

**BAKU-TBILISI-CEYHAN**  
**PROJECT COMMUNITY INVESTMENT PLAN**  
**Final**  
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# Project Community Investment Plan for BTC and SCP

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## Glossary

AZG	Azerbaijan - Georgia - Turkey
BTC Co	Baku Tbilisi-Ceyhan Pipeline Operating Company
CARE	Co-operative Assistance and Relief Everywhere
CI	Community Investment
CLO	Community Liaison Officer
CS	Contract Strategy
CIP	Community Investment Programme
DFID	Department For International Development
ESIA	Environmental and Social Assessment
EU	European Union
GTZ	German Agency for Technical Co-operation
ICCN	International Centre on Conflict and Negotiation
IFC	International Finance Corporation
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organisation
PAC	Pipeline Affected Community
PCIP	Project Community Investment Plan
RAP	Resettlement Action Plan
RFP	Request for Proposals
SCP	South Caucasus Pipeline
SI	Social Investment
SME	Small and Medium Enterprises
SOW	Scope Of Work
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

# 1 Project Community Investment Plan - Introduction

## 1.1 Purpose of the document

This Project Community Investment Plan (PCIP) has been prepared for the BTC Co Project. It also covers community development activities funded through the SCP budget for Azerbaijan and Georgia. The document makes references to other social investment programmes in the context of how they link with the BTC and SCP Pipeline Projects. The objective of the PCIP is to describe the approach, procedures and commitments that will be undertaken for the BTC Co and SCP Community Investment Programme (CIP) during the construction phase of the pipeline. The basis for the PCIP is the commitments made by BTC Co and SCP with respect to community investment. In doing so, the plan serves as an important part of the social investment process in translating these commitments into community development actions in the three countries of Azerbaijan, Georgia and Turkey. The PCIP covers the community investment programme funded by BTC Co and SCP. The programme is managed by the BTC Co teams in the three countries with BTC Co in charge of the programme overall.

The dual aim of the CIP is to provide initial immediately visible results, and translate these activities into longer-term self-sustaining projects. As a result, the proposed programme is limited to the priority geographic areas and four key sectors and themes: economic opportunities and income generation, strengthening of rural and agricultural systems in the communities, health and sanitation, and social and economic infrastructure rehabilitation. Priority will be given to programmes that maximise impact and sustainability and keep delivery costs to a minimum. A requirement of the implementation and execution will be to include monitoring and evaluation instruments as well as key performance indicators against which success can be assessed. Those elements, together with country-specific considerations such as structure of potential implementation partners, legal and technical requirements, and development-related characteristics, provided the background for the RFP document.

In order to obtain a full appreciation of the CIP activities in these countries, the reader should refer to the respective country-specific Requests for Proposals (RFP), which set out the specific country programmes. Since all countries are at different stages in the CIP process it is important to view the PCIP as a 'living' document. The PCIP will be up-dated as and when new information becomes available, including further information on other social investment activities such as Azeri (ACG Phase 1), Shah Deniz, etc. All documents will be available on the Project web site at [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com).

For the purpose of this document, the term 'community investment' refers to community-specific projects aimed principally at the communities living near project activities, and the term 'social investment' refers primarily to broader forms of support aimed at institutional development and capacity building activities important to a country's overarching economic and social development.

## 1.2 Scope of work

The BTC Co and SCP Project Partners<sup>1</sup> see positive economic and social performance as essential factors for sustainable business. The BTC Project will bring significant social, economic and community-related benefits to Azerbaijan, Georgia and Turkey. These will take the form of global management expertise and leading-edge technology, recruitment and investment in the development of local employees, purchasing of local goods and services, development and enhancement of local infrastructure, and most importantly, generation of revenues for the governments, which can serve as a catalyst for the countries in addressing key socio-economic development needs.

BTC Co corporate policy states that the company will generate “economic benefits and opportunities for an enhanced quality of life for those whom our business impacts.” To meet this goal, BTC Co has committed to designing and implementing a community investment programme in the areas affected by construction activities. The BTC Co.’s Community Investment Programme will go beyond the social impact mitigation measures described in the ESIA Reports, and take a step further in order to meet the goal of having a positive influence in the areas in which BTC Co operates.

Over and above these contributions, other related oil and gas projects are engaging in significant social and community investment programmes intended to make a positive difference in Azerbaijan, Georgia and Turkey. The goal of social investment is to create sustainable development for local populations – to generate employment opportunities and a steadily improving quality of life, both during the period when the oil and gas industry is most active, and also in the longer term when operations have concluded.

Social Investment (SI) in Azerbaijan, Georgia and Turkey embraces a multitude of programmes, projects and activities that cover the entire band of macro-, mezzo- and micro-level interventions commonly associated with development-related investments. Issues at the macro level are covered by the Regional Review document that discusses activities related to issues such as access to energy and revenue management. At the mezzo level social investment translates into capacity building and institutional development projects through, for example the support of national NGO representation structures, the enhancement of education, assistance to SMEs and their support structures, be it the Enterprise Centre (in Baku) or specific project designs that support a range of small and medium enterprises in a given sector. Training seminars for media and journalists, workshops on NGO management and administration, and support for civil society NGOs are other examples.

Sectoral engagements of SI include civil society aspects, education, business development and enterprise support. Institutional commitments cover universities, business support organisations, and organisations in civil society development. Issues covered include energy-related subjects, economic development and business frameworks, educational structures and employment.

At the micro level, Community Investment (CI) activities - as a part of the social investment programme - are about engagement in community-specific projects, aimed principally at the communities living near project activities. There are many challenges in developing and delivering

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<sup>1</sup> The BTC Owner group comprises BP (operator), Unocal, Statoil, TPAO, ENI, Itochu, ConocoPhillips, INPEX, TotalFinaElf, Amerada Hess, and SOCAR while the SCP Owner Group comprises BP (operator), Statoil, LukAgip, NICO, TotalFinaElf, TPAO and SOCAR respectively

an effective and sustainable community investment programme due to the projects' geographic spread across the three countries and the given time frame of about three years.

### **1.3 Community Investment in context**

To underline the commitment to the communities and the population along the pipeline route BTC Co has developed a Community Investment Programme (CIP). The overall purpose of the CIP is to provide positive benefits through the promotion of sustainable social and economic and environmental development for the communities along the BTC Co pipeline route, within Azerbaijan, Georgia and Turkey.

As a project benefit, the CIP goes beyond the mitigation measures that the Project will employ and the compensation of affected people for adverse impacts (such as compensation for land acquisition and crop disturbance). However, CIP activities would indeed support and complement some of these mitigation measures in order to maximise benefits to the pipeline affected communities. The CIP is at the core of the Project's commitment to "sustainable human progress<sup>2</sup>." It ensures that additional benefits are brought to the settlements along the pipeline route in order to establish it as a 'good neighbour', and to meet policies and objectives set out in the respective ESIAs. To this extent, the CIP will also have links with the respective country Environmental Investment Programmes.

The CIP covers priority geographic areas and key sectors and themes discussed later in this document. Priority will be given to programmes that maximise impact and keep delivery costs to a minimum.

The BTC Co community investment programme commenced in 2003 and will run for an initial period of three years up to 2005. The programme aims to support development initiatives that are sustainable and which brings long-term benefits to the affected areas. The programme will be implemented along the entire length of the pipeline and will address the majority of project-affected settlements, e.g. those communities that are likely to experience impacts within the 4km pipeline construction corridor, 5km of construction camps and close to access roads (for more detailed definitions – please refer to relevant country ESIAs). It should be understood that some settlements will receive only indirect CIP benefits and that where there are direct benefits these might vary between settlements and depend on the potential for suitable and sustainable project activities. As development projects are implemented and proven to be sustainable, effective and efficient, the programme might be extended to outlying communities.

### **1.4 Link to other SI and CI activities**

In addition to the CIP under the BTC Co umbrella, other performance units within the Azerbaijan Business Unit, including Azeri, Operations and Shah-Deniz have SI-related activities mainly concentrating on community development. Those activities are chiefly located in Azerbaijan but some extend to Georgia.

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<sup>2</sup> BP policy document "What we stand for"

**The Azeri Project:**

The Azeri Project (the oil and gas terminal near Sangachal) has a comprehensive community investment project and operates with a six year CI volume of US \$2.5 million. The activities at present concentrate on improving income-generation activities and economic opportunities for affected communities, support access to improved social infrastructure and improved awareness of health and sanitation issues.

Through the BP100%-Fund, both SI and CI activities are supported with a funding volume of US \$500,000 per year. These projects are not designed to overlap with activities under the CIP but to complement and align along the broader lines of the SI policies.

The Social Investment activities cover a multitude of projects around issues identified in the Regional Review document such as strengthening local businesses, revenue management, energy, education, public policy engagement, institution building and capacity development of developmental and civil society structures, and community development. The Regional Review document serves as a strategic resource for funding activities covered under SI and provides a framework for the objectives and funding priorities. For example, activities selected under the BP 100% funds are expected to fall within this framework. Projects can last from some months up to two or three years as e.g. in the case of the Public-Private Partnership (PPP) project providing Technical Assistance to the oil-sector related supply chain SMEs in Azerbaijan. This project is co-funded by the BMZ/GTZ and receives additional funds from IFC, UNOCAL and STATOIL. As such it is a direct result of issues identified within the Regional Review.

**BP 100%-Fund - Solar power for rural communication:**

Providing communication coverage in rural areas is often problematic due to infrastructure costs, remoteness of the sites and difficulties in connecting to an electricity grid. Use of modern mobile technologies however allow for cost reductions and sustainable technical solutions. In those cases solar power is often the best economic solution.

A project of solar-powered electrification for rural telephone systems in 22 remote villages of the Guba region in Azerbaijan, funded by BP and implemented by Total Energy, a solar systems integrator, helped local communities to enjoy the benefits of rural telephony for their communication needs. The villages were connected to the national communication grid using photovoltaic systems from BP Solar as a sustainable option for a telecommunication network operating regardless of electricity.

In terms of volume over the coming years some of the CI and SI activities funded by Azeri and Shah-Deniz come close to the investment under BTC Co and SCP and will make a significant contribution outside the BTC corridor. The operations closely coordinate their respective activities to maximise potential synergies and geographic coverage.

**1.5 Link to the ECIP**

The BTC Co Community Investment Programme aims to support social investment projects mainly in the form of community development, that are sustainable and that bring long-term benefits to project areas in Azerbaijan, Georgia and Turkey.

The approach is to ensure integration of the CIP and the EIP to ensure a holistic approach to the social and environmental elements with the aim of sustainable initiatives.

During the project and partner identification stage commonality has been assured by adopting the same approaches, in particular the adoption of the Requests for Proposals process.

The specific links can only be developed during the project implementation stage. Whilst synergies will be sought wherever possible throughout CIP and EIP programmes, the themes vary in the potential for linkages. For example, in Georgia there is some potential for linking with the CIP community forestry and environmentally sustainable energy theme and the EIP sustainable forest management theme.

Figure 1: Summary of Social Investment / Community Investment Programmes

**CIP/SIP Matrix - profile of funding arrangements and objectives**

Funding Initiative	Value	Funding Period	Coverage	Objectives	Informed by
<b>SIP BP 100%</b>	<b>500,000</b>	<b>2003</b>	<b>AzBU</b>	<b>To promote sustainable social and economic development</b>	<b>Regional Review</b>
	<i>500,000 p.a.</i>			<b>Specific Issues:</b>	
				<i>Fostering economic activity</i>	
				<i>Support to the non-oil economy</i>	
				<i>Revenue management and transparency</i>	
				<i>Access to energy</i>	
				<i>Support of the PRSP</i>	
				<i>Human Rights, Conflict, Ethics, etc</i>	
				<i>Civil Society Development &amp; Education</i>	
				<i>Health &amp; Environment</i>	
<b>CIP AZERI - (ACG Phase 1)</b>	<b>2,500,000</b>	<b>2001 - 2006</b>	<b>Sangachal Baku</b>	<b>To promote sustainable social and economic development</b>	<b>Neighbouring settlements</b>
				<b>Specific Objectives:</b>	
				<i>To improve income earning and economic opportunities</i>	
				<i>To improve living conditions and access to basic needs</i>	
				<i>To support access to improved social infrastructure</i>	
				<i>To support the capacity of communities to self organise, manage and initiate community driven development</i>	
<b>CIP - BTC Turkey</b>	<b>9,000,000</b>	<b>2003-2005</b>	<b>Turkey</b>	<b>To promote sustainable social and economic development</b>	<b>ESIA/RAP studies</b>
	<i>RFP1: \$4m</i>	<i>2003-2005</i>		<b>Specific Objectives:</b>	
	<i>RFP2: \$2m</i>	<i>2004-2005</i>		<i>To improve income earning and economic opportunities</i>	
	<i>Other: \$3m</i>	<i>2003-2005</i>		<i>To support the development and improvement of the agricultural sector</i>	
				<i>To raise awareness of and improve access to social</i>	
				<i>To support the capacity of communities to self organise, manage and initiate community driven development</i>	
<b>CIP - BTC/SCP Azerbaijan</b>	<b>8,000,000</b>	<b>2003-2005</b>	<b>Azerbaijan</b>	<b>To support the creation and empowerment of community level institutions, investments in social and physical infrastructure and to support community based, sustainable income generation activities and other similar economic opportunities</b>	<b>ESIA/RAP studies</b>
	<i>RFP1: \$4-5m</i>	<i>2003-2005</i>		<b>Specific Objectives:</b>	
	<i>RFP2: \$2-3m</i>	<i>2004-2005</i>		<i>To support income generation interventions and improve livelihoods</i>	
	<i>Other: \$1-2m</i>	<i>2003-2005</i>		<i>To support access to improved social infrastructure</i>	
				<i>To support development of the agricultural sector</i>	
				<i>To improve awareness of health and sanitation issues</i>	
<b>CIP - BTC/SCP Georgia</b>	<b>8,000,000</b>	<b>2003-2005</b>	<b>Georgia</b>	<b>To support sustainable income generation activities, investments in infrastructure, and programmes in environmentally sustainable energy</b>	<b>ESIA/RAP studies</b>
	<i>RFP1: \$5m</i>	<i>2003-2005</i>		<b>Specific Objectives:</b>	
	<i>Other: \$1m</i>	<i>2003-2005</i>		<i>To improve income-earning and economic opportunities</i>	
	<i>Other: \$2m</i>	<i>2003-2005</i>		<i>To improve living conditions and access to basic needs</i>	

## **2. Community Investment Programme - Process**

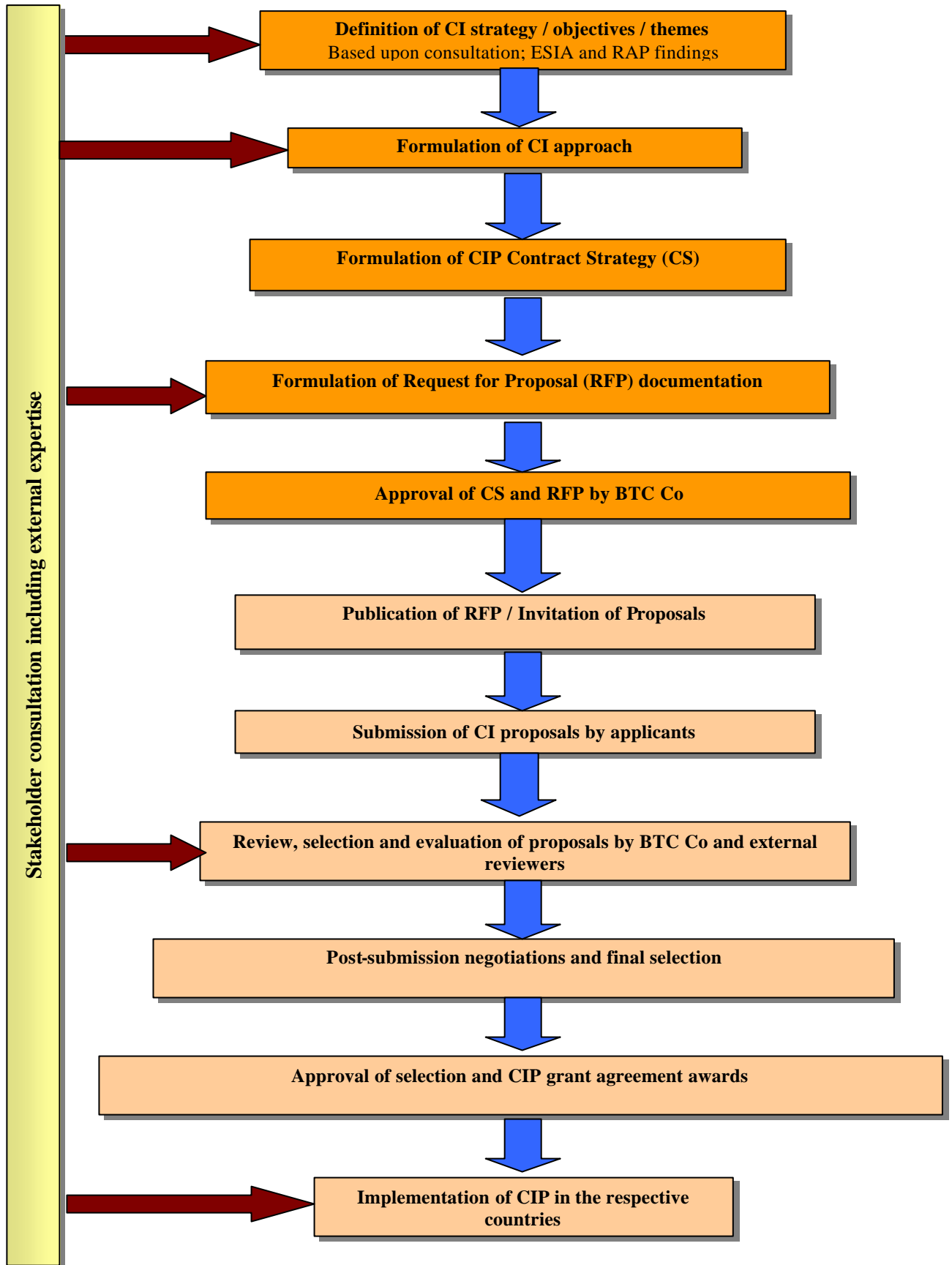
### **2.1 Strategic objectives**

The process followed by the CIP – from the definition of the CI strategy to the selection of projects - follow best international practice. For example, community participation and strategic partnerships have been identified as essential to a programme's success. Best practice today is directed towards programmes that take a longer-term view and build on individual, community and government strengths and capabilities. Best practice manuals on 'Effective public Consultation and Disclosure' and 'Investing in People: Sustaining Communities through Improved Business Practice' developed by the IFC have been adopted to support the design of the community investment programmes.

All CI programmes, projects and activities make reference to previous and present efforts and have built upon the consultations undertaken for the ESIA's and RAPs. Findings from these studies influenced the overall objectives formulated for the CI programmes in the respective countries and provided the backbone for comprehensive community needs assessments.

With the specific challenge to design focused and manageable programmes, given that the pipeline projects cover 1760 kilometres across three countries, and pass approximately 550 communities, the CI programmes have had to be designed to specific conceptual criteria but that still allow for flexibility to accommodate specific geographic and structural differences that ensure effective delivery and collaboration with communities and other partners. The process of formulating the CIP is illustrated in the flow diagram below:

Figure 2. CIP Selection Process



## 2.2 CIP strategic orientation

The proposed CI programmes cover a multitude of projects over a period of 24 to 36 months. The three countries used the findings, consultations and base line studies of the ESIA and RAP processes as the starting point for the development of the CIPs. The common element for all is the involvement of communities in setting the respective priorities. The CIP programmes have a dual aim to provide initial immediately visible results in the form of quick impact projects, and translate these into longer-term self-sustaining projects.

- **Long-term Sustainable Development Projects:** these projects will form the bulk of the Community Investment Programme and will aim to provide long-term sustainable development benefits.
- **Local Community Quick Impact Projects:** these projects are relatively small in scale and duration but respond to an immediate felt need at the community level and build trust in the CIP.

The proposed programmes are limited to the priority geographic areas and broadly the following key sectors and themes:

- Economic opportunities and income generation,
- Strengthening of rural and agricultural systems in the communities,
- Strengthening of community capacity and access to training and education,
- Health and sanitation,
- Social and economic infrastructure rehabilitation.

The key sectors and themes are consistent across all three countries, but will vary to a limited extent from country to country according to the specific needs. Priority will be given to programmes that maximise impact and sustainability and keep delivery costs to a minimum. A requirement of project implementation will be the inclusion of monitoring and evaluation instruments as well as key performance indicators against which progress can be measured and assessed.

## 2.3 CIP Methodology and programmatic structure

Community investment follows methodologies that have been successfully developed and implemented by the international development community worldwide. The CI centres on the communities and is community-driven in its approach. One of the aims is to strengthen the organisational capacity of communities in order to enable them to pursue their immediate needs, objectives and interests. Specific empowerment techniques are used to assist the communities to organise and structure themselves. External organisations such as NGOs will be the facilitators and moderators and provide technical expertise.

As mentioned above, BTC Project socio-economic assessments were used as instruments formulating the three country programmes' objectives. The results of the information gathered were used to identify the objectives outlined below in Section 2.4.

Though not part of the formulation of Project objectives, separate in-depth studies and needs the implementing partners will carry out assessments during the early CIP implementation stages.

They will collect data from the local communities regarding their concerns and needs using specific tools as e.g. rapid appraisal techniques/participatory rural appraisal.

## 2.4 CIP objectives

The purpose of the community investment programme is to have a positive impact on communities affected by pipeline construction activities through provision of direct benefits, and through engagement with local communities in a sustainable way. The main objective of the CIP is the promotion of sustainable social, economic and environmental development with project-affected settlements along the BTC Pipeline route.

Given the operational requirements, funding limitations and time, it was recognised that interventions under the Community Investment Programme will not be able to provide assistance for everyone. Priority will be given to programmes that focus on the following:

- **Increased economic opportunities for income and employment** creation through the provision of a mix of instruments (micro-finance, rural credit in combination with vocational training, business services for micro-enterprises, extension services for rural areas
- **Capacity building and institutional strengthening** to develop organised and strengthened communities so that they are better able to meet their own needs through community mobilisation initiatives and community driven development approaches and to ensure that communities are involved at all stages of project selection, implementation and management
- **Refocused health and sanitation programmes** to produce greater impact and sustainability at the community level. Activities that are identified should transition into locally run programmes that are able to sustain themselves through local financing and/or user fees or other cost recovery schemes while avoiding setting up parallel structures
- **Improved economic and social infrastructure** at the local level through community organisation and participation, with rehabilitation of existing facilities and structures given a priority

The community investment programmes are designed to focus on these objectives. The CI programme applies best-practice criteria for the selection of both individual projects and partners for implementation of projects. These criteria draw on international community/social investment standards and local experience gathered through the implementation of the existing programmes in the country. The programmes will not limit themselves to recommendation-type interventions only, but will deliver projects that serve both as demonstration and as contribution to the improvement of the livelihood of the communities.

### CI programme background criteria:

The criteria for the contextual setting of programmes and projects will include the following:

- **Community needs based:** Programmes and projects must be designed in consultation with communities and other stakeholders experienced in community investment and development in the country.

- **Impact:** Material delivery of programmes and projects is to be directed towards social, economic and/or environmental benefits to communities directly or indirectly affected by the project.
- **Sustainability:** Programmes and projects should be designed to deliver lasting benefits, whether short-term or long-term in nature.
- **Transparency:** Transparency of programmes and projects that are open to internal and external scrutiny and subject to reporting to allow potential beneficiaries, NGOs and authorities, lenders and other donors to understand the approach.
- **Prevention of duplication:** In selecting projects, avoiding duplication of the efforts of other organisations, international and local agencies or government departments. However, leveraging opportunities with existing programmes and co-operating with existing organisations is acceptable and in some cases desirable.
- **Measurement:** Identifiable targets and measurements of programme and project success.
- **Local participation:** Programmes and projects should aim to encourage participation and contributions from local communities.
- **Local implementation:** The approach should encourage, as far as possible, the implementation of development projects to be managed by local NGOs and CBOs and should allow for transfer of experience and capacity building.
- **Partnerships:** Programmes and projects should encourage the development of partnerships between the commercial operations and a wide range of organisations/civil society.
- **Monitoring and measurement:** identifiable targets and measurements of programme and project success.
- **Best practice:** programmes and projects that represent “best practice” in community investment.
- **Cost:** well thought-out and value for money comprehensive budgets with effective control and oversight mechanisms.
- **Leverage/matching funds:** programme and project to facilitate the flow of additional funds into the project area and encourage the development of additional activity in the communities beyond the scope of the CIP

## 2.5 CIP Process for application: Request for Proposals

Request for proposals (RFP) as a selection instrument for identifying potential programme activities is best practice as it allows seeking for best alternatives and the combination thereof.

The RFP incorporates elements of conceptual, methodological, technical and funding components in relation to the key objectives to be pursued. For example the target geographical areas, budget guidelines and sectoral priorities, etc. are defined. The RFP also specifies the time frames and defines the contractual strategy and requirements for the implementing partners. Overall project periods and budgets per country were specified.

The primary objective of the overall RFP strategy is to select organisations and structures that can best work with BTC Co to deliver the project objectives relating to the Community Investment Programmes in Azerbaijan, Georgia and Turkey. In this context, selection will not only be based on cost but considers other factors determining best value such as the proposals themselves, socio-economic impact, relevant experience, competency, understanding of BTC Co requirements, and commitment to delivering BTC Co.’s objectives, within the available timeframe and resources available.

The RFP encouraged qualified and experienced NGOs and other competent organisations to submit proposals individually or as groups. Groups would be led by one organisation – the lead

applicant. Lead applicants were asked to provide a management plan that detailed conceptual and contractual arrangements between the parties involved, areas of responsibilities and to explain managerial and operational structures, as well as budgets. Lead applicants are expected to commit to partnership agreements (teaming agreements) and/or sub-contracts with proposed partners that will be formalized after grants are awarded (to ensure compliance with BTC Co. and BP contractual standards).

International NGOs were encouraged through the language of the RFP to include local NGOs and other national organizations in their implementation plans within their proposals. In Turkey, however, with a strong network of national NGOs, implementation relies more heavily on national NGO capacity.

To encourage greater ownership with implementing partners, applicants were strongly encouraged to either provide matching funds and/or leverage funds from internal and/or through third party donors. With an overall timeframe of up to 36 months, applicants were asked to design proposals and propose activities for the coming years until the end of 2005.

## 2.6 CI Programme budget

The allocations made for the CIP activities are different in the three countries. The initial combined budget was US \$6 million apiece. Subsequently, additional funds worth between US \$2 million and US \$3 million each have been pledged for Azerbaijan and Georgia, and Turkey respectively (see table below).

AZERBAIJAN		GEORGIA		TURKEY	
<b>Total:</b>	<b>US \$8 million</b>	<b>Total:</b>	<b>US \$8 million</b>	<b>Total:</b>	<b>US \$9 million</b>

Azerbaijan and Turkey opted for a phased approach whereby a second RFP will build on the results of the initial initiatives following a gap analysis and mid-term review. Georgia opted for a three-year programme with a mid-term evaluation that will implement lessons learned over the first 18 months.

There is flexibility in the CIP design to allow for adjustments based on lessons learned. In effect, the CIPs are living programmes accommodating changes in the local development environment and modifications in recipient behaviour.

### 2.6.1 CI contingency budgets

Whilst most of the CI funding is committed under the respective RFPs, a portion of the funding has been kept for contingencies by the respective countries. The contingency volumes vary in each country though these funds will still be spent on CI activities. The intention is to provide a cushion for unexpected gaps that might identify themselves, to finance additional investment in key sectors that may be broader in scope than the implemented CIP. In addition, it may finance CI activities that are not covered by the specific initial objectives, but that still fall into the overall country objective.

## **2.7 Country-specific elements in CIP design**

While all countries apply the same programmatic strategy and technical processes, country-specific aspects however require the incorporation of individual design elements. These design elements mainly reflect the local country contexts and their respective capacities for CIP implementation. Georgia provides a rich environment of donors and capable national and international implementing partners with sound expertise and in-country experience. The national NGO scene in Azerbaijan is still young and provides limited capacities in CI implementation. In addition, the donor situation is different with some of the key agencies in Georgia not represented in Azerbaijan and Turkey. Turkey again has a mature national NGO structure with a limited international NGO presence. Consequently, development programmes are more often implemented through national structures.

### **2.7.1 Azerbaijan**

The Azerbaijan CIP will operate in two phases: During the First Phase the project will disburse roughly half of the CIP fund for projects that come out of the RFP – this could be between US \$4 and \$5 million, depending on final funding determinations (a total of US \$8 million has been indicated but confirmation on the full amount is pending). A gap analysis of Pipeline Affected Communities (PACs) will be conducted roughly six months after the implementing partners selected from the first RFP process, begin implementation. The gap analysis will be used to identify shortfalls in terms of geographic and or thematic coverage of PACs and will be conducted by a team made up of local and/or international NGOs with relevant experience. The Assessment of the analysis will be conducted by BTC and implementing partners to develop a potential project list for those PACs identified.

The second phase of the CIP will commence roughly nine months after the first phase awards have been made and will use the gap analysis to develop community/project Scopes of Work (SOWs). The SOWs will be developed by BTC and implementing partners and implemented primarily by selected local NGOs. Individual SOWs will be loosely grouped according to geographic coverage and thematic objectives where possible. Pre-selected individual and groups of local NGOs (with possible oversight from an implementing partner or other INGOs depending on project value and risk) will be invited to submit proposals for implementation of SOW. Pre-selected NGOs would include those local NGOs already working as partners with implementing partners and those NGOs focused on community development identified in the RFP process that have relevant experience and competencies for the SOWs that came out of the gap analysis Assessment. Pre-selected NGOs could potentially include NGOs that have community development experience and have been involved in NGO training programs at the Enterprise Centre in Baku. Initially, projects will be awarded singly, but as local NGOs provide assurance of delivery and capacity for implementation, (geographic and/or thematic) blocks of projects could be awarded to individual or groups of NGOs. Initial individual SOW based project values could be around US \$20,000 and blocks of projects values could be around US \$100,000. All selections are subject to a review process that sees the involvement of external reviewers from multi- and bilateral organisations in their individual capacity. The process follows the procedures described in Section 2.8. The expected outcomes of this strategy include additional flexibility in meeting missed or developing community needs, alignment with BP policies and goals of local content (more CIP funds disbursed through local organisations), increased capacity among local NGOs for delivery of community development projects and improved reputation for local NGOs in the

eyes of local communities and authorities as well as in the eyes of the national government increased cost effectiveness of CIP funds disbursed together with opportunities to attract and leverage other donor funds and increase the likelihood of sustainability. Opportunities are given to provide a more organic approach to investment and to include communities that are tied to PACs but outside of the 4km corridor, as well as opportunities for developing alternative exit strategies beyond the end of construction.

### **2.7.2 Georgia**

Given that BTC Co. wishes to have a harmonious environment for the project with good relationships with communities who take an interest in pipeline security, the project elected to finance a CIP that goes over and above mitigation measures outlined in the ESIA. Extensive consultation was done with government, NGOs and donors on the CIP concept, which confirmed both the approach of the Georgia CIP and the key sectors for investment.

At the time of writing Georgia has awarded two grants of US \$2.5 million each. The remaining volume of US \$3 million will see additional CI and SI-related activities that will be determined in a second round process. The goal of the Georgia CIP is to promote sustainable social, economic and environmental development for the communities along the pipeline route. As such the CIP aims to build the capacity of communities on the route to implement and sustain self-help project with minimal external support. The intention is to implement infrastructure and other interventions as both a direct benefit, and as a tool for building community capacity. Other key features of the approach include:

- Recognising that community development is a challenging and specialised field of work, the approach was to provide grants to organisations who have expertise in the field and who have a competitive advantage in implementing programmes like the CIP. Organisations were encouraged to form consortia, which could address the various sectors of the CIP. International NGOs were required to partner with local NGOs.
- Given that sustainable community development is a long-term process, it was decided that a three-year timeframe was appropriate given the low level of capacity within rural villages on the pipeline route. This provides continuity and allows for more extensive relationship building and capacity development within the communities. In addition it reduces administrative costs.
- An Advisory Board made up of individuals from donor organisations active in Georgia has been formed to provide assistance to BTC Co. in monitoring the programme. The Board will also provide a donor coordination function to ensure that the CIP complements other donor activities and plans in the area.
- It was also decided to split the route into two halves, both serving a roughly equal population base, so as to reduce the project's risk and to increase the opportunities for different approaches and sharing of lessons learned.
- In order to build positive relationships early in the project implementation, a two-phased approach was adopted. The first phase of activities will focus on participatory identification of quick impact projects that can be undertaken with a small amount of funds and a short amount of time. The intention is to build trust in the CIP programme and confidence within communities that they can achieve benefits from the pipeline project. Using the first phase

as a basis, a second phase of longer-term sustainable development activities will be implemented.

- A 20% community contribution to all infrastructure development projects is required. This is in line with other donor-funded projects in the area, which find that the likelihood of long-term ownership and maintenance of infrastructure is much higher, when communities have made a contribution themselves. In most cases, the contribution is in kind, in the form of labour.

### **2.7.3 Turkey**

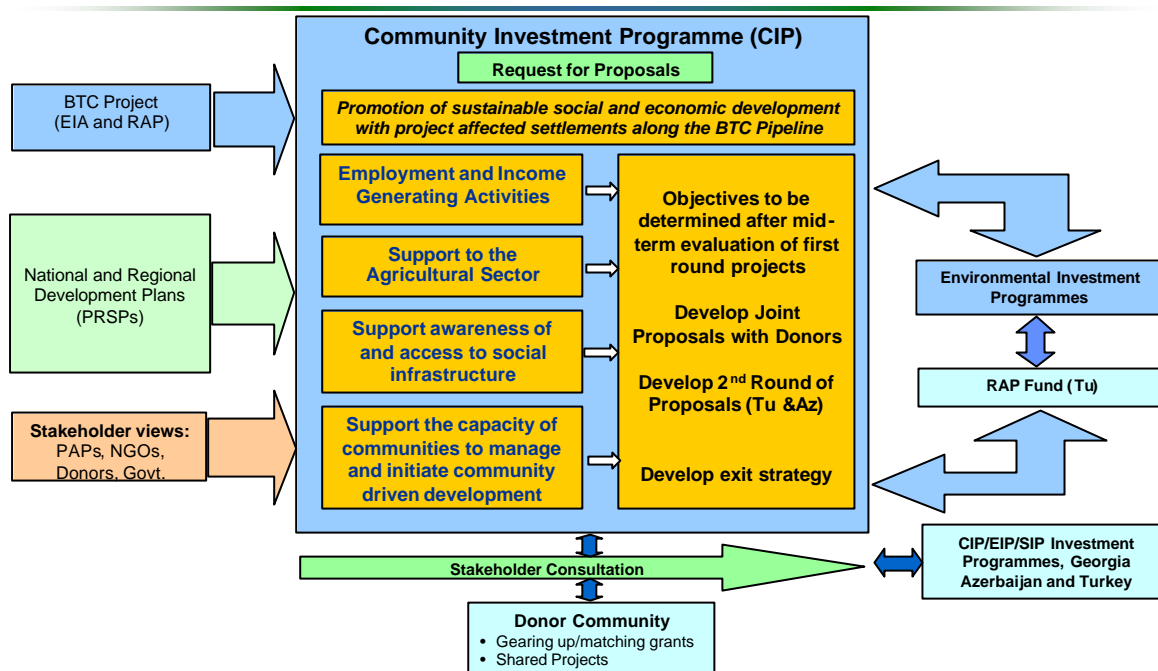
Since 2001, BTC Co. (Turkey) has consulted and held meetings with a wide range of stakeholders including project affected people, NGOs (local and international), international donor agencies and government representatives in order to contribute to the development of key themes for BTC Co.'s Community Investment Programme (CIP) plans. BTC Co.'s intent is to work with a range of implementing partners – including NGOs, other civil society groups, government bodies, etc to assist in the implementation and management of its CIP in Turkey.

Proposals for the BTC Co. (Turkey) CIP have been solicited through a Request For Proposals (RFP). The RFP forms the basis of the design, implementation and management of the CIP. The first RFP (issued on Dec 20<sup>th</sup> 2002) was for US \$4 million in total – to be divided between the successful applicants. The funding guide for individual submissions is up to US \$750,000 per individual applicant, and up to US \$1.5 million in the case of consortia over three years. Applicants were asked to submit proposals for local community projects, though the main focus was on long-term sustainable programmes.

Like Azerbaijan, Turkey has adopted a two-phased approach. After a mid-term evaluation in 2004, a further RFP will be issued and will take stock of any changes in programme priorities. Successful applicants (from the first round) may re-apply for extensions and/or expansions of their existing programmes. The criteria for the extension and/or expansion through the second RFP will be set out in the appropriate RFP documentation when issued.

A summary of the process followed, inputs into the design of the CIP and linkages with other programmes are outlined below:

# BTC CIP – Outline of Strategy



## 2.8 Selection criteria and evaluation process

### 2.8.1 Evaluation process

Applications undergo a two-tier evaluation process. The first step of the proposal review comprises members of the Project Units and the Business Unit. Applications are reviewed against pre-defined organisational, administrative, legal and financial eligibility criteria. Applications that do not meet these criteria are excluded from consideration for the second round. Debriefing is available for unsuccessful applicants to provide feedback on reasons why their proposal was not approved.

In addition to the reviewers of the first stage, the second stage includes external experts. Persons from multi-and bilateral donor organisations such as the EU, USAID, DFID, GTZ, and UNDP provide this expertise.

Reviews by both internal and external reviewers follows a detailed proposal evaluation procedure that outlines the overall evaluation process, provides definitions of the scoring mechanisms for the proposals and defines the composition of the proposals evaluation team, its functions, as well as schedules and qualifications and recommendation for award procedures. All steps of the proposal evaluation are documented in writing in order to provide for transparent and accountable processes. The approach - as presented in the table for Georgia – is broadly similar for all three countries. External participation is by invitation and reflects external institutional competence in the field of development that is present in the respective countries.

## **Georgia – Terms of Reference For the Community Investment Programme Advisory Board**

### **Composition of the Board:**

Participants working for: UNDP, DFID, USAID, EU, BTC/SCP representatives (hereafter referred to as BP)

### **Functions:**

The Advisory Board will have two key functions:

#### **1. Monitor, review CIP activities and advise BP on the progress of the programme:**

We feel that an Advisory Board will enable BP to draw upon the development expertise of the donor community in Georgia and will help to ensure that the CIP is implemented in line with international standards of best practice. This will include review of independent evaluations of the CIP that may be commissioned by BTC on the programme every 18 months.

#### **2. Coordination of donor activity in the region:**

We also feel that it is very important for the CIP activities to complement existing or planned donor activity along the pipeline route and we are keen to avoid duplication of donor efforts. An Advisory Board will facilitate a process of exchanging information on our activities on a regular basis.

### **Activities:**

#### **1. NGO selection:**

The Board will assist with the selection of two NGO consortia to implement the Community Investment Programme. This will involve an initial screening of the top four proposals in December 2002. The top four applicants will be invited in January 2003 to give presentations to the Advisory Board after which the Board will advise BP on the top 2 consortia.

#### **2. Review of quarterly activities:**

The Board will meet quarterly to review reports made by the NGOs on the previous quarter's work, work planned for the next quarter and lessons learned.

#### **3. Advise on the activities of the CIP:**

Following the review of the CIP activities (from the quarterly presentations), the Board will provide on-going advice on improvements that can be made to the programme on issues such as reporting structures, community communication processes and other activities that will ensure the programme achieves its stated aims and objectives.

#### **4. Independent evaluations:**

The project will commission a mid-term (after 18 months) and a final evaluation of the programme (after 36 months). The Board will review these evaluations.

#### **5. Donor coordination:**

The Board members will update each other quarterly on their activities in the pipeline region. This will ensure maximum synergy between the CIP and other donor activity in the region.

### **Procedures:**

- The advisory board will not meet as a formal body nor create any formal structures. *The role of the Board will be purely advisory. BP retains the right to use this advice as it sees fit since responsibility for the programme ultimately rests with BP as Operator.*
- The Advisory Board will meet quarterly.
- Each of the organisations listed above will send one representative to the board meetings with the exception of BP that may have a number of key individuals present including CIP staff.
- BP will make sure that all participants are provided with reports from the implementing NGOs a week before the meetings so that participants are well briefed before the quarterly meetings.
- Official records will be made of the proceedings of each meeting and distributed to all participants.

## 2.8.2 Selection and evaluation criteria

Selection and evaluation criteria, weighting procedures and a selection panel composed of internal and external expertise were used for proposal review and selection. Evaluation and selection of proposals in all three countries was conducted according to the following criteria:

- ❑ Management Structure / Organisational Experience
  - This includes previous project management experience, management and implementation capacity, experience with similar programmes and capacity to provide technical support
- ❑ Methodology
  - This criteria looks into the coherence of the overall project design, clarity and feasibility of the plan and its objectively verifiable indicators, the level and depth of involvement and interaction with implementing partners. Evaluation of the tangible impact on target groups and involvement of participants and communities in project design and implementation are reviewed.
- ❑ Programme Concept
  - Soundness of the proposed strategy and methodology in achieving project specific objectives, and the value added in terms of innovation and good practice are essential elements here. In addition, the proposed structure of co-operation with other implementing structures and synergies are an aspect. Consistency with the CIP strategic orientation and objectives and the coherence, appropriateness and practicability of the proposed activities are subject to review.
- ❑ Sustainability
  - The content of multiplier effects, the proposed financial sustainability as well as the institutional sustainability, the policy and structural impact are indicators for a sustainable approach.
- ❑ Budget and cost effectiveness
  - The level of detail and completeness of the proposed budget, value for money and the extent of cost sharing; matching funds and leverage are important aspects for the evaluation and selection of the proposals.

The selection criteria duly applied with consistent scoring allow the ranking of the proposals according to their 'best fit' vis a vis the objectives identified for the CIP. Applicants with proposals with the highest scores are invited to give a presentation to the review team providing an opportunity for the reviewers to clarify outstanding issues and questions. Finally, a recommendation for grant award will be made and submitted to the project management team for approval.

## **3 Management of CIP and Reporting**

### **3.1 Specific management and implementation plan**

The implementation of the community investment programme will follow BTC Co. and BP's business processes and control procedures for managing project and partner performance and cost. Instruments for programme definition and formulation like 'Logical Framework' defining objectives, purpose, outputs, inputs, indicators, means of verification, and assumptions, will be applied to the management and monitoring of the activities.

### **3.2 Country-based management and implementation**

Implementation of the respective CI programmes will follow the plans agreed in the respective contracts. Overall responsibility for management and implementation of the CIP and related CI-activities remains with the in-country management teams that are part of the BTC Co. management structure.<sup>3</sup> Though the structures are slightly different in the three countries, a CIP Manager, who is responsible to the senior country management team will undertake the management of the CIP.

Community liaison officers (CLO) in the countries will provide additional support and will also supervise CIP implementation. The CLOs represent the direct link between the implementing partners, communities and construction-related parties. Implementing partners are required to submit project progress and financial reports on a periodical basis. In general, the management and reporting systems follow standards and instruments applied by development profession elsewhere.

### **3.3 Description of accepted proposals**

#### **3.3.1 Georgia**

At the time of writing, Georgia is the most advanced in the process and has awarded grant agreements to two successful applicants – Care International and Mercy Corps International. A summary of their programmes is described below:

CARE International will manage implementation of the CIP in the west, specifically in Tsalka, Borjomi, Akhaltsikhe, and Adigeni districts. They are partnered with:

- ❑ Constanta Foundation who will make individual and group loans to traders, processors and small scale farmers
- ❑ Technical Assistance in Georgia who will monitor infrastructure rehabilitation and train communities in infrastructure maintenance
- ❑ Curatio International Foundation who will educate communities on health care issues, particularly for the elderly, and train service providers in the health care sector

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<sup>3</sup> The DRAFT Georgia CIP Reporting, Monitoring and Evaluation Framework is annexed for reference.

- ❑ International Centre on Conflict and Negotiation (ICCN) who will provide training and capacity building at the local level in collaborative planning and problem solving so as to build local level capacity to undertake development planning<sup>4</sup>

Mercy Corps will manage implementation of the CIP in the east, specifically in Gardabani, Marneuli and Tetrtskaro districts. They are partnered with:

- ❑ Constanta Foundation who will make individual and group loans to traders, processors and small scale farmers
- ❑ Technical Assistance in Georgia who will monitor infrastructure rehabilitation and train communities in infrastructure maintenance
- ❑ Curatio International Foundation who will train service providers in the health care sector, and establish a social services network for the elderly
- ❑ Elkana who will advise communities on agriculture, irrigation, animal husbandry and renewable energy

The presence of identical partners on the two teams is an advantage in terms of offering comparable services across the whole pipeline route. Having ICCN as an implementing partner in the west is appropriate given the ethnic mix of villages in those districts, while Elkana in the east is appropriate given the more intensive agriculture that is practiced in the eastern districts,

The programmes for both consortia focus on delivering direct benefits to the communities affected by the pipeline construction, and securing sustained socio-economic development through the wider lenses of partnerships and good governance. Both programmes will strengthen coordination of government, civil society and business interests, with a special emphasis on building confidence in communities so that they can address their own development priorities. Both programmes will also strengthen livelihood security and opportunities for households in the pipeline affected communities.

Some examples of specific input activities include:

- ❑ Introduce fuel efficient stoves in buildings that have been rehabilitated through the infrastructure component;
- ❑ Pilot the use of bio-gas digesters as alternative energy supply
- ❑ Provide agricultural advisory and technical advice
- ❑ Provide at least 6,000 loans to micro-businesses and agro-processors
- ❑ Create a revolving loan fund to be as a pilot to be managed by a Farmer's Association
- ❑ Establish social services networks that could address issues such as access to healthcare, transportation, safety, etc.
- ❑ Establish a pilot agricultural loan programme

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<sup>4</sup> ICCN is part of the CARE project implementation team. Their role in the CARE set-up is to build capacity of the 'Standing Co-ordination Committees' – SCC - (village level committees comprising of village leaders, government representatives and business) to strengthen co-ordination of stakeholder by providing training in facilitation and negotiation. In addition, ICCN holds workshops with groups of SCCs to build their skills in collaborative planning and problem solving. As such, ICCN is playing a key role in CARE's programme to build capacity at the local level in order to enable them to plan and implement sustainable development activities at this level.

### **3.3.2 Azerbaijan**

In Azerbaijan a total of 30 proposals were received on 17<sup>th</sup> January; 17 from International and 13 from National organisations, primarily NGOs. Of these, 14 proposals made it through the first review stage and are currently being subject to more detailed assessment in Stage 2 of the review process. On 22<sup>nd</sup> March internal and external reviewers gathered and discussed individual reviews for 14 proposals that came out of Stage 1. As a result of the review process 5 proposals were finally short-listed. Short listed applicants were then invited for individual 1-hour presentations to the reviewers on 1<sup>st</sup> and 2<sup>nd</sup> April. As a result of the presentations the reviewers recommended to submit four applications to BTC management and BU GPR management for approval. Internal approval has subsequently been received. BTC is currently working on the grant agreements in order to award the four grants. Public announcement of the winners is tentatively scheduled for 28<sup>th</sup> or 29<sup>th</sup> April at the enterprise Centre in Baku.

### **3.3.3 Turkey**

In Turkey a total number of 35 applications were received from a diverse group including NGOs, private sector, local authorities, universities, etc. on the deadline of 1<sup>st</sup> March. Only one application was from an international NGO. Of these 21 made it through the first round. After a second review, this was narrowed down to 10 proposals. On 7<sup>th</sup> April internal and external reviewers gathered and discussed individual reviews for 10 proposals that came out of Stage 1. As a result of this review 6 proposals were finally short-listed. Short listed applicants were then invited for individual 1-hour presentations to the reviewers on 14th April (the review panel included members from international donor agencies). Four proposals were finally short-listed. However, before a final decision is made a further office visit, and field/site visit will be made of the short listed applicants. A final selection will subsequently be made and forwarded to BTC management for approval. At present it is anticipated that grants will be awarded in May 2003.

## **4 Monitoring and Evaluation**

### **4.1 Performance methodology and indicators**

A common methodology will be applied across the countries for Monitoring and Evaluation (M&E). M&E is seen as an essential part of project management and stakeholder engagement. It helps the Project understand project progress, by learning from achievements and problems, and agreeing practical ways of how to improve both strategy and operations. The main functions of M&E are to ensure improvement-oriented critical reflection, to maximise the impact of the projects, and to demonstrate that this impact to be accountable. M&E activities are aimed at defining the extent of impact positive or negative, intended or unintended – in the lives of the project participants.

The CIP will be subject to both, internal and external M&E. All projects will be subject to a mid-term review (or appropriate review cycles according to project duration) and evaluations. Internal

M&E will involve management staff and in-house expertise, while external specialists will conduct external M&Es.

The specific logical frameworks spell out the context of M&E through the performance indicators. These indicators are relevant for M&E and also guide management. The Project will also identify some key performance indicators across all the countries to monitor overall CIP performance.

## **4.2 Monitoring and Evaluation as part of CIP activities**

A key aspect of the M&E systems is transparency and participation of a variety of stakeholders. Monitoring reports will be used to release information so that the flow of information supports the completion of activities and achievement of objectives.

Activities will normally see a baseline, mid-term and ex-ante evaluation of the CIP programme as a whole. The mid-term evaluation will provide information on progress in achieving specific objectives of the programme. Depending on the result activities may be adjusted if it is felt that this will help achieve project goals. The final evaluation will be used to evaluate the CIP approach for increasing sustainable community development and the success of building positive relationships between BTC Co and the communities on the route. The former will provide lessons for community development while the later provide lessons as a whole in terms of undertaking CIP type projects.

Both, the mid-term and the final evaluation will look at indicators as outlined in the logical framework that are associated with achieving specific objectives, which in turn lead to achievement of the overall project objectives. In Georgia, the NGO consortia are responsible for sharing findings of both, the mid-term and final evaluation with local stakeholders and partners.

## **4.3 Reporting, Monitoring and Evaluation Framework**

### **4.3.1 Reporting**

Reporting, monitoring and evaluation of CIP activities in the three countries will follow a similar approach as outlined below:

Implementing partners will be required to submit monthly reports to BTC/SCP in accordance with agreed formats. In general, the monthly report will be comprised of two sections:

- a) A quantitative section, which reports on progress in achieving targets. The targets are indicators of having achieved certain defined activities. Achievement of the activities relates to specific project out-puts. This follows the basic log-frame concept.
- b) A narrative summary, which addresses any issues encountered, actions taken to resolve the issues during the month, any unresolved issues, and a financial summary.

The monthly report will be used to track progress against a set of agreed indicators and to track any issues arising in implementation. This will allow BTC to track any slippage in programme implementation.

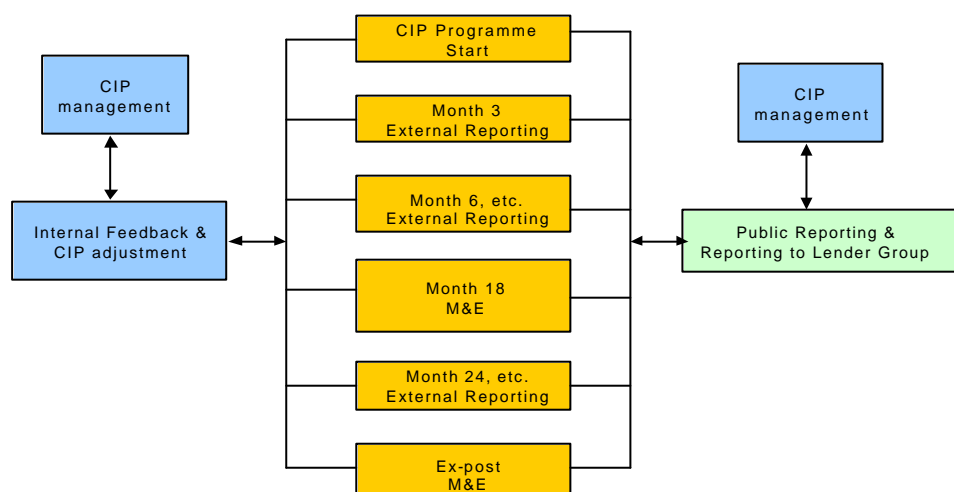
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<sup>5</sup> The DRAFT Georgia CIP Reporting, Monitoring and Evaluation Framework is annexed for reference.

A quarterly or bi-annual report will also be supplied at the end of each calendar quarter or every six months. This report will mainly comprise the same sections and structure: A narrative section summarising the issues and actions of the monthly reports, b) activities that are reported on a quarterly basis only, such as detailed training records, and c) a summary of planned activities for the forthcoming quarter. The second section will report on the financial issues. In addition, an outline presentation might be requested providing a summary of progress to date, a financial status, any major issues, actions taken or planned, lessons learned, requests for assistance, and summary of planned activities for the coming quarter

This reporting may be used as a basis for discussions with the respective Advisory Boards and BTC/SCP senior management on overall programme implementation.

## BTC CIP – Outline of Reporting Structure



Annual reports will be prepared and submitted to BTC at the end of each year. While the precise format is yet to be agreed between the NGOs and BTC, it will include as a minimum a report on progress against specific objectives (as per log-frame), a financial reconciliation, and a plan of activities and expenditure for the up-coming year. These reports will be used to track progress on achieving specific objectives. BTC/SCP will provide their own six-monthly and annual reports to external parties upon request.

### 4.3.2 Monitoring and Evaluation

The implementing partners will conduct monitoring and evaluation workshops during the start-up phases of the respective projects to review the logical framework and means of verification with all relevant stakeholders and partners. This will provide an opportunity for all information users to define their needs. The process will outline the roles and responsibilities of each player, the

frequency of M&E activities, the sources of information and more detailed account of the data collection process.

In Georgia, NGOs have already committed to undertaking quantitative and qualitative baseline surveys. A similar approach will be applied in Azerbaijan and Turkey. The baseline data will be used throughout the respective project period to document results and measure impacts. As part of ongoing monitoring activities, additional surveys and case studies may be conducted in order to provide additional feedback on whether activities being implemented are leading the project toward the desired goal.

Each CIP project will require a baseline, mid-term and ex-post evaluation. M&E indicators will be determined and participation in the data collection defined, etc.

A mid-term and ex-post evaluation will be carried out of the CIP programme in the respective countries. This will provide a view of the progress of the programme as a whole, rather than progress on individual project components of the same programme. Additionally, this will allow sharing of lessons across the CIP countries.

The mid-term evaluation will provide information on progress in achieving specific objectives of the CIP programme. Depending on the result, activities may be adjusted after the mid-term evaluation if it is felt that this will help to achieve project goals. The ex-post evaluation will be used to evaluate the CIP approach for improving sustainable community development and the successfulness of building positive relationships between BTC/SCP and the communities on the route. The former will provide lessons for the development community BTC/SCP while the later will provide lessons for BP as a whole in terms of undertaking CIP types of projects. BTC/SCP will cover the costs associated with the external mid-term and ex-post evaluations.

### **4.3.3 BTC/SCP CIP Management and Supervision**

BTC/SCP will have Community Liaison Officers (CLOs) and LTO Assurance Advisors in the field during the construction process. They will have a dual role: First, to ensure that contractors are complying with the commitments set out in the ESIA, and secondly, in monitoring the implementation of the CIP. They will do this through regular interaction with communities.

The CIP Coordinator is responsible for the coordination of all CIP activities. This includes the management and monitoring of the CIP programmes, including budgets, schedules, and invoicing. The CIP coordinator will visit project activities in the field to provide a check on NGO reports, and to meet with relevant stakeholders to elicit their views on whether the CIP is meeting the intended goals. The CIP Coordinator may also represent BTC at community meetings on the CIP; meet with local government and other stakeholders as needed; coordinate activities between the contractor and the NGOs (in cooperation with the CLOs); liaise with regulatory agencies; provide support for external reviews; liaise with the Advisory Board to provide information on the project; and interface with the BTC representatives in Azerbaijan, Georgia and Turkey respectively to ensure consistency of approach to CIP.

## **5 CIP beyond 2005 – Transition to operations**

The CIP will certainly provide some useful learning for future CI operations. With the mid-term reviews scheduled for around mid to late 2004, BTC Co will have a clearer picture of the design and feasibility of successful and sustainable interventions. BTC Co will carefully evaluate the lessons learned and subsequently recommend activities that will allow for a way forward that will safeguard the achievements and also allow for continued support to the communities and their members.

Discussions on continued CIP funding – post construction phase – are on going. At the present moment, these discussions are at an early stage and it is not possible to provide any definition of funding volumes and time period. Any announcements on this subject will be made in the respective countries and through the Project web site: [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com).