

## INTERNAL AND EXTERNAL MONITORING





*Freshly baled waste  
for recycling at  
Tsalka (Georgia)*



*Situations requiring  
dust suppression are  
identified through  
daily field inspection  
(part of internal  
monitoring  
programme)*

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## 8 INTERNAL AND EXTERNAL MONITORING

Compliance monitoring, as well as monitoring to identify potential improvements in the management of environmental, social and cultural heritage issues, is a key component of the ESMS for the project (see Q1 2004 report for more details). It represents the “check and improve” aspects of the “plan-do-check-improve” cycle that is characteristic of any good management system.

It is not particularly meaningful or indeed practical to report on all the areas where the project is in compliance and therefore the emphasis of the quarterly reports is on areas of non-compliance and the corresponding actions that have either been taken or are proposed. It suffices to say that areas of compliance greatly outweigh areas of non-compliance.

The project’s monitoring activities can be categorised as internal and external monitoring as illustrated in Table 8.1. The distinction between internal and external monitoring is not clear-cut. For the purposes of this report the definitions are given in Box 8.1.

### BOX 8.1. DEFINITIONS OF INTERNAL AND EXTERNAL MONITORING

Internal monitoring is monitoring that is carried out by contractors (self audit), BTC, or Botaş personnel or monitoring carried out by external (independent) third parties on behalf of the aforementioned parties. Reports from internal monitoring are not normally published externally. They are however available for review by external monitors.

External monitoring is carried out by parties contracted at arms length from the project through third parties – e.g., government, or lenders and are always viewed as independent. Reports from external monitoring are normally published externally – except in the case of regulatory monitoring.

As noted in the Q1 2004 report BTC and the IEC use the same ranking system for rating non-compliances according to the definitions below:

**Level I:** A non-compliance situation not consistent with the original project requirements but not believed to present an immediate threat to an identified important resource, community or employee health and safety. Repeated Level I concerns may become Level II concerns if left unattended.

**Level II:** A non-compliance situation that has not yet resulted in clearly identified damage or irreversible impact to a sensitive important resource, but requires expeditious corrective action and site specific attention to prevent such effects. Repeated Level II concerns may become Level III concerns if left unattended or allowed to continuously recur.

**Level III:** A critical non-compliance situation, typically including material damage to a specifically protected sensitive resource or a reasonable expectation of impending material damage. Intentional disregard of specific prohibitions is also classified as Level III.

Level III non-compliances are also generally considered significant environmental incidents if there has been damage to a sensitive resource. Level III non-compliances must be notified to the Lender Group. Note that Health and Safety incidents and performance are covered in Section 10 of this report.

**Table 8.1: Types of Internal and External E&S Monitoring**

Monitoring level	Scope	Timing/frequency
<b>INTERNAL MONITORING (BTC, Botaş or Contractors, or Independent Auditors contracted by BTC, Botaş or Contractors)</b>		
1. Contractor Field Inspection <sup>1</sup> and Monitoring	Compliance with E&S Commitments, Procedures and Method Statements	Daily field activity
2. BTC / Botaş Field Inspection and Monitoring	Compliance with E&S Commitments, Procedures and Method Statements	Daily field activity
3. BTC / Botaş Audits or Reviews <sup>2</sup>	Typically involves an audit or a review on a particular theme, which has been identified as an issue; or looks at a systemic issue identification.	Frequency and topic determined according to need and risk
4. RAP Monitoring	Compliance with the Resettlement Action Plan	Quarterly
5. CIP Review	Review and monitoring of CIP programmes relative to objectives as outlined in the PCIP <sup>3</sup>	Approximately halfway through the CIP projects implementation phase
6. EIP Review	Review and monitoring of EIP programmes relative to objectives as outlined in the PEIP <sup>4</sup>	Approximately halfway through the EIP projects implementation phase.
<b>EXTERNAL MONITORING (Independent Audits Contracted by Third Parties)</b>		
1. Independent Environmental Consultant (IEC)	Compliance with ESAP	Quarterly
2. SRAP Experts panel	Compliance with the RAP <sup>5</sup> and social provisions <sup>6</sup> of the ESAP	Six-monthly
3. Caspian Development Advisory Panel (CDAP)	Reports directly to BP Chief Executive	At least two formal meetings of Panel each year. One visit a year to the BTC region. Report issued at least once a year.
4. Host Government Monitoring	E&S Commitments	As determined by the Regulator
5. NGO monitoring <sup>7</sup>	E&S Commitments	Described for each country in Section 6

<sup>1</sup> Note that in the field, the contractors and BTC/Botaş are working as a team. Internal inspection and monitoring may take place on a joint basis.

<sup>2</sup> These may be carried out by BTC or Botaş, jointly with contractors, or contracted out to a third party by BTC.

<sup>3</sup> PCIP is the description of the Project Community Investment Programmes which are implemented in all countries. This document forms part of the ESAP.

<sup>4</sup> PEIP is the description of the Project Environmental Investment Programmes which are implemented in all countries. This document forms part of the ESAP.

<sup>5</sup> RAP covers Land Acquisition and restoration of livelihoods

<sup>6</sup> Social provisions whose effectiveness is typically tested through interaction and interview with the community

<sup>7</sup> NGO Monitoring is currently under development. Approach is described elsewhere (See Section 8.2.5)

## 8.1 INTERNAL MONITORING

As noted in the Table 8.1, internal monitoring takes place on a daily basis or through theme audits or reviews. The nature of the follow up arising from a review or audit will vary. In some cases the review might raise actions and recommendations for implementation. When the audit or inspection involves a contractor, non-compliances may be raised.

It should be noted that the raising of non-compliances is only effective in certain circumstances. It is inappropriate and indeed unmanageable if non-compliances are formally raised for each and every circumstance where a problem or issue has been identified for rectification. If the matter can be rectified in a timely manner through normal channels, a non-compliance is not generally raised. The raising of formal non-compliances is reserved for persistent issues that need management attention. These non-compliances can be raised by the contractor, by Botaş or by BTC.

### 8.1.1 MANAGEMENT TOOLS

BTC has developed a set of tools to assist in the management of issues and internal resources on an ongoing basis. Detailed monthly reports are produced in each country and these are used to generate cross project summaries. These summaries feature project highlights as well as common or 'hot' issues (Figure 8.1), and rate implementation performance using a traffic light system to prioritize potential problem areas (Figure 8.2). This is useful for identifying areas where cross project sharing maybe useful or where BTC management may need to intervene at a higher level.

### 8.1.2 CROSS PROJECT REVIEW

Table 8.2 outlines the nature and summary of findings of a cross project review/ audit that took place in Q3. This is an example of an internal review function that occurs periodically, whereby one team travels to all three countries to assess performance in a specific area, in this case Management of Change.

**Table 8.2: Cross Project Review/Audit, Q3**

Audit / Review	Auditor	Auditee	Scope	Summary of Findings
Management of Change	BTC Core Management Team	BTC in country	Review of management of change processes being applied across all countries – specifically: <ul style="list-style-type: none"> <li>• Technical Scope and Integrity</li> <li>• Organization, Personnel and Project Execution Plans</li> <li>• Health and Safety</li> <li>• Environmental and Social Impact</li> </ul>	<p>Inclusion of environment in management of change processes have improved over time.</p> <p>Improvement required to ensure social aspects are also considered</p> <p>Documentation of change sometimes lags behind the decision</p>

# ENVIRONMENTAL AND SOCIAL HIGHLIGHTS AND COMMON ISSUES ACROSS AZERBAIJAN GEORGIA AND TURKEY. SEPTEMBER 2004.











HIGHLIGHTS			COMMON or HOT ISSUES		
AZ	GEO	TKY	AZ	GEO	TKY
					
					
					
					
					
<b>HIGHLIGHT 1: WASTE SEGREGATION AND RECYCLING</b>			<b>ISSUE 1: LENGTH OF OPEN TRENCH / COMMUNITY SAFETY</b>		
<p>Improved practices in waste segregation and recycling measures are being demonstrated by the Contractors in Georgia and Turkey.</p>			<p>Commitments: Az = 15km total, 10km continuous open trench. Geo = 15 km per Spread (recently agreed through internal Management of Change process). Tky = 20km or 40 days construction time per Spread. Situation: Az = 16km; Geo = 24.6km; Turkey = 182km. Weekly reporting of Open Trench undertaken across AGT for assurance purposes. Senior Project Management Commitment to the issue and engagement of Contract Accountable Managers to work with Contractors to reduce length of open trench and to ensure adequate open trench protection. Continued focus of Project CLO's to ensure communities and high risk groups aware of risks of open trench.</p>		
<b>HIGHLIGHT 2: CULTURAL HERITAGE</b>			<b>ISSUE 2: SOLID WASTE DISPOSAL</b>		
<p>Cultural Heritage is generally well managed across the Project, with respect shown to heritage resources (both known and newly identified). Example of September re-route in Turkey as a result of chance find grave site.</p>			<p>Incinerator in Az has suffered downtime, leading to increased pressure to store wastes. Incinerator in Georgia closed until permit re-issued by Ministry dependent upon tests for compliant operation scheduled for November. The Project continues to drive for the development of compliant and practicable interim and longer term solid water disposal options in Az and Geo.</p>		
<b>HIGHLIGHT 3: WASTE WATER TREATMENT</b>			<b>ISSUE 3: BIORESTORATION / REINSTATEMENT</b>		
<p>The Sewage Treatment Plants in Azerbaijan and Georgia are continually improving in their operability and compliance, remaining a key area of focus for delivery by the AGT teams. Reed beds in Georgia represent a major improvement. AGT Georgia team have contracted services of internationally accredited laboratory in Azerbaijan for STP monitoring requirements. Note - no resources of suitable quality in Georgia despite AGT efforts to raise standards of a Georgian laboratory.</p>			<p>Geo and Tky: Planning for biorestation (long lead item) and focussing Contractor efforts and resources is required Tky: Slow reinstatement progress in B (although some reinstatement of ESA's in Lot B) and no reinstatement begun to date in Lot A. However final Biorestation Guide has been produced for EPC Contractors by BTC / BOTAS in Turkey. In Georgia, Contractor has submitted the revised biorestation specification plan.</p>		
<b>HIGHLIGHT 4: POLLUTION PREVENTION CONTROL</b>			<b>ISSUE 4: HYDROTEST</b>		
<p>Efforts to improve the control of pollution prevention through appropriate refuelling measures, trench dewatering and water abstraction operations amongst other measures are being taken. Tool Box Talks addressing the topic of pollution prevention are being led across the Project. Environmental Task Force established by CCIC in Azerbaijan and led by BTC focussing efforts in area of pollution prevention.</p>			<p>Across AGT, finalisation of appropriate planning for disposal of used hydrotest waters is required, to ensure that environmental impacts are fully considered and resulting impacts mitigated against prior to disposal operations.</p>		
<b>HIGHLIGHT 5: WINTERIZATION PROGRAMME</b>			<b>ISSUE 5: INADEQUATE CONTRACTOR RESOURCES</b>		
<p>Winterization programmes in Azerbaijan and Georgia are progressing well, with the installation of appropriate sediment and erosion control measures to mitigate against erosion during the poorer winter weather conditions. Winterization efforts in Bakuriani, Georgia were noted by the Lenders during Q3 2004 visit as acceptable.</p>			<p>Inadequate Contractor resources - the result of inadequate Contractor Management support and length of open Right of Way. Placing associated strain on AGT organisation, having to plug gaps. Strategy increasingly employed by AGT either to increase ownership of performance areas by AGT or to draft in external specialists to manage specific priority areas - such as sewage treatment plans, incinerator, general waste management and pollution prevention. In Az, AGT are working in conjunction with CCIC to deliver one team approach to assurance and monitoring, reducing the duplication of auditing and sharing the results.</p>		

Figure 8.1: Cross Project Monthly Summary of Highlights and Common Issues



## ENVIRONMENTAL AND SOCIAL MANAGEMENT SUMMARY SEPTEMBER 2004

E&S MANAGEMENT AREAS - IMPLEMENTATION PERFORMANCE																
AGT/BOTAS	Az	Ge	Tk													
ESMS / Assurance Programme	●	●	●	Yellow on Turkey relates to BOTAS Yellow on Georgia relates to CAS Yellow on Turkey relates to BOTAS												
RAP Fund / Land Issues	●	●	●													
Cultural Heritage (Phase III)	●															
Cultural Heritage (Chance Finds)	●	●	●													
Contaminated Land	●	●	●													
Ecological Management	●	●	●													
Training	●	●	●													
Staff	●	●	●													
										Level 2 NCR or Incident (3)			Level 3 NCR or Incident (1/2)			
										Az	Ge	Tk	Az	Ge	Tk	
CONTRACTORS	AZ		GEO		TURKEY											
	PL	F	PL	F	A	B	C	F	T							
ESMS / Assurance Programme	●	●	●	●	●	●	●	●	●							
Preconstruction Surveys	●		●		●	●	●									
Land Acquisition	●	●	●	●	●	●	●	●	●			1				
Solid Waste Management	●	●	●	●	●	●	●	●	●				1			
Liquid Waste Management	●	●	●	●	●	●	●	●	●		1	1				
Pollution Prevention (not hydrotest)	●	●	●	●	●	●	●	●	●							
Employment	●	●	●	●	●	●	●	●	●							
Trade Training	●	●			●	●	●	●	●							
Community Liaison	●	●	●	●	●	●	●	●	●							
Community Safety	●	●	●	●	●	●	●	●	●							
Construction Camp Management	●	●	●	●	●	●	●	●	●							
Transport/Traffic Management	●	●	●	●	●	●	●	●	●							
Infrastructure/Construction Impact	●	●	●	●	●	●	●	●	●							
Reinstatement / Soil Management	●		●	●	●	●	●	●	●				4			
Local Procurement	●	●	●	●	●	●	●	●	●							
Hydrotest Abstraction / Discharge	●	●	●	●	●	●	●									
Cultural Heritage	●		●		●	●	●		●				1			
Ecological Management	●		●	●	●	●	●		●							
Potable Water	●	●	●	●	●	●	●	●	●							
Contractor Training	●	●	●	●	●	●	●	●	●							
Contractor Staff	●	●	●	●	●	●	●	●	●							
<b>TOTAL</b>										0	1	8	0	0	0	

Key: Management Areas		Key: Staff and Training		Key: Shading	
●	Significant Issues - Number or Materiality	●	Inadequate - more needed immediately		Data Not Available
●	Moderate Issues - Number or Materiality	●	Not yet adequate but being addressed		
●	Performance Generally Good	●	Adequate and meeting needs		Not Applicable (Currently)

Figure 8.2: Cross Project Monthly Environmental and Social Implementation Performance Summary

### 8.1.3 AZERBAIJAN

During the reporting quarter, there were a number of significant internal audits and reviews undertaken as outlined Table 8.3.

**Table 8.3: Summary of Internal Reviews/Audits, Azerbaijan, Q3**

Audit / Review	Auditor	Auditee	Scope	Summary of Findings
Cultural Heritage Audit	Oxford Archeology (independent consultant)	BTC	Compliance with: <ul style="list-style-type: none"> <li>Azeri National Law</li> <li>Lender Requirements</li> <li>International Best Practice</li> <li>Project Protocols</li> </ul>	Zero non-compliances; Recommendations: <ul style="list-style-type: none"> <li>9 High priority</li> <li>8 Medium priority</li> <li>2 Low priority</li> </ul>
Waste Management–Duty of Care	BTC	CCIC/ SPJV	Status of follow-up of outstanding corrective action requests and issues raised in Lender Audits and waste tracking documentation review, waste storage and labeling	SPJV – 1 Non-conformance report; CCIC – 7 Corrective Actions Requests and 2 observations
Pollution Prevention	URS	CCIC	Review of existing pollution prevention infrastructure and preparation of an “Oily Water Procedure” for utilization at all project facilities and sites operated by CCIC.	Recommendation: Improvements required to existing infrastructure to enable project standards to be achieved through implementation of procedure
RAP Monitoring	Centre for Legal and Economic Education (CLEE)	BTC	Assist in dispute resolution and verify close-out of complaints. Reports on a monthly basis	Reports on a case-by-case basis

Of particular note were some of the findings from the independent review by Oxford Archeology on the programme in Azerbaijan (Box 8.2).

#### **BOX 8.2. OXFORD ARCHAEOLOGY FINDINGS**

The (BTC) project represents possibly the largest and most detailed archaeological investigation ever carried out in Azerbaijan. The phased approach that has been adopted, from early assessment through pre-construction mitigation (by design or record), into watching briefs during construction and post-excavation analysis and publication is in line with international best practice. This has contributed to the identification, protection and investigation of a wide range of archeological sites and landscapes, and (the) quality of information will a valuable contribution to the understanding the complex ebb and flow of human settlement and land use in Azerbaijan. Together with work in eastern Turkey and Georgia, the results will enable a wider perspective to be taken on ethnic and cultural relationships across the southern Caucasus and eastern Anatolia. In this sense the work has international significance.

Other benefits of the project have included the introduction to Azerbaijan of techniques of archeological mitigation in the context of large commercial infrastructure projects. Local archaeologists, specialists and labour have formed the core of the archaeological workforce, operating closely with a small team of western archaeologists. The experience will enhance the capability of Azeri archaeologists to undertake similar projects in the future.



## Non-Compliances

Table 8.4 outlines the number of non-compliances recorded in Azerbaijan for the third quarter by severity level. These have been identified either by theme audits as outlined above or by day- to-day inspection monitoring.

**Table 8.4: Azerbaijan Non-Compliances, Q3**

Level of Non-compliance (I:least significant; III: most significant)	July	August	September
I	15	0	0
II	7	2	0
III	0	0	0

Twelve of the 15 Level I non-compliances raised in July related to waste management and pollution prevention. The remaining three Level I non-compliances logged in July related to Contractor Management System processes and ground water abstraction processes.

The seven Level II non-compliances raised in July were also raised on Contractor waste management and pollution prevention practices. Further details on all non-compliances raised during the reporting quarter are provided in Appendix 1.

There were no significant environmental or social incidents in Azerbaijan during Q3 2004.

### 8.1.4 GEORGIA

Table 8.5 outlines the internal audits carried out during the reporting quarter.

**Table 8.5: Summary of Internal Reviews/Audits, Georgia, Q3**

Audit / Review	Auditor	Auditee	Scope	Summary of Findings
Soil Management	Dr. Mike Hann <sup>8</sup> (Soil scientist Cranfield University)	SPJV	Review of topsoil and subsoil management (in particular with respect to impact of changes to the original reinstatement specifications)	Impact of changes to reinstatement strategy are generally acceptable except in a small number of areas where mitigation measures have been recommended.
Review two local landfill sites (Iaguldja and Gidani) for disposal of non-hazardous wastes, pending commissioning of incinerator	CQA Waste Management Consultancy	Municipality	Environmental Risk and Site Condition	Recommended disposal at Iagulija, notwithstanding non-compliance with respect to EU requirements (contingency option only)
RAP Monitoring	Association for Protection of Landowners Rights (APLR)	BTC	Monitoring of Land Acquisition and Compensation Process Monitoring of Construction Impacts (on land)	Summary of findings contained in Section 7 of this report

<sup>8</sup> Dr. Hann had significant input into the original reinstatement specification with respect to soil management practices to ensure reinstatement success.

Table 8.6 summarises the number of non-compliances that were identified as a result of ongoing day-to-day field monitoring.

**Table 8.6: Georgia Non-Compliances, Q3**

Level of Non-compliance (I - least significant; III: - most significant)	July	August	September
I	1	2	0
II	0	2	1
III	0	0	0

The three Level I non-compliances raised in July and August in Georgia related to stream crossings, pollution prevention and waste management.

Issues surrounding the three Level II non-compliances were as follows:

- Sediment and erosion control on the ROW.
- River crossings and due process.
- Unauthorised use of third party spoil disposal facilities.

Specific details of these issues and the corresponding corrective actions are outlined in Appendix 1.

There were no significant environmental incidents in Georgia in Q3.

### 8.1.5 TURKEY

During the reporting quarter, a number of internal audits and reviews were conducted in Turkey, as outlined in Table 8.7.

**Table 8.7: Summary of Internal Reviews/Audits, Turkey, Q3**

Audit / Review	Auditor	Auditee	Scope	Summary of Findings
Waste Water Treatment Technical Audit	Black and Veatch (technical consultant)	EPC Contractors	Technical review of waste treatment plants associated with the project in order to make recommendations for improvement	Recommendations for technical changes, and change to operational practices
Hazardous Waste	Black and Veatch (technical consultant)	Izaydas incineration / landfill facility	Compliance review of waste water discharge of Izaydas incineration / landfill facility (project hazardous waste disposal site)	Discharges in compliance
Procurement Monitoring	MnE Consultancy	EPC Contractors	Monitor compliance to commitments made in EIA  Identify opportunities to support small, medium and micro-enterprises that exist in the directly affected regions of the pipeline	Limited capacity and therefore ability for the project to do more at this stage.  More could be done during operations phase when procurement needs are scaled down.

Audit / Review	Auditor	Auditee	Scope	Summary of Findings
RAP Monitoring	Rural and Urban Development Foundation (RUDF) and Ankara University	Botaş	Monitoring of Land Acquisition and Compensation Process  Monitoring of Construction Impacts (on land)  Monitoring reinstatement of agricultural land to facilitate conflict resolution	Summary of findings contained in Section 7 of this report
Cultural Heritage Assurance	British Institute of Archaeology (UK based charitable NGO)	Botaş	Monitoring the management of cultural heritage in Lot A and B and provide recommendations for improvement	5 key issues and recommendations raised related to the following areas: <ul style="list-style-type: none"> <li>risks to sites from extended exposure and the importance of timely backfilling</li> <li>method of backfilling</li> <li>accurate mapping of archaeological features along the pipeline ROW</li> <li>the archaeological gazetteer</li> <li>publication programme</li> </ul>

Both BTC field officers and Botaş field officers can raise non-compliances against the Contractor on a day-to-day basis where breaches of project commitments are observed. Corrective actions are identified by BTC and Botaş, often in consultation with the Contractor, and the execution of the action(s) is monitored. A summary of the non-compliances raised in Turkey this quarter is shown in Table 8.8.

**Table 8.8: Turkey Non-Compliances, Q3**

Severity Level of Non-compliance	July	August	September
I	6	10	5
II	5	7	8
III	0	0	0

Level I non-compliances recorded during the second quarter related to issues ranging from traffic management, topsoil management, community safety, waste management, employment, etc. Specific details are presented in Appendix 1.

Issues covered in the Level II non-compliances referred to above were as follows:

- Waste Management
- Reinstatement
- Waste water management and monitoring

- Erosion control
- Community Safety
- Forest clearance management
- Appropriate appraisal prior to construction of access roads
- Aggregate management
- Unapproved use of land outside the ROW
- Cultural heritage
- Soil management
- River bank protection

Specific details of the 20 Level II non-compliances are given in Appendix 1, along with corresponding corrective actions and closure status.

## 8.2 EXTERNAL ENVIRONMENTAL AND SOCIAL MONITORING

The types of external monitoring are outlined in Table 8.1 while the timing of the visits is shown in Figure 8.3.

**Figure 8.3: External monitoring visits carried out for BTC (excludes regulatory monitoring)**

	2003												2004											
	Q2				Q3				Q4				Q1			Q2			Q3			Q4		
	Mar'03	Apr'03	May'03	Jun'03	Jul'03	Aug'03	Sep'03	Oct'03	Nov'03	Dec'03	Jan'04	Feb'04	Mar'04	Apr'04	May'04	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04	Nov'04	Dec'04		
<b>IEC</b>									■				■	■	■				■					
<b>SRAP</b>							■						■							■	■	■		
<b>CDAP</b>	■						■												■					

■ Completed

▨ Planned

Reports from the monitoring visits are on [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com). The sections below outline the main issues raised and BTC's response to the findings and recommendations.

### IEC

Table 8.9 presents a log of IEC monitoring visits together with a record of where BTC's responses to issues raised by IEC have been reported.

**Table 8.9: Log of IEC Monitoring visits**

Reference	Monitoring Party	BTC Response to Findings and Recommendations
IEC-Q4-2003 <sup>9</sup>	Mott MacDonald	Contained in Q1 2004 report; Any items still open are contained in this report (Appendix 2)
IEC-Q1-2004 <sup>10</sup>	D'Appolonia	Contained in Q2 2004 report; Any items still open are contained in this report (Appendix 2)
IEC-Q2-2004	D'Appolonia	All contained in this report (Appendix 2)
IEC-Q3-2004	D'Appolonia	Will be contained in the Q4 report (Appendix 2)

The IEC reports document non-compliances against the ESAP and ranks them using the same system as that used by BTC described at the beginning of this section. The IEC also verifies closure of BTC's responses to non-compliance as part of subsequent monitoring visits. However, the closure status is not documented in their reports. Therefore this report contains BTC's response and progress towards implementing and effectively closing out the non-compliance. Items raised by IEC that remain open are reported in the Quarterly Reports until they have been closed. Items that have been closed do not appear in subsequent reports.

In adopting this approach, we hope to provide the transparency and assurance to indicate that we take the findings seriously and are taking measures to ensure that they are appropriately addressed. The BTC response to the open trench/community safety issue raised during the IEC Q2 visit is outlined in Case Studies 5.2 and 8.1.

The general conclusions of the IEC Q2 monitoring visit are reproduced in Box 8.3.

**BOX 8.3. IEC GENERAL CONCLUSIONS**

"Significant improvements have been seen in terms of E&S and H&S staffing at the level of BTC and Botaş and some success stories are created where cooperative field efforts are being initiated with Contractor personnel, such as ROW restoration in Azerbaijan, improvement has been deficiencies in the E&S and H&S staffing and resources of most of the Contractors and three important issues identified during the monitoring visit need to be highlighted:

**Waste Management in Azerbaijan and Georgia** – because the project incinerators have not properly functioned, the Project has disposed of waste in uncontrolled (*licenced municiple*<sup>11</sup>) dumpsites to reduce the stockpile of domestic waste. These practices are significant deviations from ESAP commitments and are classified as critical non-compliances.

**Reinstatement** – Only 18.5km (less than 2%) of pipeline has been reinstated out of 1,083 km in Turkey. Controversy over reinstatement of the NGP line is still affecting progress in Lot B in Turkey. Botaş and BTC need to initiate reinstatement of the NGP, consistent with ESAP commitments. Georgia needs to find a solution for the management of large quantities of rock along much of the ROW.

**Community Safety along the ROW** – The critical issue of the amount of open trench that the IEC has raised in the past is considered a critical non-compliance with ESAP commitment The ESAP limits are to have no more than 20 km of open trench per Lot in Turkey and no more than a total of 15 km in Azerbaijan and Georgia. At the time of the visit the non-compliant amount of open trench reported to the IEC were as follows: Azerbaijan about 36 km, about 60 km in Lot B in Turkey, about 25 km in Lot A Turkey (total in Turkey of about 100 km, including Lot C for 13.6 km), and different figures were provided by the EPC Contractor and BTC in Georgia (29 and 14 km respectively). The fragmentation and large number of working fronts on the ROW place significant stress on the capability of E&S and H&S personnel and resources (e.g. transportation safety, community safety, worker safety). The Project should manage and carefully monitor this aspect and strictly adhere to the ESAP commitments made to ensure worker and community safety, and make available significant resources to do so.

<sup>9</sup> Note that this audit was pre-financial close

<sup>10</sup> First post-financial close audit

<sup>11</sup> Note that this wording added by BTC for clarity

## AZERBAIJAN

Table 8.10 presents a summary of the non-compliances for Azerbaijan from the IEC-Q2-2004 monitoring visit. Appendix 2A gives details of all non-compliances, recommendations and close out status.

**Table 8.10: Summary of IEC Non-compliances for Azerbaijan, Q2**

Non-compliance Area	Non-compliance Level		
	I	II	III
Change Management	1	0	0
Solid Waste Management	1	2	1
Potable Water / Sustainability Studies	1	1	0
Waste Water Treatment Plants		1	
ROW Management (River Crossings, Open Trench)	1		1
<b>TOTAL</b>	<b>4</b>	<b>5</b>	<b>2</b>

## GEORGIA

Table 8.11 presents a summary of the non-compliances for Georgia from the IEC-Q2-2004 monitoring visit. Appendix 2B gives details of all non-compliances, recommendations and close out status.

**Table 8.11: Summary of IEC Non-compliances for Georgia, Q2**

Non-compliance Area	Non-compliance Level		
	I	II	III
Solid Waste Management	0	2	0
Potable Water / Sustainability Studies	1	0	0
ROW Management (Topsoil Management, Open Trench)	1	1	0
Pollution Prevention	1	1	0
<b>TOTAL</b>	<b>3</b>	<b>4</b>	<b>0</b>

## TURKEY

Table 8.12 presents a summary of the non-compliances for Turkey from the IEC-Q2-2004 monitoring visit. Appendix 2C gives details of all non-compliances, recommendations and close out status.

**Table 8.12: Summary of IEC Non-compliances for Turkey, Q2**

Non-compliance Area	Non-compliance Level		
	I	II	III
Organisation and Resources	1	1	0
Potable Water / Sustainability Studies	1	0	0
Waste Water Treatment Plants	0	1	0
ROW Management (Reinstatement, NGL Line, Open Trench)	0	3	1
Pollution Prevention	4	1	0
Third Party Activities (Borrow Pits; Batch Plants)	0	1	0
Ecological Management	0	1	0
<b>TOTAL</b>	<b>6</b>	<b>8</b>	<b>1</b>



## 8.2.1 SRAP

The SRAP monitoring process aims to provide practical guidance and advice to the projects' management teams on how to solve problems that arise during the land acquisition and resettlement process, as well as to carry out a compliance review. SRAP raises recommendations to address the issues that have been identified in the monitoring visit. BTC either implements SRAP recommendations directly or ensures that the issues are addressed using another approach. The SRAP panel verifies in subsequent monitoring visit that the issues raised have been closed. SRAP reports on the closure status as part of their report. SRAP reports can be found on the website: [www.capiandevlopmentandexport.com](http://www.capiandevlopmentandexport.com).

Recommendations are prioritized as outlined below:

**High:** Actions are critical to ensure compliance with commitments contained in the RAP, ESAP or World Bank OD 4.30<sup>12</sup>

**Medium:** Actions desirable to comply with social or resettlement good practice or to address actual or potential areas of social risk.

**Low:** Important actions that are less time critical

Table 8.13 presents a log of the SRAP visits together with a record of where BTC's responses to issues raised by the Panel have been reported.

**Table 8.13: Log of SRAP Monitoring visits**

Reference	Date of Monitoring Visit	Monitoring Party	BTC Response to Findings and Recommendations / Closure Status
SRAP-H2-2003	September 2003	SRAP Panel of Experts	Closure status of recommendations can be found in the first six monthly report for 2004
SRAP-H1-2004	February 2004	SRAP Panel of Experts	Closure status of recommendations will be found in the second six monthly report for 2004 SRAP Report.
SRAP-H2-2004	July-August 2004	SRAP Panel of Experts	Closure status of recommendations will be found in the first six monthly report for 2005

### AZERBAIJAN

Table 8.14 presents a summary of the recommendation areas for Azerbaijan from the second half (H2) SRAP report for 2004. Close out status will be reported in the first half (H1) report for 2005.

**Table 8.14: Summary or SRAP Recommendation Areas for Azerbaijan from the H2 Report (July-August 2004)**

Issue Area	Number of Recommendations		
	High	Medium	Low
Land Acquisition and Compensation	1	0	0
Livelihood Restoration	1	0	0
RAP Implementation	1	0	0
Social Impacts of Construction	5	1	0
Community Engagement and Public Consultation	0	1	0
CIP	1	0	0
<b>TOTAL</b>	<b>9</b>	<b>2</b>	<b>0</b>

<sup>12</sup> World Bank OD 4.30: Involuntary Resettlement, June 1990

## GEORGIA

Table 8.15 presents a summary of the recommendation areas for Georgia from the second half (H2) SRAP report for 2004. Close out status will be reported in the first half (H1) report for 2005.

**Table 8.15: Summary of SRAP Recommendation Areas for Georgia from the H2 Report (July-August 2004)**

Issue Area	Number of Recommendations		
	High	Medium	Low
Land Acquisition and Compensation	8	2	1
Livelihood Restoration – RAP Fund – Vulnerable People	1	1	0
Social Impacts of Construction	2	1	0
Community Engagement and Public Consultation	8	2	0
CIP	1	1	0
<b>TOTAL</b>	<b>20</b>	<b>7</b>	<b>1</b>

## TURKEY

Table 8.16 presents a summary of the recommendation areas for Turkey from the second half (H2) SRAP report for 2004. Close out status will be reported in the first half (H1) report for 2005.

**Table 8.16: Summary of SRAP Recommendation Areas for Turkey from the H2 Report (July-August 2004)**

Issue Area	Number of Recommendations		
	High	Medium	Low
Land Acquisition and Compensation	1	2	0
Livelihood Restoration – RAP Fund – Vulnerable People	3	3	0
Social Impacts of Construction / Operations	3	2	0
Community Engagement and Public Consultation	1	0	0
CIP	2	0	0
<b>TOTAL</b>	<b>10</b>	<b>7</b>	<b>0</b>

### 8.2.2 CDAP

BP established CDAP in January 2003 as an independent external panel providing advice and counsel to the BP Group Chief Executive, Lord Browne. Its remit lasts for three years, and covers all of the projects and operating assets within BP's Azerbaijan portfolio. Its members are Jan Leschly (chairman), Stuart Eizenstat, Jim MacNeill and Mohamed Sahnoun. For more detail see the panel's own website, [www.caspsea.com](http://www.caspsea.com).

Table 8.17 presents a log of CDAP visits together with a record of where BTC's responses to issues raised by the Panel have been reported.

CDAP published an interim report in August 2003 and a second report in December 2003. Both reports and BP's initial response to them can be found on [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com). A full update was provided in the Q2 2004 report.

CDAP visited the region in October 2004 and plans to issue its third report in early 2005. It is envisaged that the conclusions and recommendations from this visit will be covered in the Q1 2005 Environmental and Social Quarterly Report.

**Table 8.17: Summary of CDAP Visits to Date**

Reference	Date of Monitoring Visit	Monitoring Scope	BTC Response to Recommendations / Closure Status
CDAP - 1	March 2003	Azerbaijan and Georgia - Economic, Social and Environmental Impacts	Implementation of recommendations tracked at the Business Unit Level.
CDAP - 2	September 2003	Turkey and Project Related Security and Human Rights Issues in Azerbaijan, Georgia and Turkey	General progress updated in this report. CDAP publish and annual report. (expected Q1 2005)
Extra visit	May 2004	Information gathering on environmental and social aspects by independent consultants to CDAP.	The consultants will provide findings to CDAP. These will be incorporated into the annual CDAP report.

### 8.2.3 HOST GOVERNMENT MONITORING

#### AZERBAIJAN

Representatives from the Ministry of Culture visited BTC archeological sites in August as part of a monitoring survey. Very positive feedback was received.

#### GEORGIA

The GoG Environmental Advisor Team of Auditors (experts from MoE, GIOC and BEICIP who are advisors to the MoE and paid for through the World Bank) continued performing their regular environmental compliance audits during this reporting period. Specific topics that were covered included:

- Tree felling
- Rare plant management
- Construction Camp and pipeyard management at Bakuriani
- River crossings
- Ecology management
- Pollution prevention
- Reinstatement
- Topsoil stripping and storing
- Trenching, lowering and backfilling
- Mainline welding and coating
- Training
- Waste management
- Social issues

Overall findings from the audits were positive with no major non-compliances identified. Findings relating to social issues were similar to those identified by the SRAP panel and recommendations have been noted. There was a minor issue raised with respect to tree felling and leaving trees on the ROW.

#### TURKEY

In addition to regular State authority meetings, Botaş and BTC facilitate regulatory monitoring along the pipeline route. The monitoring activity provides the state ministries with the opportunity to observe environmental issues on site and provide feedback to the project. Botaş coordinate this activity with support from BTC. During this quarter the representatives of the Ministry of Environment and Forestry visited Lot A, PT1 and PT2 to undertake environmental monitoring. The Project is currently awaiting the monitoring report from the Ministry. Results of the monitoring will be reported on in the next quarterly report.

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## 8.2.4 NGO MONITORING

NGO monitoring of the project was a recommendation made by the CDAP panel. BTC is working to facilitate national NGO monitoring of the BTC project in all three countries. The background and objectives were described fully in the Q2 2004 report and briefly outlined below.

### **AZERBAIJAN**

In Azerbaijan, monitoring is being coordinated and facilitated via Open Society Institute Azerbaijan (OSIA). OSIA is responsible for facilitating the process by which the NGOs have chosen monitoring themes, teams and timeframes; co-ordinating the capacity-building; helping to co-ordinate visits; and liaising between BP and the NGOs.

The NGOs' monitoring themes are Social, Environmental, Local Content, Worker & Land Rights, and Cultural Heritage. The Working Groups for each theme have received training in monitoring and audit techniques, and have attended a large number of presentations and meetings with BP/BTC personnel to enable them to understand the projects they are assessing. They have created objectives and action plans, and have recently signed contracts with OSIA so that they can start to receive financial support for their work. Data collection and community visits commenced in Q3. A draft report is expected early December.

### **GEORGIA**

Eurasia Foundation (EF) is our chosen facilitator in Georgia. IFC is likely to fund EF in this role, as well as make some additional funding available to support the NGO capacity building element. Other potential funders include UNDP, and Open Society Georgia Foundation. BTC will contribute to the process by providing training and logistics support.

Meanwhile EF is working intensively with BTC to develop the detailed model for facilitated NGO monitoring in Georgia. The OSI-Azerbaijan model is being used as a basis, and will be amended to suit the Georgian environment. Organisational capacity building for the NGOs will be part of the plan.

EF submitted a detailed proposal to IFC and other potential funders in mid August. If funding is approved, implementation could commence during 4Q. On this basis, training would begin at year-end, with monitoring activities commencing in 1Q 2005.

### **TURKEY**

The Q2 2004 report described how TESEV (Turkish Economic Social Studies Foundation) would act as an independent observer of BTC's NGO engagement process.

TESEV could not finance the costs of the observer role themselves and they would not accept direct funding from BTC. BTC therefore obtained IFC's agreement in principle to provide \$60,000 towards TESEV's activities.

However, after a delay of some weeks, TESEV eventually explained that its Board could not agree on whether it was a good idea to work with an oil company. This lack of unanimity obliged them to refuse the work and the funding offer, although they were keen to say that they were not opposed to the project.

The BTC Turkey staff researched other possible candidates for the observer role, but to date has not found an organization that combined the necessary immediate availability, expertise, credibility and interest.

BTC Turkey has an extensive stakeholder engagement process that explicitly includes NGOs. The plan includes a series of provincial meetings every six months, plus national meetings in Ankara and Istanbul once a year. The meetings are open to all and are conducted in an open and transparent way. National NGOs routinely take part, and in addition they can request further information or meetings at any time. The next round of provincial meetings is planned for early December. BTC will continue to ensure that national NGOs have every opportunity to participate in the engagement process.