*

❯ *Social risk mitigation is not only about providing money. There are many other intangibles involved when dealing with communities such as communication, transparency, relationships and trust without which no CIP can succeed.*

❯ *The approach to community development should be participatory and should avoid fostering dependency.*

❯ *Local NGOs and other local organizations should be invited to participate as partners in the design and implementation of the community development initiatives.*

❯ *Personnel with experience in community liaison and community investment initiatives are essential to successful community interactions and these personnel should be put in place in the field as early as is practical.*

❯ *Communicating the achievements and benefits of community programs both internally and externally is important.*

CIP Mobilizing Communities in Turkey

If local development is to be sustainable, there must be capacity locally to manage and drive such progress. Community Investment Program (CIP) projects have been developed to encourage the involvement of community members to improve their own living conditions. SURKAL and PAR, two CIP Implementing Partners in north-east Anatolia, have successfully inspired villagers to do just that. They have been through the challenging process of bringing people together to identify solutions, agree responsibilities and make things happen.

SURKAL has organized an intra-village platform so that Village Development Councils can discuss their joint problems and Council members get to know each other. The intra-village meetings have also been used as an opportunity to carry out interact and participatory training sessions through which Council members came to understand the meaning of community development, community organization and the importance of participation in development.

PAR has held community meetings to encourage villages to set up their own cooperatives as a means to progress local sustainable development. As a result of PAR's initiative, ten new village cooperatives have been established and the capacity of three existing cooperatives has been strengthened. Although initially villagers were suspicious about the burdens a cooperative might bring, their concerns faded once they experienced the advantages.

An example of the success of the cooperatives was facilitated by the Kars branch of Ataturkcu Dusunce Derneði (ADD), a local NGO. ADD requested training in project development and management to develop projects addressing the needs of society, particularly children, and to give them access to modern education techniques thereby generating resources for local development. With training, communities were able to form new cooperatives. Over time, several agricultural cooperatives have been awarded significant donations from the Ministry of Agriculture and Rural Affairs totalling nearly US$1.5 million. These achievements do not only contribute to the rural development of the affected villages and increase local income levels, but also encourage cooperatives in other project affected villages by showing them that such community mobilization can attract external financial support.

Source: Excerpted from the BTC Project Environmental and Social Quarterly Report (Construction Phase) 2005-Q1.

Community investment programs do not guarantee good community relations, but if done right they can help foster long-term trust and goodwill.

Lessons of Experience

IFC Good Practice Publications available at:
www.ifc.org/enviropublications

External Monitoring of the Chad-Cameroon Pipeline Project: Lessons of Experience

"External Monitoring of the Chad-Cameroon Pipeline Project: Lessons of Experience" provides lenders and project sponsors with an understanding of the business case for employing an external monitor, as well practical advice regarding the major steps and key issues for designing, implementing, and operating an external monitoring mechanism for complex projects. To highlight the practical challenges and value of the external monitoring mechanism, the publication draws illustrative examples from the experiences of IFC during the Chad-Cameroon Pipeline Project.

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