

AN EVALUATION OF BUSINESS ORIENTED  
NON-GOVERNMENTAL ORGANIZATIONS (BONGO'S)  
"A CASE STUDY OF BTC PROJECT  
COMMUNITY INVESTMENT AND DEVELOPMENT PROGRAMS"

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Approval of the Graduate School of Social Sciences

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## **ABSTRACT**

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M.S., Department of Urban Policy Planning and Local Governments

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The aim of this study is to analyze the partnerships of Non – Governmental Organizations (NGOs) and Private Sector and also their relations with Local Institutions. Within this context, we ask certain questions. Are the NGOs really non – profit organizations? Does Business Sector involve in the Social Development Projects for the community or for their own interests? This study tries to answer these questions in the case of Community Investment Program and Regional Sustainable Development Program of the Baku – Tbilisi – Ceyhan (BTC) crude oil pipeline implemented by an energy company with unusual partners and discusses its impacts on the stakeholders of the project, local governments and societies. This study proposes an analytical framework for the changing role, partners and responsibilities of the private sector and the local governments and Non-Governmental Organizations (NGO's).

Keywords: NGO, Community Investment

## ÖZ

ÖZEL SEKTÖR ODAKLI SİVİL TOPLUM ÖRGÜTLERİNİN BİR  
DEĞERLENDİRMESİ  
"BTC PROJESİ  
TOPLUMSAL YATIRIM VE KALKINMA PROGRAMLARI ÖRNEK ÇALIŞMASI"

ÇETİN, Başak

Yüksek Lisans, Kentsel Politika Planlaması ve Yerel Yönetimler Ana Bilim Dalı

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Bu çalışmanın amacı; Sivil Toplum Kuruluşları (STK) ve Özel Sektör ortaklığı ile bunların Yerel Kurumlarla ilişkilerini analiz etmektir. Bu bağlamda bazı sorular soruyoruz. STK'lar gerçekten kâr amacı gütmeyen kuruluşlar mıdır? Özel Sektör, Sosyal Kalkınma Projeleri ile toplum için mi yoksa kendi çıkarları için mi ilgilidir? Bu çalışma, bu sorulara bir enerji şirketi ve sıra dışı ortakları tarafından uygulanan Bakü – Tiflis – Ceyhan (BTC) Ham Petrol Boru Hattı'nın Toplumsal Yatırım Programı ve Bölgesel Sürdürülebilir Kalkınma Programı aracılığıyla cevap vermeye çalışır. Aynı zamanda bu programların proje paydaşları, yerel yönetimler ve toplumlar üzerindeki etkilerini ele almaktadır. Bu çalışma, özel sektör, yerel yönetimler ve Sivil Toplum Kuruluşlarının (STK) değişen rolleri, ortaklıkları ve sorumlulukları konusunda analitik bir çerçeve önermektedir.

Anahtar Kelimeler: STK, Toplumsal Yatırım

***To My Parents***

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## LIST OF ABBREVIATIONS

AI	Artificial Insemination
AU	Atatürk University
BOTAŞ	Turkish State Petroleum Pipeline Company
BP	British Petroleum
BTC	Baku – Tbilisi – Ceyhan Crude Oil Pipeline
BTC Co.	Baku-Tbilisi-Ceyhan Pipeline Company
CBO	Community Based Organization
CBNA	Capacity Building Needs Assessment
CB(P)	Capacity Building (Programme)
CDAP	Caspian Development Advisory Panel
CC	Corporate Citizenship
CFCU	Central Contracts and Financing Unit
CGF	Credit Guarantee Fund
CIP	Community Investment Programme
CSO	Civil Society Organization
DAC	Development Assistance Committee (of OECD)
EBRD	European Bank of Reconstruction and Development
EU	European Union
EIA	Environmental Impact Assessment
ESIA	Environmental and Social Impact Analysis
EIP	Environmental Investment Programme
FCP	Future Communities Programme
FDI	Foreign Direct Investment
IFC	International Finance Corporation
IG	Income Generation
IP	Implementing Partner

LEAP	Linking Eastern Anatolia to Progress Programme
MCC	Milk Collection Centre
MOU	Memorandum of Understanding
MTR	Mid-Term Review
NGO	Non-governmental Organization
OECD	Organization for Economic Cooperation and Development
PCM	Project Cycle Management
PCBNA	Participatory Capacity Building Needs Assessment
PDA	Provincial Directorate of Agriculture
PDE	Provincial Directorate of Education
PDH	Provincial Department of Health
PY	Project Year
QIP	Quick Impact Project
RDI	Regional Development Initiative
RFP	Request for Proposal
RSDP	Regional Sustainable Development Plan
SCP	South Caucasus Gas Pipeline
SRAP	Social and Resettlement Action Plan
SRMP	Social Risk Mitigation Programme
SSP	Small Support Fund
STGM	Abbreviation in Turkish for Centre for the Development of Civil Society
SURKAL	Sustainable Rural & Urban Development Association
TPAO	Turkish State Petroleum Agency
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

# CHAPTER 1

## INTRODUCTION

The Baku – Tbilisi – Ceyhan (BTC) pipeline is 1,766 km long and starts in Azerbaijan (445 km), passes through Georgia (245 km) ending up in Turkey (1076 km). The oil will be transported to the world market by loading tankers at Ceyhan Terminal.

**Table 1 Comparison of Scope of BTC in Countries**

	<b>Azerbaijan</b>	<b>Georgia</b>	<b>Turkey</b>
<b>Length</b>	440 km	260 km	1,074 km
<b>Pipe diameter</b>	42"	46"	46", 42" & 34"
<b>Land Parcels</b>	6,000	4,000	18,200
<b>Metering ST.s</b>	1	1	2
<b>Valve Stations</b>	22	27	51
<b>Intermediate Pig Station</b>	1		2
<b>Pump Stations</b>	2 Pump Stations	2 Pump Stations	4 Pump St's, and the Terminal
<b>Road and railway cross.</b>	350	70	300
<b>Watercourse crossings</b>	700	200	600

It is composed of an international consortium (the sponsor group) of eleven companies from eight different countries. The Sponsor Group that was formed on 3 November 2000 signed the Sponsor Group Finance and Cooperation Agreement on 17 November 2000. They are also called as Main Export Pipeline

(MEP) Participants. Following some changes in the constituency of the Sponsor Group, distribution of shares is as follows:

**Table 2 Main Export Pipeline (MEP) Participants**

<b>BP EXPLORATION (CASPIAN SEA) LTD.</b>	<b>Operator / UK</b>	<b>% 30.10</b>
<b>SOCAR</b>	<b>Azerbaijan</b>	<b>% 25.00</b>
<b>UNOCAL BTC PIPELINE LTD.</b>	<b>USA</b>	<b>% 8.90</b>
<b>STATOIL BTC CASPIAN AS</b>	<b>Norway</b>	<b>% 8.71</b>
<b>TPAO</b>	<b>Turkey</b>	<b>% 6.53</b>
<b>ENI</b>	<b>Italy</b>	<b>% 5.00</b>
<b>TOTALFINAELF</b>	<b>France</b>	<b>% 5.00</b>
<b>ITOCHU OIL EXPLORATION (AZERBAIJAN) INC.</b>	<b>Japan</b>	<b>% 3.40</b>
<b>INPEX</b>	<b>Japan</b>	<b>% 2.50</b>
<b>CONOCOPHILLIPS</b>	<b>USA</b>	<b>% 2.50</b>
<b>DELTA-HESS (BTC) LTD.</b>	<b>USA</b>	<b>% 2.36</b>

BTC Company (BTC Co.) is responsible for the management of the pipeline with the leadership of British Petroleum (BP). BP is the largest stakeholder and it is responsible for the design and construction phases. It is the longest pipeline sponsored and operated by BP and its budget exceeds \$3.6 billion. The construction started in early 2003 and completed in the middle of 2006. The two year social investment program implemented for the communities along the pipeline also started around the same time for three countries.

From its beginning, BTC has been a controversial project with national and regional level implications. After the completion, the oil from the Caspian Sea from Azerbaijan will be transported to the Turkish Mediterranean Coast and the pipeline has the potential to become a transit corridor between Europe and Central Asia. However, many international and national groups have strong opposition to the construction and route of the pipeline as well as to BP regarding the economic, social and environmental impact of its operations. The relationship of BP with its stakeholders and their activities along the pipeline are complex and multi-layered in three countries with different social, economic and political characteristics.

The main objective of this thesis is to describe the content and the impact of the Community Investment Program and Regional Sustainable Development Program (RSDP) of BTC pipeline managed by BP and also the collaboration of the Program with the local governments.

The study highlights in detail the business environment, the role and the partners of BP in order to analyze its strategic benefits and challenges. The first chapter consists of literature review, methodology and background information. The literature review includes an introduction to the management theories that focus on the changing role of business in society and local environment and the collaboration theories of NGOs and local governments. The methodology describes the details of the primary data collection process. The background information about the project complements the nine year research conducted in 10 provinces in Turkey. The details of the projects implemented in Ardahan, Kars and Erzurum were given and the summary of the implemented projects were given for the rest of the provinces. The following chapter aims to illustrate the content of RSDP. The social initiatives, the stakeholders and their relationship with BP are introduced as a result of many interviews with BP, international and national non – governmental organizations (NGO), local governments and local communities. The findings about the multi-level monitoring activities provide details about the assessment of the project. The last chapter explores the impact of the RSDP and points out the implications of the new partnerships, the evaluation of the management strategies and the boundaries of the responsibilities of both sides.

The origin of funding can have serious implications for the legitimacy of NGOs. In recent decades NGOs have increased their numbers and range of activities to a level where they have become increasingly dependent on a limited number of donors. Consequently, competition has increased for funding, as have the expectations of the donors themselves. This runs the risk of donors adding conditions which can threaten the independence of NGOs.

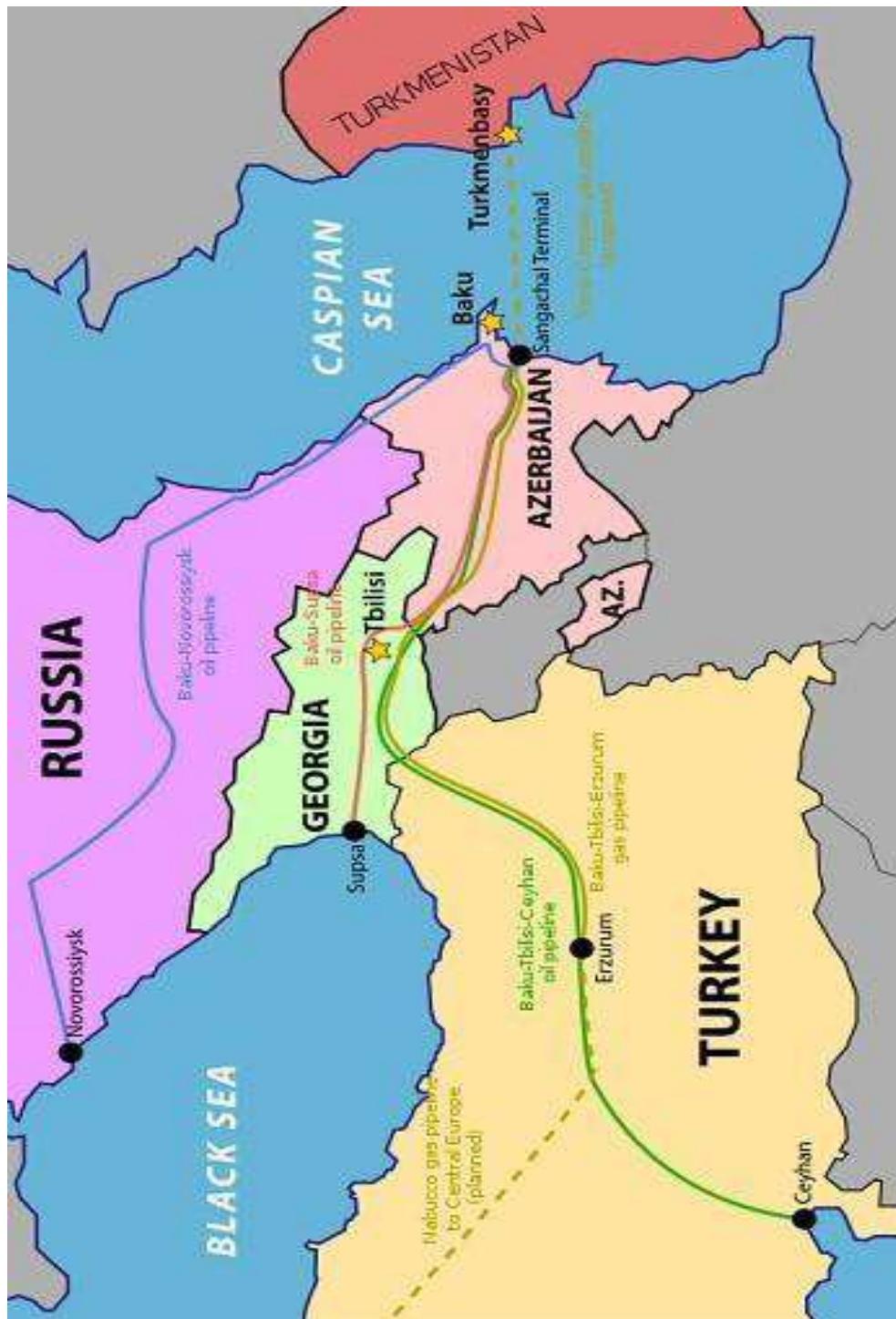


Figure 1 BTC Pipeline Route

## **CHAPTER 2**

### **THEORETICAL FRAMEWORK**

Nongovernmental organizations (NGOs) grow in numbers and get importance around the world. And together with the increasing capacity of local governments through decentralization processes, this development result in increasing opportunity for the two sectors to interact with each other. Here I want to develop a conceptual framework for comparative analyses of local government – NGO interactions by illustrating the implementations of investment and development projects in BTC Pipeline Project.

Social functions of local governments and NGOs and the possible outcomes produced by interactions of the two sectors are examined.

There is a trend toward the strengthening of local government institutions, and the growth in numbers and influence of nongovernmental organizations (NGOs). The role of local governments has been redefined as part of the process of democratization and as a way to bring relief to overburden centralized governments (Gibson and Hanson 1996; Coulson 1995). Changes include increased policy making and financial powers for cities and villages and broader autonomy for regional governments. (Fabian and Straussman 1994; Devas 1997; Morris 1992; Slater 1997; Wang 1997; Wieslaw and Taebel 1994).

A history of experience and success among grassroots organizations (GROs), the increasing formation of local level NGO networks, the preference of international philanthropies to work through indigenous NGOs, and the collapse of communist regimes in several nations all have contributed to strengthening of the NGO sector. It is estimated that there are one million registered nonprofits in

India, 200,000 associations in Sweden, and over 210,000 nonprofits in Brazil (Salamon 1999, 336). There were approximately 70,000 registered voluntary organizations in the Central and Eastern European region in 1994 (Les 1994). In Africa, Asia, and Latin America there are some 30,000 to 50,000 grassroots support organizations (GRSOs) and hundreds of thousands of GROs (Charlton and May 1995, 237).

Certainly, the pace and depth of government decentralization and of formation of a vibrant NGO sector occurs unevenly among the nations, and cooperation is not inevitable. Several factors have prevented decentralization of local governments, including the continuity of personalistic politics, insufficient transfer of funds from central to local governments, application of uniform service mandates on local governments of varying sizes and competencies, and lack of professional career tracks for civil servants (Nickson 1995). Weak local government institutions are less able or willing to build close relations with community groups (Evans 1996).

NGOs are sometimes resistant to work with governments. Often they have neither the capacity nor the desire to work closely with government institutions. The agenda of government is often very different from, or even at odds with, the agenda of NGOs. Conflict instead of cooperation between the government and NGOs, especially advocacy NGOs, is frequently the result. Some NGOs, out of fear of repression, avoid any appearance of challenging government; they are thus pliant in their relationship with government or they strive to remain distant (Ndegwa 1996).

International funding organizations that show a distinct preference for working with grassroots organizations and that exhibit distrust of government negatively influence attitudes of NGO leaders toward local governments (Uvin 1995).

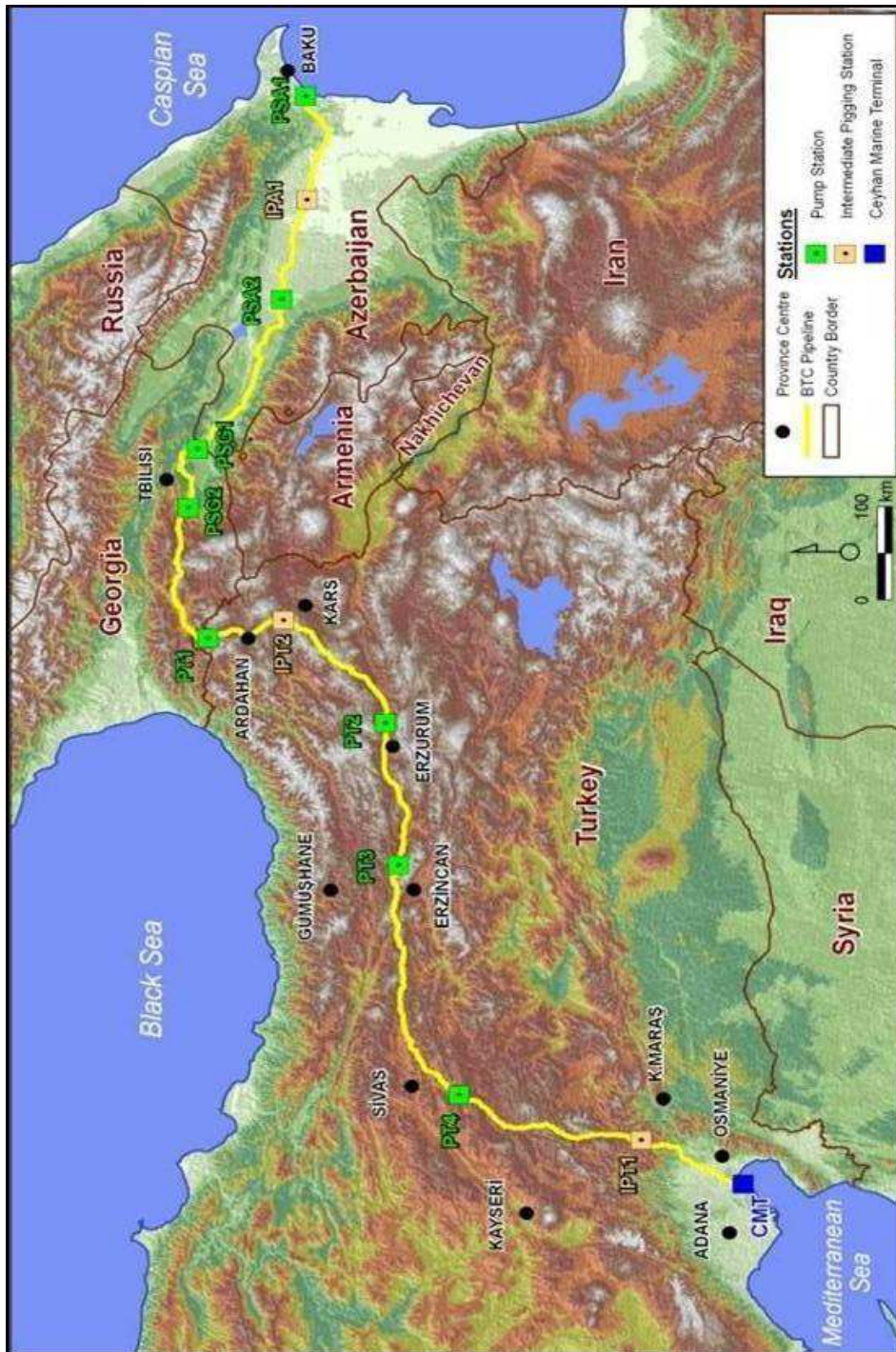


Figure 2 BTC Crude Oil Pipeline Route (Turkey Section)

There is increased opportunity for NGOs and local governments to collaborate as they broaden their powers and capacities. This type of collaboration is evident in the United States (Boris and Steuerle 1999). Local governments, working in concert with state governments, provide funding to nonprofits to deliver social services and play a crucial role in steering the administration of public services through nonprofit providers (Salamon 1987).

Although the United States has deep historical experience with nonprofit and voluntary organizations, its collaborative link between government and nonprofits is not unique. A study comparing the United States and Germany, for instance, found that both nations are much alike in forging a strong collaborative relationship between government and nonprofit service organizations (Salamon and Anheier 1998). Examples of productive NGO-local government relationships for the improvement of local services can be found in such diverse places as Brazil (Hall 1992) and Romania also (Kovacs 1998).

As local governments and NGOs strengthen their capacities and as they work in an increasing collaborative way, it is useful to devote more attention to when and how local governments and nongovernmental organizations encounter each other, and to isolate the individual and mutual contributions they make to the social, political and economic development of their communities.

## 2.1. NGO AND LOCAL GOVERNMENT INTERACTIONS:

### 2.1.1. A CONCEPTUAL FRAMEWORK

Julie Fisher (1998) suggests that there is a synergy between the process of government decentralization and emergence of more effective, more influential nongovernmental organizations.

She assumes a two-way process of decentralization that involves a *push down* from the central government to both regional and local governments and to nongovernmental organizations, and a *push up* that result from local authorities' insistence on more local control and NGOs' demand for government sanctioning

and support for services they develop on behalf of citizens. These processes of decentralization do not take place in isolation from each other. Rather, local governments and NGOs often collaborate in a variety of ways such as joining forces to deliver social welfare services, sharing personnel and financial resources, engaging in policy dialogue, and cooperating in training programs. Because of this interaction, the push down of power to one potentially means devolution of power to the other as well, and the push up from each has mutually reinforcing effects.

These trends toward nonprofit sector empowerment and decentralization to local governments mean that both institutions are becoming central to the general welfare of communities. Each institution, either NGO sector or local government performs its own particular social functions in the community, based on capacities and legal rights and authority.

Three functional categories (politics, policy, and economy) can be derived from current theories in the literature. (Desai and Snavely 1998). Beginning with the concept of a three-sector economy, this model assumes that the exclusive function of the private, for-profit sector is production of private goods (goods that can be purchased for the exclusive use of the consumer) while the public sector is responsible for production of public goods—common, nonexclusive goods and services (Weisbrod 1998). The private, nonprofit sector often is depicted as a residual of the other two. Nonprofits are created as a response to contract failure, which occurs in a situation of information asymmetry in which the producer of a good or service has much more information than the consumer has about the value, quality, and outcomes of a purchase (Hansmann 1988). The nonprofit sector also has been conceived as a response to government failure, stepping in to meet unfulfilled demand for public goods and services (Weisbrod 1990).

A more dynamic three-sector model recognizes that instead of inhabiting separate domains, there is considerable functional overlap among the sectors

and that they tend to complement each other (Ginzberg, Hiestand, and Reubens 1965). Nonprofits and governments operate business-like enterprises; government contracts with nonprofits to deliver publicly funded goods and services, and businesses sponsor charitable activities. The government-nonprofit relationship is particularly dynamic and complementary. According to Salamon (1987), the nonprofit sector has grown with the expansion of welfare states as governments turned to nonprofit organizations to deliver many social services in a financially efficient and programmatically effective manner.

As a result, a collaborative model of government-nonprofit interaction has emerged (Gidron, Kramer, and Salamon 1992). Particularly in the modern welfare states, governments have used grants and contracts to support nonprofit-sector delivery of services, and because of their growing strength and engagement in service provision, nonprofits have become more actively engaged in policy development. At the same time, the capacity and authority of local governments have increased so that they are in a better position to formulate their own policies and programmatic priorities (Fiszbein 1997). So, in our framework it's better to include the *policy* category of social functions. As the nonprofit sector expands and local governments take on more power and responsibility, there is increased opportunity for the two sectors to interact in the process of public policy development and in policy and program implementation. Another major trend in the literature on both local government and nonprofits is the role they play in producing social capital (Putnam 1993 and 1995). Both have the potential to help forge strong bonds of trust and community identity through various participatory mechanisms. Nonprofits offer a private-sector alternative, often depicted in terms of civil society, while local government offers government-centered vehicles for citizen participation.

But community relations are not always easy. Citizens may apply to forms of conflict in order to make their demands heard and to bring about change. Governments try to structure much of this conflict through the electoral process

while nonprofits facilitate social movements and pressure group activity. *Politics category* captures these issues.

Finally, the three-sector model of the economy and the economic roles of local governments and nonprofits are evaluated. Both sectors generate economic output through employment, enterprise activity, and purchase of goods and services (Ginzberg, Hiestand, and Reubens 1965). Further, they affect economic development; local government through building up local infrastructure and regulating business and nonprofits through providing amenities and supplying producer and consumer services. *Economic category* specifies these functions.

The table depicts the framework of the three functional categories (politics, policy and economy) and the intersections of NGO and local government social functions. This framework does not exhaust all possibilities of local government-nonprofit interaction. However, it captures many of the important concepts found in the current literature. Politics function, policy and economy will be discussed.

**Table 3 Complementary Social Functions of NGOs & Local Governments**  
Function Expressed by Sector

<b>Social Functions</b>	<b>NGO's</b>	<b>Intersection</b>	<b>Local Government</b>
<b>POLITICS</b>			
Individual/group expression and autonomous action	Civil society	Social Capital	Grassroots democracy
Assertion of needs and political demands	Social movements/pressure groups	Contentious Political Action	Partisan/electoral politics
<b>POLICY</b>			
Public policy development	Innovation/experimentation	Policy Formation	Decentralization/local autonomy
Policy implementation	Private	Service Delivery	Public
<b>ECONOMY</b>			
Market activities	Multipliers, amenities, producer and consumer services	Economic Development	Infrastructure, incentives, regulation

### 2.1.2. POLITICS

In the political realm of individual/group expression and autonomous action, NGOs play an outstanding role in the development of civil society. Cohen and Arato (1992, ix) define civil society as "a sphere of social interaction between economy and state, composed above all of the intimate sphere (especially family), the sphere of associations (especially voluntary associations), social movement, and forms of public communications."

Nongovernmental organizations help expand this space between economy and state by providing an organizational mechanism through which people come together to pool their energies and resources so as to pursue personal interests of the group members, or meet the social service needs of particular people, or promote activities they believe are in the community's general interest (e.g., arts, entertainment, youth sports) and are of interest to the people involved.

Lohmann (1989) refers to this as the *commons* or the large field of *noncommercial or non-entrepreneurial* NGO activity where common goods are produced. Berger and Neuhaus (1990) describe organizations in this realm as *mediating structures* which stand between individuals and the market and government bureaucracy. NGOs provide an organizational form in which people act out of personal choice rather than government dictate or market compulsion. They provide training and experience in self-organizing and autonomous action.

On the government side, Snively refers to local government's function as grassroots democracy. Grassroots democracy here refers to such individual actions as contacting local public officials to file complaints or demands, appearing before public bodies such as municipal council meetings or other governing boards, or trying to persuade fellow citizens to support a position on a matter of public policy. Grassroots democracy also applies to the voluntary local government committees, boards, and commissions through which citizens advise elected policy makers and administrative staff, deliberate over public policies, plan and make policy decisions (normally subject to public authorities'

approval). By means of these deliberative bodies, citizens are given the opportunity by local government to directly shape and affect local services and policies and broadly influence the 'behavior of both administration and elected officeholders. Where local government and NGOs intersect on this dimension of individual/group expression we find creation of social capital. Robert Putnam (1995, 67) defines social capital as "features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit." As people over time interact consistently through groups, they build up a trust and norms of reciprocity, meaning they are obligated to promote their common interests. Both the contributions of NGOs to civil society and of local government to enhancement of grassroots democracy help build social capital. The organizational efforts of both sectors bring people together to interact, to learn more about each other, to collaborate in community development activities, and to voice opinions. According to that citizens begin to develop a closer common identity, learn effective civic engagement, and learn how to compromise. It is the simultaneous efforts of NGOs and local government to provide these individual and group expressive mechanisms that give greatest power to development of social capital. As nongovernmental organizations enable people to achieve success in these group endeavors, they help build up effective attitudes toward participation in government. Moreover, participation in local government grassroots activities often leads people to greater participation in civic activities through community NGOs.

For example, in one community in Hungary where the Roma population was in serious conflict with the local police, an NGO, Partners-Hungary, helped establish a permanent committee to address minority-police relations. This has helped build bonds of trust between the Roma population and the larger community and eased tensions (Goncz and Gesko 1997).

The second social function encompasses overt political activity of individuals and citizens. Such explicit political action includes efforts to influence and

change public policy, challenge the existing structure of political power, make overt demands of policy makers, and affect the outcome of elections. NGOs are intimately involved in this realm of political activity. Often they act as pressure groups through which people express opinions and make policy demands, and through which they work with government administrative and policy-making bodies to formulate and implement public policy. Examples of such groups include environmental and social/welfare organizations.

Where citizens desire fundamental change in the existing political system, they may turn to street demonstrations and other alternative forms of political engagement. Social movements are formed when people come together to challenge political elites and, as witnessed in Eastern Europe, to remove them from power. Tarrow defines social movements as "collective challenges by people with common purpose and in solidarity in sustained interaction with elites, opponents and authorities" (1994, 3-4). NGOs may fill in as an organizational mechanism to help sustain social movements. Their services, organizational skills and political activities are vital to social movements (Kriesi 1996).

Government seeks to keep citizen political activity within established and predictable institutional channels. This does not mean that citizen political action is unimportant or without influence. Through participation in competitive local elections, citizens choose to represent them officials who are at least in some respects receptive to the political demands of individuals and groups. Partisan elections allow people to align themselves with the political party that best represents their views and with an organization that empowers them to participate in campaigns.

Nongovernmental organizations represent a form of collective political action, while the local government electoral process enables both individual political behavior and collective action through parties or other campaign organizations. The social space in which they overlap is the field of contentious political action.

This is the place where wrangling occurs over political power arrangements, policy choices, structure of government, selection of policy makers, allocation of government resources, government regulation of the private sector, and the whole realm of political decision making. Local government elections give citizens direct entree to political action and decision making. As pressure groups or collaborators in social movements, NGOs broaden citizens' repertoire of political action, enabling them to directly engage political authorities through street protests, policy negotiation, and other forms of group action. An interesting example of contentious political action is an environmentally based social movement in Bulgaria that emerged in the 1980s and that served as the primary vehicle for political dissent. Following the demise of communism it became a partisan political force in electoral politics (Desai and Snaveley 1998).

#### 2.1.3. POLICY

NGOs are frequently praised for their innovative skills and willingness to experiment with new ways to deliver services. Unconstrained by bureaucratic administration or a profit motive, they are disposed to experiment, to try out new ideas, to initiate programs and services that are new and untried. Sometimes it is thought that as NGOs come in closer contact with government through contracting and grants, the NGOs will be forced to adopt a more rigid, bureaucratic form, thus losing their creative edge (Wuthnow 1991), or they will be forced to exhibit more market like behavior (Salamon 1994).

Nevertheless, NGOs have the potential to inform public policy through successful experimentation with service delivery. For example; a local NGO in Lima, Peru, called INCIDES, instigated a community approach to health planning and service delivery. Residents of the city's El Salvador district were organized to develop a unified health plan, which they then managed on their own. They obtained resources from the municipality and the state and from other NGOs, and coordinated the management of the health plan with these

institutions. The mayor of Lima and the state Ministry of Health endorsed the community health plan as a model to be followed in other districts of the city (Dawson 1992).

Local governments take on more responsibility for public policy development with decentralization and the strengthening of local government autonomy (Kaul 1997). As the state grants enlarged policy powers and fiscal authority, local officials have more direct influence on policy development (Goetz 1995; Reilly 1995). Enlarged power and authority normally mean much greater actual responsibility for policy planning and service delivery, and for raising revenues to fund local government programs and services. Local governments therefore become more independent actors in formulating public policy. Not only are local government authorities themselves more intimately involved in policy development, but community residents may also have greater opportunity to affect policy decisions.

There can be strong NGO-local government interaction at the policy formation stage. As we have noted, NGOs are capable of developing innovative program models that local policy makers endorse and promote through financial aid and integration into government service programs. NGOs can help stimulate policy dialogue, as did Partners-Hungary in one city where representatives of various community groups and public officials were brought together to discuss and reach agreement on changes in local tax laws (Palvolgyi and Herbai 1997). Local governments can respond more freely to these local initiatives if they have authority to make independent policy decisions. Elected policy makers will have reason to draw from the creative energies of NGOs and individual community residents, and they also will have reason to build up their in-house administrative capacity.

#### 2.1.3.1. POLICY IMPLEMENTATION

In the three-sector model of the economy, NGOs constitute a private-sector alternative to government service delivery and an alternative to supply of

services through for-profit businesses. Local governments, on the other hand, specialize in public-sector provision of collective goods such as public safety.

Strengths and weaknesses of each sector often lead to government and NGOs' collaboration in service delivery. In the interest of cost savings and effective policy implementation, government enters into contracts with NGOs to carry out services, or it offers subsidies and grants to them. The NGOs, for their part, seek out government funding so that they can fulfill their missions. The well-known welfare state thesis asserts that nongovernmental organizations grow in number and strength as state welfare policies expand (Salamon 1987; Gidron, Kramer, and Salamon 1992). This occurs through increased government reliance on NGOs to deliver services.

Local governments call upon NGOs to aid service delivery and policy implementation. In the United States, local governments' cooperation with community development corporations to build and maintain public housing is a familiar example (Wiewel and Weintraub 1990). Municipalities in Bulgaria are calling upon community environmental organizations to help enforce environmental protection laws (Kodjabashev 1995). Around the world NGOs collaborate with local governments to provide emergency shelters, soup kitchens, health care, counseling services, youth recreation, senior citizen services, etc.

Privatization of policy implementation and service delivery enhances community quality of life and benefits both local government and NGOs. Local governments avoid having to establish their own administrative structures and thereby perhaps save money, NGOs receive financial support that lends stability and increases their capacity to carry out their missions, and citizens benefit from quality and perhaps expanded services.

## 2.1.4. ECONOMY

### 2.1.4.1. MARKET ACTIVITIES

Nongovernmental organizations perform valuable, but often unrecognized, market functions. They are important to community and regional economic development. They function in the market principally as multipliers, as providers of amenities, and as suppliers of producer and consumer services (Snaveley and Beck 1994).

The multiplier effect occurs through NGO importation of income into a local economy through grants, contracts, or sales of services. The NGOs create jobs themselves and then spend money locally, which in turn helps to spur job creation. NGOs are of course instrumental in amenity creation—providing for museums, performance art, libraries, education, recreation, sports, and youth and senior services. Location decisions made by business people are often strongly affected by presence or absence of community amenities. Producer services are those services that private business depends on for its business activities. Among the producer services supplied by NGOs are job training, creation of a skilled workforce through education, and advancement of technology. Lastly, consumer services include those services that are provided by NGOs and purchased by consumers. These include health care, recreation, entertainment, cultural activities, education, housing and counseling services. In some instances, such as in health care, consumers are attracted from outside the community, thus bringing in additional income.

Local government affects the marketplace by working to create conditions that aid indigenous entrepreneurs and encourage business location decisions. Infrastructure development is of course one important function of local governments: roads, industrial parks, sewer and water lines, utility connections, and airports. Local governments may be able to offer incentives such as tax breaks, low interest loans, and venture capital. Regulation of business also has a profound effect on the marketplace. Local governments typically are charged

with applying restrictions on the use of land, ensuring that environmental standards are met, monitoring compliance with health standards, and approving or denying permits to open businesses. Through these actions local governments both encourage market activity and place restrictions on it.

Local governments and nongovernmental organizations, acting in concert, can promote economic development of the community and region. Amenity development need not be conducted by NGOs alone, but with the active encouragement and cooperation of local government. Investment in infrastructure and the offering of incentives such as low interest loans or relaxation of certain building and construction regulations can aid NGO development. Hospital and health services, housing and social/welfare services may particularly benefit from the infrastructure and incentive programs of local government. Working together, local governments and NGOs can positively affect market conditions that encourage private-sector business development, which also encourages nonprofit development that in itself directly contributes to economic development.

These social functions of NGOs and local governments provide a framework for NGO and local government interaction. Where simultaneously local governments obtain authority and responsibility for making and implementing public policies independent of the central state and the local NGO sector develops capacity to provide important community services and serves the independent expressive needs of community individuals and groups, the two sectors will produce complementary social functions that lead to significant, cooperative NGO-local government interactions, would be the fundamental proposition of this thesis. Some discussions flowing from this proposition should be made, like; (Snavey and Desai, 1998)

*Where NGOs sustain and help expand civil society and local governments offer citizens meaningful grassroots participatory opportunities, social capital is produced.*

Social capital, which implies perceptions of trust and community identity, can be difficult to measure. Since social capital is built through individuals' participation in group activities, one way to measure it is through documenting the number of community groups, commissions, committees, social clubs, recreation programs, faith-based institutions, and so forth that are present in a community. A detailed study would document the ways and for what purpose, they bring people together, which community residents participate and the impact of group efforts on community development. Surveys of community trust and identity, combined with data on respondents' group activities and socioeconomic status, would contribute to an understanding of social capital. Studies of specific NGO-local government interactions would also be useful. Where, for example, the two sectors combined to improve the health services of community residents, one could attempt to measure any changes in community identity among participants.

*Where NGOs serve as vehicles for social movements or pressure groups making demands of government and local governments offer competitive elections for public office, the two sectors help to forge political forces that engage each other in the field of contentious politics.*

Contentious politics is the milieu in which political leaders and political forces coming both from government and from the private sector contest each others' demands. This is a place of conflict and research would seek to identify strategies and tactics for expressing political demands. For instance, social movements—which demand major change in the political establishment—often make their influence felt through street demonstrations.

Government's presence could be observed through its decisions to suppress, tolerate or accommodate demonstrators and other protest activists and their demands. As Smith and Lipsky (1993) demonstrate, government encourages local activists to found citizen action organizations through its extensive contracting for delivery of social services. These activists "champion

privatization through voluntary organizations when they can emphasize grassroots politics, the potential for empowering disenfranchised people and welfare state expansion" (p. 213).

The field of contentious politics is a place where political conflicts can begin to be resolved. This might be witnessed through inclusion of previously unrepresented groups in the electoral and policy-making processes, acceptance of street demonstrations and other forms of political expression as legitimate, and changes in government policy in response to social movement and pressure group demands.

*Where NGOs develop the capacity to design innovative and experimental policies and programs and local governments obtain authority over local policy and program development, the two sectors will collaborate in the formation of public policies.*

How NGOs and local governments collaborate or fight to design public policies and programs should be investigated. Collaboration can occur through joint grant-writing efforts to seek funding from philanthropies or higher levels of government.

NGOs may secure formal representation on local government advisory boards, commissions, community forums, and policy committees. Local government officials often are found on NGO governing boards, or they participate in other ways in NGO activities. Thereby they influence NGO programmatic activities and bring back to local government information that can help guide decision making. The failure to collaborate and the conditions under which conflict instead of collaboration is likely would also be investigated.

*Where NGOs develop the capacity as a private sector provider of community services, and local government obtains the authority and resources to deliver public goods and services on its own initiative, the two sectors will collaborate in the delivery of services to the community.*

One obvious way to observe this interaction is through local government allocation of grants or subsidies to NGOs. This represents a form of privatization of public services. Local governments can aid NGOs by donating physical facilities, staff, and volunteers. Joint partnerships and formal collaborations can also occur, whereby NGOs and local government combine resources to deliver services. Case management in social services is a good example of this. NGOs and local government agencies sign formal agreements that specify how they will share information about the clients they jointly serve, that lay out procedures for referrals, and that outline the services each will provide to clients. Collaboration also takes place when NGOs and local governments join to carry out grant-funded projects.

Later, by indicating the implementations of BTC Regional Sustainable Development Program , the details of this collaboration will be presented.

*Where the NGO sector is of sufficient size to have multiplier effects on the local economy and supplies factors such as amenities and producer and consumer services, and where local government contributes such private-sector benefits as infrastructure improvements and business incentives and regulations, the two sectors will combine to improve conditions for local economic development.*

It is challenging to measure the direct effect of either sector on local economic development. Documentation of employment in each sector and of income produced is a starting place. NGOs bring income into the community, thereby stimulating job growth and income, through sale of services such as health care or recreation. It is important to measure such income and the effects it has on employment. Documentation of the amenities NGOs develop and the infrastructure investments and business incentives local government supplies is also important. The extent to which NGOs and local governments purposefully work together to promote economic development, through joint community planning efforts, cooperation in building community amenities, or local

government investment (tax investments, subsidies, grants) in entrepreneurial, income producing NGOs will also be an important investigation.

The implementations of BTC Regional Sustainable Development Program will inform and enhance formation of productive local government-NGO relationships.

The decentralization of authority to local governments and the growing capacity and stability of community-level nongovernmental organizations have the potential to boost the ability of community residents to control their lives and improve their communities. The local for-profit business sector is significant in fostering community development. It intervenes in the national and international economy to create conditions that are favorable for the broadening of economic choices at the community level (Brautigam 1997).

However, local government and nongovernmental organizations have a unique relationship as they share similar space in society. The above table depicts the two institutions as separate, but meeting at a particular point. In reality, the boundaries are less distinct. Organizationally, the institutions at times overlap, especially when there is substantial government funding of NGOs and when government influences the appointment of NGO governing boards. Within the realm of their functions there is overlap and invasion of each other's space. For instance, NGO pressure group behavior and the partisan/electoral activity that goes on in government are not always easy to separate.

This is why it is particularly important to explore the conditions that affect complementary behavior. Here we have two distinct social institutions that theoretically occupy their own unique social space and that have been formed to provide services that they are best suited for. Yet, instead of being complete opposites, they overlap in social functions, and under some conditions they collaborate and cooperate. Thus the process of local self-determination cannot be fully explained without an examination of both institutions—local government and nongovernmental organizations. By studying the corresponding social

functions of both local governments and NGOs, and examining the conditions under which they complement each other, we can gain a more complete understanding of community development.

In the last decade, multinational corporations including BP are faced with a multilevel business problem regarding their changing role and social responsibilities towards society which is forced by globalization and technological advancements. The traditional role of the business was to create wealth for their shareholders and to pay tax to the government. Multinational corporations followed laws and regulations and pursued their business. In other words “the business of business used to be business” (Friedman 1970). Governments were responsible for their citizens’ social civic and political rights. The environment and the expectations have changed and business had to follow to compete and to survive because the irresponsibility of corporations damaged their reputation as well as their financial success.

As a result, there is a growing debate and published criticism of the role and responsibilities of the corporations. The terms such as corporate social responsibility (CSR) and sustainable development became common terms of academic and business literature. There are several models and theories to explain the changing expectations of society towards the corporations. One of the initial models is the four part model of CSR (Carroll 1991). Later stakeholder theory defined stakeholders of the firm as “any group or individual who can affect or is affected by the achievement of the organizations” (Freeman, 1984). The network model stakeholder theory describes the relationship between sets of stakeholders around the corporation (Rowley 1997). Corporate citizenship (CC) is the current term used to express the role of the corporation in society.

The extended view of corporate citizenship includes the political role of the corporation in society to administer the individual citizenship rights provided by the governments. The concept of sustainability includes environmental issues as well as economic and social ones (Elkington 1999) and it is defined as the

development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on environment and Development 1987 cited Crane and Matten 2004). Stakeholder democracy proposes that stakeholders participate in processes of organizing, decision making and governance in corporations (Crane and Matten 2005).

In addition, in the last decade, the relationship between business and NGOs range from the strongly antagonistic to the “strangely” collaborative (Bendell 1998). The growth of such strategic partnership is explained by the globalization which suggests the decline in the role of the nation state, the importance of reputation and brand image and the development of telecommunication and information technology.

#### 2.1.5. FUNDING OF NGOS

Donor funds are the lifeline of NGOs in developing countries. It is a fact that if there were not many donor funds available from developed nations, there would not really be so many organizations, as we see today. The NGOs have mushroomed more out of the supply of aid than out of the demand for more work with the community. Nevertheless, it is also a fact that these donor funds have tremendous limitations and restrictions that sometimes challenge the very ideals of social work. NGOs have known to implement projects based on certain conditions imposed by the donors. Often these conditions could prove unfavorable to the kind of the developmental activities that really need to be implemented for the welfare of the community. But when choices are few, NGOs really cannot refuse this reality. Besides this, we also know that funding resources from foreign donors are not sustainable. They are there now, but then they can just disappear next day without any warranty and they can just reappear back again. Therefore, it is high time that organizations started to think beyond just donor funds. We are not trying to make a point that we need to stop depending upon external funding, but we really feel it is time that NGOs started

becoming creative to overcome the challenges posed by conventional sources of funding in order to be more sustainable and effective in their approaches towards the development of their communities.

In this context, it will be a good idea for NGOs to analyze the various advantages and disadvantages of the different funding sources received by them. For example, there may be funding received by an NGO from the Europe Aid. The advantage of this funding is that it is substantial and can enhance the quality of services, but the disadvantage can be that it is mostly available for small period of time like one year to 18 months to 30 months that can limit the scale of intervention. Similarly, the member contributions are also a source of income, but their advantages and disadvantages can also be listed like being sustainable but small in terms of value.

Before we try to understand what different types of alternative resources are available for NGOs, we need to reflect a bit for what purposes do we need resources at the first place. Actually, we need funding to implement projects that would lead to the development of the communities. Determination of these projects as to what they should address and how they should be implemented mostly depends upon case-to-case. But overall, these projects conceptualized by different stakeholders need to be implemented and these have arisen out of some need felt by the organization, donor and the community. The management of the project also requires funding because there will be some human resources involved to give a direction to the project and these human resources need to be sustained which can be done by paying through the resources raised for the project. To manage these human resources, there is also need for some money so that the administration is institutionalized and professionalism is induced. Growing competition in the civil society also requires tremendous competency in presentation and management, which also consume considerable resources. Moreover, publicity and documentation for organizational advancements also need to be carried out. These areas also

have to be adequately funded for its future growth. There are also various contingency needs of the community and it may expect the NGO to fulfill even though if there is no real donor fund available for it. This could also require some corpus of funds so that NGOs can optimize them for various unexpected needs. Let us examine the various sources of funding available for NGOs both at the conventional as well as non-conventional level. Conventional sources are those that are mostly existing and donor –based and non-conventional sources of funding are those that also include alternative fundraising for organizations. The bilateral and multilateral aid is one of the biggest sources of funding we have seen over the past fifty and more years. These originate either from the foreign offices of the developed countries or from the multilateral organizations set up by different countries such as the United Nations, the World Bank, the Asian Development Bank. These organizations have been created to extend international support for alleviating poverty and reducing the socio-economic gap between the developed and the developing countries. But their agendas are far more complex and they are not necessarily focused upon injecting funds into NGOs, but definitely a small part of their massive programs does include funding support for NGOs in developing countries. The second important source of funding is the private charities/foundations/international organizations that are more privately handled and have a better focus on equipping local NGOs not just financially but also technically. In countries where there is some economic growth recorded with a presence of a wealthy private sector, NGOs can also look upon the corporate agencies as another major source of funding for them. There are also international corporate groups that have Corporate Social Responsibility (CSR) agenda for enhancing equity, social justice and development. Besides, in the present times, the corporate agencies are also partnering with NGOs for joint profit-oriented projects. In some countries, the local governments are also a major source of funding as they have different community welfare and development schemes which NGOs can apply and raise

resources and implement projects. Donations and gifts, mostly from individuals or informal groups are also sources of funding for NGOs. Finally, the non-conventional resources include the micro-enterprises, microfinance and micro-insurance.

Most of the NGOs in most of the developing countries are now aware what unsustainable funding support is. Every organization, small or big, at one point of time or another has encountered the problem of unsustainable funds. The over-dependence of NGOs on foreign funding has been the biggest factor for un-sustainability. The foreign funding and donations are determined by certain factors that are beyond the control of the NGOs. The twenty-first century has witnessed some unprecedented challenges like the September 11 attack on World Trade Center, the War against Terrorism and the global recession, which have subsequently affected the flow of funds from the North to South. Suddenly, now the international foundations have withdrawn and bilateral agencies have revived their policies of development assistance, as a result of which there is a huge funding gap. The NGOs have suddenly found themselves vulnerable because of these global events.

Foreign funding to NGOs has been one of the most controversial issues for governments in many countries. Often the governments try to introduce new policies to scan and restrict these funds to the detriment of the very survival of the NGOs. But governments are not the only obstacle between NGOs and foreign assistance. There are also activists and other types of organizations continuously opposing foreign aid for a variety of reasons. Foreign aid is mostly determined by trade and international relations, so often the donors do not really consider the developmental factors while giving out funds to NGOs. Also, the foreign aid policies of many developed countries are contentious. For every dollar spent for developmental support, the developed countries ensure that at least 40% of it returns back through international volunteering and consultancy, which actually means only 60% of the total funds reach organizations. Foreign

funding has also been the source of corruption at both the governmental as well as the non-governmental level. Also, it has been observed that increasing presence of foreign-supported organizations fail to mobilize local support for their initiatives. There is less and less of local resource mobilization practices. Also, foreign support contradicts the self-reliance concepts. The more foreign assistance reaches the NGO, they become less dependent on themselves for sustaining their work.

If NGOs start thinking about lessening their expectations from foreign donor support, their first question would likely be, "Then, what is the alternative?"

Of course, there are alternatives. NGOs can exist without foreign donor support. But this kind of existence not only means sacrifice, but also some creativity and effort involved in the way of doing the work. NGOs can always welcome foreign aid, but should avoid depending upon it all the time. Alternatively, they can seek non-conventional ways of mobilizing resources like becoming more service-oriented and looking upon the communities as potential clients who can pay for the services received. In this manner, the situation can be sustainable from both the sides. Also, NGOs can access local resources through individuals, institutions, businesses and even governments for supporting their programs. This may not be an easy job, but it is still more sustainable than remaining over-dependent upon foreign donors. The other area of local support that NGOs can think of is also mobilizing youth volunteers, who can considerably contribute to development services.

If carefully planned and managed, NGOs can benefit tremendously from the non-financial resources. But what are the non-financial resources? They are many. There is volunteer time, first of all. If NGOs look around, there will be many supporters who are ready to keenly provide their services. They can be sought among friends and other known people. Students who wish to gain some valuable experience can be involved in volunteer service. Volunteer skilled service may also be required by NGOs. For example, if the organization is

implementing a health project, it can seek the support of a medical doctor for a certain number of hours in a day. Organizations can also visit other offices and businesses for getting goods and material donated to them. There could be old computers, books, office furniture etc, which can be used by the NGOs.

Businesses run by NGOs are part of the non-conventional funding sources for NGOs themselves. The first and the foremost question about NGOs running businesses is that whether it is ethical to do so since they have been emerged from the spirit of nonprofit-ism. If nonprofits become profit-oriented, then the very basic values are challenged. In this context, one should note that organizations also have their own expenses. Usually, small and medium-sized organizations are not supported by any internal corpus and in some cases; they begin operating with zero amounts. And when they get funds from donors, they operate until the funding remains and then they again face the same question of un-sustainability. Therefore, one should look upon the profit ventures as the only option for survival. Because, if people start arguing against it, then they may not be in the field for long. NGOs have undertaken businesses and they have found enormous success in many parts of the developing world. There are also new kinds of services that have been recognized the world over as the new tools for sustainable development and the examples have proved it. Microfinance is just one of them that has not only converted NGOs into profit-making companies, but also reduced the dependence on external donor funding. NGOs can operate businesses initially and some profit is acceptable even legally in most countries. However, if the NGOs start making excessive profits out of their services, it is only then that other people may start questioning. But at such times, organizations have grown to such an extent that they can form a separate company for covering these activities and this company can fund the NGO's developmental interventions as a corporate social responsibility.

NGOs need to be more professional when they are managing businesses. The idea of cost recovery is critical for this. While operating donor-funded projects,

this may not really be of much concern for organizations, but while they are investing financial and human resources into a project so that businesses are operated for the benefits of the community and also for the sustainability of the organizations, the first thing they need to think about is covering the costs incurred by the organizations.

Some of the examples for undertaking profitable business ventures could include microfinance projects where NGOs can directly lend money to the community members and earn profits out of the interest rates charged to them; NGOs can also partner with local banks for raising capital to provide loans to the community members and in return, both banks and NGOs are able to share profits through the interests charged. It is important that the interests fixed are in line with the local situation. It will be highly impractical if the rate of interest is high and the poor community is unable to repay the loans. The other form of business could be community-based tourism if the NGOs and their communities are based in a strategic location. The resources available can be optimized for the sustainability of both the NGO as well as the community. Micro enterprises and micro-insurance are other potential forms of business for organizations.

## **CHAPTER 3**

### **METHODOLOGY**

This thesis assesses the design, implementation and results of the CIP and RSDP, in order to determine its relevance, efficiency, effectiveness, impact and sustainability in the context of its stated aim. To this end, and in accordance with the strategy discussed with the CIP team, the mission has:

- Reviewed relevant documentation made available by BTC and the IPs
- Interviewed both government and other development actors in Turkey
- Interviewed contracted Implementing Partners
- Visited an IP-selected sample of beneficiary villages and interviewed beneficiaries, visiting ten provinces.

#### **3.1. DESIGN AND RELEVANCE**

This section contains a brief description of the planning and design phase, together with an assessment of the assumptions made and of the coherence and realism of the project design.

The documentary review and discussions with CIP and IP staff enabled it to elaborate the program's goal, purpose and outputs. As a result, it is identified that the goal to be the sustainable human development of the poorest communities within the four kilometer corridor of the pipeline in Lots A and B. The project purpose is the long-term development of communities in the pipeline corridor through long term development initiatives and capacity development and immediate infrastructure improvement projects. Envisaged outputs are

improved target group incomes through better animal husbandry, greater community self-confidence, and increased self-reliance.

It is widely recognized that achieving sustainable human development is a long-term activity and not one achievable within a normal project timeframe (3/4 years). Thus, it is believed that the goal should be to make a recognizable contribution to the sustainable human development of the poorest communities within the four kilometer corridor of the pipeline in Lots A and B. In its turn, the project's purpose will be to make an identifiable contribution to the long-term development of communities in the pipeline corridor.

Documentary review, supplemented by field visits revealed that the principal economic activity in the project area is agriculture based, and mainly focused on livestock. The socio-cultural context is characterized by social conservatism and risk aversion.

In the light of the foregoing understanding, I believe that the CIP is an appropriate outline response to the sustainable development challenges confronting the project area. It should be noted that the availability of an overall log frame would have facilitated overall programme management, not least because indicators against which progress could be assessed would have been available.

### 3.2. EFFICIENCY

This section looks at the efficiency with which the activities have been undertaken in order to yield the project results. The following factors which affect efficiency are assessed: means, costs and cost effectiveness; organization, management and monitoring; intervention methods; and monitoring and evaluation.

### 3.3. PROGRAM MANAGEMENT

BTC has deployed a small team to oversee programme implementation. In essence, CIP responsibilities are only part of the team's responsibilities, which include oversight of environmental and social mitigation measures required in line with IBRD-group Operational Procedures and Directives.

Nonetheless, it was observed that a tendency to micro-management in response to challenges in project implementation experienced by some IPs from time to time. This undermines the RFP approach in terms of which implementation is the responsibility of contractors with CIP staff responsible for programme oversight. The tendency to micro-management is compounded by BTC-introduced changes to reporting frameworks as well as the extent of monitoring and project oversight that IPs experience.

The project also appears to be over-reported with monthly, quarterly and annual reporting, as well as case studies. According to information from IPs, field staff currently spend about one week a month preparing project progress reports, arguably time that could be better spent in the field. Most donors find quarterly reports accompanied by budgetary planning for the next quarter an appropriate vehicle for vertical accountability. Properly structured, quarterly reports account for expenditure, identify additional resources mobilized including estimates of the value of voluntary contribution, and report project progress. At the same time, it also allowing scope to report impact (e.g. the number of jobs created, production and income earned through project activities).

It is acknowledged that identifying the correct degree of monitoring and oversight is always challenging, not least because of the capacity development purpose of the CIP. Thus it is clearly desirable to provide IPs with advice and assistance where this is necessary; at the same time, however, it is important to ensure that an appropriate balance that allows experience-based learning and organizational development is established.

### 3.3.1. HEALTH AND SAFETY PROCEDURES

BTC health and safety procedures require, *inter alia*, no night time driving. Regardless of the desirability on safety grounds, the reality is that community driven development can only be pursued effectively if project implementers have access to community members when they are most available. In agricultural communities, this tends to be after dark since farmers' and their families' workloads are time sensitive.

The procedures are also problematic for organizations seeking to pursue a ring-based artificial insemination strategy. Since cows enter heat without regard to the time of day and the chance of successful insemination is increased by its timeliness, the ban on night-time driving impacts directly on income generation. In practice, the rules are honored more in their breach than anything adherence to them. IPs routinely travel at night, returning from community meetings and the provision of other services. Indeed, were this not the case, much of the progress towards the project's purpose discussed subsequently could not have been achieved.

BTC should review the policy and resulting contractual obligations that affect IPs so as to establish the conditions to maximize efficiency.

### 3.4. EFFECTIVENESS

This section assesses the extent to which the project's outputs have contributed towards meeting the project purpose.

The project's outputs are

- a. improved target group incomes through better animal husbandry and agriculture,
- b. greater community self-confidence and increased self-reliance and
- c. Infrastructure improvement.

These are expected to contribute to long-term development initiatives and capacity development.

Overall, I believe that the project-supported income-generating activities have made a contribution to improving the incomes of the target groups in the four kilometer pipeline corridor. In reality, however, much of this is still potential benefit: livestock-based income premiums, for example, will not be realized for another year when animals are yearlings; similarly, while there have been income benefits from bee keeping, fruit culture, and the seed exchange program, these have as yet been limited. At the same time, I believe that the potential is considerable not least because of clear evidence of increased demand for direct income generating activities and those (such as vaccinations) that contribute to improved animal wellbeing.

Much of the project's focus on capacity development has addressed increases in individual self-confidence and skills. Thus, the training programs have increased skills in areas such as animal husbandry while also increasing understanding of health and nutrition issues. In two provinces the project has emphasized organizational development, focusing on CBOs and cooperatives. At present stage, both sets of institutions remain in the early stages of organizational development, limiting their current contribution to project effectiveness. Notwithstanding the recognized need for further institutional development support of both CBOs and cooperatives, I believe that they could emerge as important contributors to effectiveness.

Infrastructure development has been pursued through low-cost Quick Impact Projects (QIPs), which are meant to reflect community priorities. In the main, I believe that this is the case although there are instances where QIPs may not represent the community's first priority. For most IPs, QIPs have been activities to be delivered to communities, a means of demonstrating that the IP will live up to its promises; by contrast, SURKAL has sought to use QIPs as a community mobilization tool and a reason for the community to organize itself. These

differing realities reflect the different approaches pursued by the IPs; whereas SÜRKAL and PAR are service-oriented organizations, PAR's process-based approach sees project activities as the vehicle through which community mobilization and organization is achieved.

In general, therefore, I believe that the outputs of the individual project components have proved an effective contribution to the achievement of overall project purpose.

### 3.5. IMPACT AND SUSTAINABILITY

This section assesses to what extent the project purpose has contributed towards the overall objectives of the intervention. Efforts to assess impact and sustainability are problematic at this point in time, not least because community development is a process, the effect of which has to be pursued over an extended period.

At the outset, it is necessary to state clearly that the relative lack of project activities in Erzurum province makes it impossible to assess either impact or sustainability in this area.

I believe that the project is on track to achieve the identified purpose. There is substantial evidence of multipliers – increased demand for artificial insemination, vaccinations, bee hives, fruit trees, seed etc – as well as clear evidence of empowerment of individuals and, in two project areas, women and girls.

At the same time, it should be noted that impact achieved to date has been limited and remains subject to external influences (e.g. if the increased cross-bred calf size leads to an increase in cows' mortality), take up of project services could fall off sharply. Similarly, the socially conservative environment in the project area might contribute to a male-led backlash against empowered village women and girls seeking access to greater individual and group opportunities.

An assessment is now made regarding the sustainability of the project activities and results. Particular reference is made to the impact of the project on the

sustainability of the IPs, policy support measures, economic and financial sustainability, socio-cultural embedding, appropriate technology and institutional and management capacity. I have already noted that attempts to assess sustainability at this point in time are problematic, at best, and overly optimistic at worst. However, a number of relevant observations still can, and should, be made.

I believe that provided that levels of success similar to those already achieved continue to be attained, the project is on track to achieve sustainability. This potential is more advanced in some provinces than others, influencing factors including the incorporation of private sector provision, the strength of new organizations and their relationship with existing structures, and the degree of sustained investment in ongoing institutional strengthening.

### 3.6. ECONOMIC AND SOCIO CULTURAL DEVELOPMENT

Other than the issues discussed CIP activities in the region proved to be successfully implemented to a large extent, as discussed above. The business value of CIP lies in the foundations of the relationship of BTC with the local population. BTC takes the role of private sector one step forward and takes responsibility and action towards the development of its area of activity. Income generating activities created employment and launched small enterprises. Local resources have been mobilized and the villagers were trained to utilize these resources in an efficient and effective way. Standards of living have improved. Cooperatives are formed and supported through capacity building trainings for better management. It has not only encouraged people to participate in decision-making processes but also increased the flow of funds to the region from government and international organizations through project proposals. Gender-sensitivity of all projects has empowered the capabilities of women in the region and thus included them in the economic life. During the implementation of these activities, sustainability has been one of the core criteria and the local

populations are especially encouraged into organic production and sustainable methods of production. The “enabling environment” and investment in “capital assets” of the population are important triggering factors for the development of rural livelihoods.

### 3.7. DEVELOPMENT OF RELATIONS WITH RECIPIENTS

Despite certain problems in the early years of CIP, on the whole, rather than being an “external” pipeline project, BTC followed a more participatory approach through CIP, and has earned some degree of trust of the locals, which is reflected in the “ownership” discourse. Other than the activities, the sole existence of a civil society component, i.e. the IPs, is important. It gave a “face” to the undertaker of the project, rather than a logo of a large corporate. Considering the large geographical area that BTC pipeline covers, CIP has proved to be an effective tool to create a positive relationship with the villagers. BTC has directly contacted these populations via IPs, aiming to avoid misperceptions, and has demonstrated its plans and intentions in the region directly. Although there still are some court cases or accusations largely in relation to BOTAS, without CIP, it is possible that the number of cases against BTC would have increased. Today, these cases are rare, and the number avoided of legal conflicts is another value-added of CIP.

### 3.8. BACKGROUND

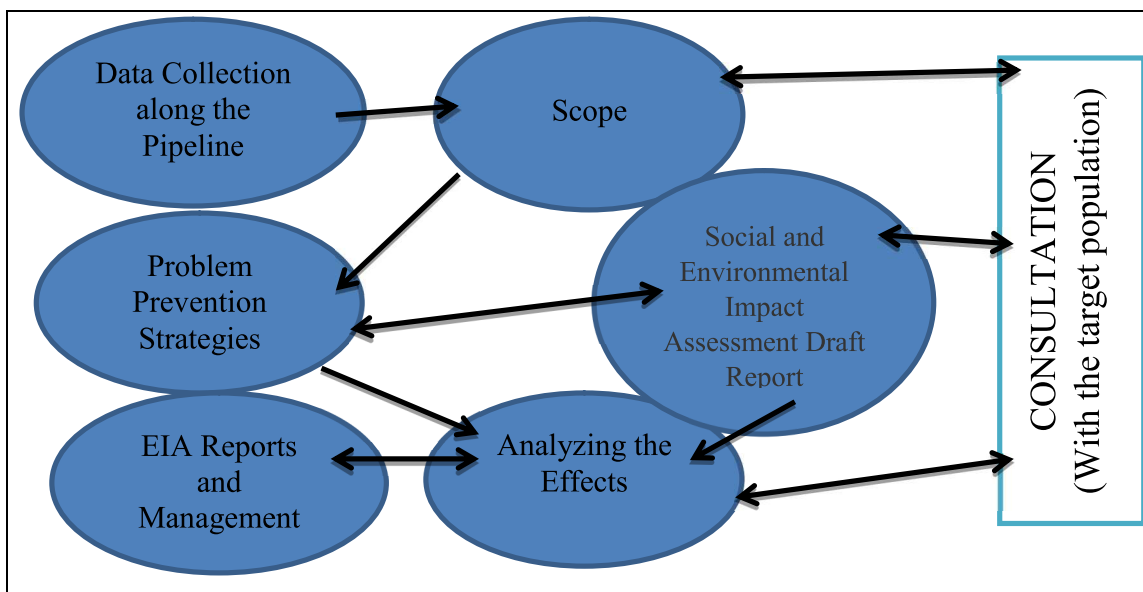
Baku – Tbilisi – Ceyhan (BTC) Crude Oil Pipeline is a pipeline which has been established in order to be reached to world market from Ceyhan Marine Terminal (CMT), piping Azeri Petroleum from Georgia and Turkey. BTC Company has been established in 2001 in order to put this pipeline project into practice and responsible for construction and operation of the pipeline. BTC Pipeline, whose total length from Hazar to Mediterranean is 1766km, gets through an attractive geography with human, nature and culture proceeding

1076 km in Turkey. While it is proceeding in such attractive geography, being protected and developed the natural environment of the pipeline, and provided to be developed the communities in near settlements are an inseparable part of operated activities as an important investor institution in the regions. This approach for BTC Co. is result of being a respectful company for nature and human and understanding of corporate social responsibility. It is developed and practiced additional investment programs in order to contribute “sustainable social development” out of way BTC as well as being taken the required care to natural and social environment, being piped securely the crude oil. Community Investment Program (CIP), is one of the additional investment program of BTC, has been developed to contribute sustainable development for settlements near the pipeline route. CIP contributes reinforcement and development of rural organization in order to leave sustainable impressions and create new earning sources, being developed and enhanced activities aimed at sources of income practiced in 330 villages in ten provinces along the BTC Pipeline.

Another additional investment program is Regional Development Initiative (RDI). RDI intends to contribute the development in good management fields with development of business and micro-prices based on partnerships and collaborations. RDI contributes to be developed employment by means of vocational training as well as technical and financial support for SMEs and entrepreneur with its funds on the way of pipeline.

The projects which are supported within CIP being operated integrally and continually, starting from 2003 and being contributed for sustainable development has been come to end as 20 June 2012. But, BTC Co. has made a decision to maintain the supports for sustainable development according to corporate social responsibility. Management effectiveness, enterprise and SME supports as well as rural development projects will be continue between 2012 and 2016. In this context and Regional Development Initiative which is follow-up of CIP, intends to maintain contributing sustainable development of settlements.

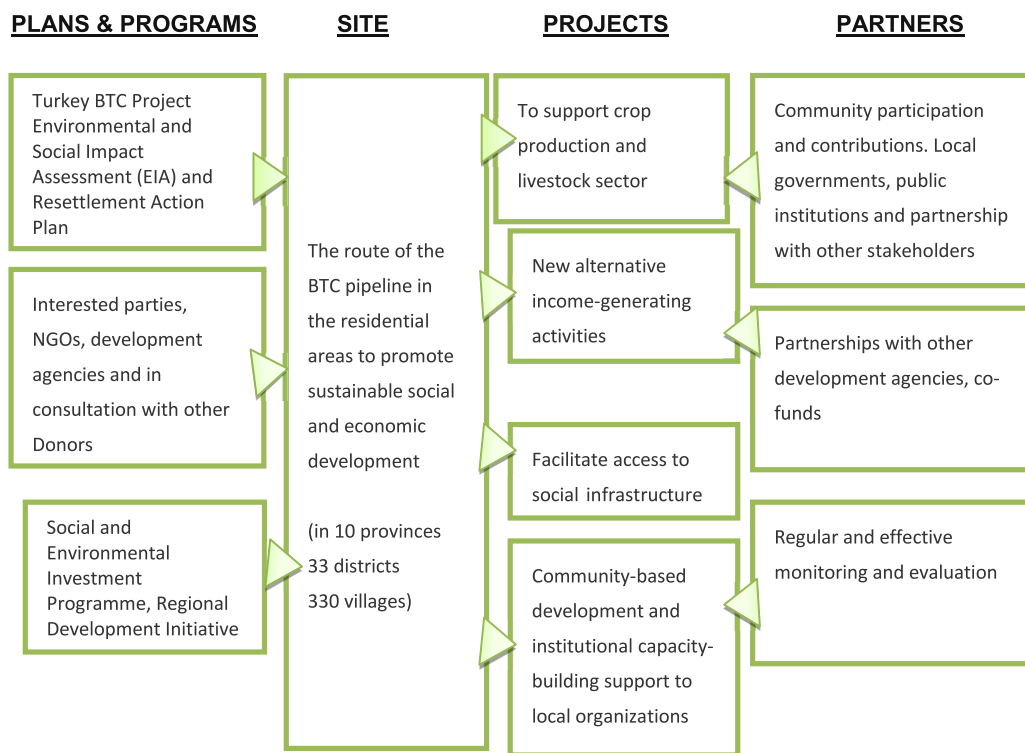
While CIP intends to provide sustainable development of settlements, it also intends to develop capacity of local organizations and personal entrepreneur. A corporate social responsibility practice, becoming widespread gradually, requires sustainability and concordantly additional investment in main works for large investors who has signed national and global contracts. BTC Co., which works according to international standards in health, safety and environment, intends to contribute as an active role in social development, extending across to provide sustainability in the main activities of CIP. In the development period of CIP, it is carried out a wide range of socio-economic impact analysis study in the settlements on way of the pipeline in 2001 and 2002. The main strategy of CIP has been prepared by getting the opinions the relevant non-governmental organizations, universities and public institutions.



**Figure 3 Social and Environmental Impact Assessment (EIA) in BTC**

After CIP's basic principle and strategy has been developed in 2003 and 2004, request proposals have been presented. At the end of request proposals, selected and applied projects comprise the first phase of CIP. The first phase, it is operated parallel to construction activities of BTC pipeline construction period.

This phase has been started in a hard period. To determine the long-termed rural development projects in far villages and provide to develop these carry with both social and corporate difficulties. But, after requests for proposals in 2003 and 2004 years, the most appropriate and having a high change to be successful applications had been determined which will be applied in 10 provinces on which will pass pipeline among many applications by a commission which has been comprised of attending international development organizations and Public Institutions projects has been developed and operated by academic bodies and consultancy companies, Non-Governmental Organizations of Turkey, being referred to as “implementing partner”.



**Figure 4 General Framework for Community Development Initiative**

CIP, which is referred to as each sustainable rural development project and include project villages in 10 provinces along the BTC pipeline, includes

generally one each “the whole comprehensive development studies” although it shows some small differences and follow different approaches pursuant to periodic priorities. CIP had performed studies related to different extents of compatible social development in order to increase standard of living and income in place applied. To be developed sustainable basic economic activities depended on climate, topography, natural sources and social- cultural structure of project region comprises of priority starting point of CIP. To be enhanced the main sources of income in geography from Ardahan to Adana in this principle basic, has comprised main axis of programs. It is possible that basic study field of projects, which had been operated with each social development program, collect under 5 different topics:

- a) Small scale infrastructure projects related to common use referred as to quick impact projects
- b) Enhancement of main sources of income projects based on plant and animal production
- c) Creation of the alternative income sources projects benefited from existing potential
- d) Institutional / organizational capacity development, enforcement of local organizations
- e) Personal capacity development projects which increase technical, social knowledge and skills.

### 3.8.1. QUICK IMPACT PROJECTS

When rural development projects have been started in villages, it has been doubtful about this stranger team of pipeline who are doing something to them. But, when it has been analyzed magnificently by “implementing partners” what urgent needs are (having good potable water, completing the uncompleted trainings etc.), this doubt will disappeared. Therefore, BTC Co. has approved to start with low-priced infrastructure projects which satisfy urgent social needs

such as to contribute to be strengthened mutual trust, increasing the participation and attention for program, not be at the top of agenda of damages related to construction of pipeline. These projects include to be built or enhanced facilities and places related to common use as to built or repair of schools, village chambers, Health Care Centers, potable and domestic water systems, small-scaled irrigation systems, animal potable water systems etc. BTC Co.'s purpose has made effort to show itself as cute to develop projects, which effect immediately, to local settlements, local institutions and organizations. There were nearly 500 infrastructure projects completed during this period, a great majority of potable-domestic and animal potable water with % 70 rate throughout pipeline. These projects, which has been implemented almost all villages, are works related to being met the needs which are determined collectively by villagers, local institutions and organizations. BTC Co has approved to operate these projects within partnership and ownership principles. In this regard, BTC Co. has known that it may not actualize the projects not being in-kind and pecuniary contribution of villagers, local institutions and local governments. The mentioned projects must be made by governments but due to lack of budget they have not been done. For example; Tülay Baydar, sub-governor of Köprüköy District of Erzurum, had stated that she informed Erzurum Special Provincial Administration about the bad conditions of sewage system of her district and requested repair and enhancement of it again and again. But she has been explained about the lack of budget, and within investment program of Special Provincial Administration, Köprüköy's sewage system will be in 10 years program. After she learned CIP of BTC Project, she requested the enhancement of sewage system from Erzurum University, the implementing partner of BTC in Erzurum. Atatürk University prepared a project and the project had been started. 20 % sewage pipes were bought from the Sub-Governors' budget, 80 % of them bought by CIP budget and pipe laying activity had been done by people living in district with in-kind contribution. She also stated that the residents owned the project and

prevented the damages to new sewage system.

It has been supported to be established small-scaled substructure projects in order to be established Business Firms belonged to local organizations and income-generating works like raw material storages, agricultural machine park, cold storage, milk collecting center, cooperative building, such as to provide sustainability of implemented projects in the upcoming years of CIP.

### 3.8.2. ENHANCEMENT OF MAIN SOURCES OF INCOME PROJECTS BASED ON PLANT AND ANIMAL PRODUCTION

Basic feature of agricultural sector in our country is to be operated with plant and animal production. The villages along the pipeline comprise of poor villages that do not benefit sufficiently from various development services. Main sources of income in these villages are based animal and plant production made in traditional methods in small parcels. Heavy and unconscious used of natural resources like pasturelands, grasslands and feeding grounds giving damage to natural resources and their incomes in time. For example; industrial crop production based on irrigated farming is limited during pipeline area. Irrigation union includes in a limited number of village like Adana, Osmaniye and Erzurum Plain. It is intended to be increased the income and decreased income loss in consequence of yield and product increasing, being concentrated on using of income increasing methods and techniques in this sector, considering this existing structure of agricultural production. In this context, it has been made effort to be generalized the organic and good farming practices, convenient fertilizer usage, soil analysis, practical on the job training activities which includes to be raised awareness for producers about appropriate methods and techniques.

It has been dealt quality and fertility increasing training of production efficiency for animal breeding and technical support with integrated approach. In

this context, it is attempted to be operated preventive veterinary services, eugenics with artificial insemination, and vaccination against illness, decreasing quality forage plant breeding, silage making and shelter improvement works by means of supportive to each other. During these studies, it is noted to be created ownership awareness and provide in-kind and cash contribution of local residents for these projects. For example; Provincial Directorate of Agriculture of Ardahan has carried out these artificial insemination and animal breeding activities in 3 districts due to the fact that the pipeline passes through 3 districts in Ardahan. Employees in Provincial Directorate of Agriculture has defended firstly that these projects is not necessary and delayed the approval process. But, after the seeing implemented project's impacts are taken in a short time and it is seen that its efficiency is got, this project has been implemented by them in all the districts of Ardahan Province.

### 3.8.3. CREATION OF THE ALTERNATIVE INCOME SOURCES PROJECTS BENEFITED FROM EXISTING POTENTIAL

After the required test and pilot schemes have been made, presentation and generalization of activities, which have a high fair chance and new income-generating, have become an important part of effort of alternative income resources creation of CIP. It has been made greenhouse vegetable production, green housing, strawberry, fruit growing, living flower, seedling growing, organic production and good farming practices in almost all CIP project fields. It has been supported to enterprise of producer income increasing by means of facilitation the national and local market access of products, providing added value for agricultural production. It has been provided financial supports like needed business capital, equipment, vehicles as well as technical supports like feasibility, marketing, preparing agreement. It has been supported the milk collecting and selling, fruit processing, product storage and cold storage, making hive and baked product production workshop. During debates with local

residents, I have met an interesting story which shows ownership and participation of local resident and institutions to the projects. In 1990s, Provincial Directorate of Agriculture's officers have determined that yield of plain in Pasinler District of Erzurum is not used sufficiently, have given to them sunflower seed for oil, explain how fertilized they will be manufactured, provided to sell the products, which they correlated with industry facilities and bought, with maximum profit. The following year, the same officials have come and want to control the fields of the same villagers, but they were surprised that the fields were not seeded. When they have investigated the essence of the truth, the answer is very interesting. Villagers have thought that seeds would be given them in that year again like the past year; they have not saved the sunflower seed for oil from the last year's crop and left empty the fields. From this example, the ownerships of the projects and importance to be strengthened capacity of local institutions as well as local residents have been very important.

#### 3.8.4. INSTITUTIONAL/ORGANIZATIONAL CAPACITY DEVELOPMENT, ENFORCEMENT OF LOCAL ORGANIZATIONS

One of the important means to be provided the permanence and sustainability of impacts of a range of development project operated is comprised community-based organizations. CIP had given directly administrative and financial support to be established the woman cooperatives and producer unions, village development unions, as well as multi-purpose agricultural development cooperative in all project regions. To be active pursuant to establishing purposes being resolving the financial, administrative-bureaucratic problems included any non-operating cooperative as well as being established the new organizations had been one of the core activities. Over 50 new organizations have been established with the support of the CIP activities. During 9 years project, interoperated organization number has been 133. Although a range of support had been given, cooperatives which don't active sufficiently, had been broken connections and some of them, some of woman cooperative, have been

supported during the closed progress. It had been given collective training on the subject of record keeping, pre-accountancy, partner or member relationships, legal obligations, transparency and participation increasing, making annual working plan and budget preparation, project preparation, developing middle-term working plan (determined a vision). It has been operated one to one on the job practical training, technical visit studies. Technical visits which has been arranged to successful cooperatives, has been an effective mean of mutual learning and experiment sharing. Field forces of implementing partners featured corporate capacity development in every phase, and provide the required technical support in every activity of strategic importance like new fund sources access, preparing the agreement, selling and marketing, contact with needed shareholders of local organizations (cooperative, union, association). Local organizations which has been stated ten of its numbers in developing phase, has reached to provide itself technical, administrative and financial sustainability.

#### **3.8.5. PERSONAL CAPACITY DEVELOPMENT PROJECTS WHICH INCREASE TECHNICAL, SOCIAL KNOWLEDGE AND SKILLS**

The most important components of CIP projects comprise of training and capacity development studies such as to be support and compatible for all other studies. On the job practical and planned technical trainings which has been made within income-generating activity, comprise the whole of “achievable” effort generally. A range of training studies have been operated in the direction of producer income increasing main purpose, being increasing the efficiency and production in economic activity which comprise the main resource of income. The planned training has been operated, which has been used appropriate methods and means in various field, from animal breeding with appropriate ration, seedling growing, product harvest or milking techniques or care- pruning, product storage, good agricultural techniques training, to vaccinating. It has been arranged social progress activities for young people and children like

nourishment training, food hygiene, maternal and child health, dental health screening- training, personal health and cleaning, conserve-pickling for women. In this field, the person number, who participated training studies which gains technical-social skill or technical information transfer given since it started, has already exceed hundred thousands. (Because of being participated the same person the training about various subject, it includes repetitions).

The other aspect of the personal capacity development works comprises “open learning” supports which includes providing attendance opportunity to formal education of young girls and women. Expenses like the required tuition, book and transportation fees for exams have been cover by project funds in order to continue the young girls open learning, who have not completed or haven a break to their education because of various impossibilities. About 750 people have been given open learning supports about provinces piping the pipeline and Erzurum.

The other aspect of technical and social knowledge acquisition comprises vocational educations. Various vocational education courses have been arranged for young boy and women based on collaboration of the related public institution and ISKUR, Directorate of Public Education. It has been arranged certified learning in the fields of lifeguards, handcrafts, seedling growing, beekeeping, first aid, basic computer usage, caterpillar operator, heating and natural gas installation, welding, beauty consultant, hairdresser, textile-ready wear. In consequence of being arranged education programs, the acquired certificates has given change the younger find works and work with social security, some trainee has established own workplaces with certificated owned.

While BTC Co is implementing the programs in this extent, it has reached two purposes as well as to be increased local capacity. The first one is that it has provided the labor force which it may get worked within it, providing to be increased the semi-qualified and qualified employment in region under favor of educations and certificates given. On the other hand, it provides local products

which will be used in aboveground facilities as cheap and local pursuant to standards under favor of trained persons

### 3.9. EXIT STRATEGY OF THE PROJECTS

BTC Pipeline construction, which is one of the most extensive energy projects performed in Turkey, has been completed in the short time before planned time and started Azeri Petroleum has been transferred the world markets from Ceyhan Marine Terminal, being opened to operate in June 2006. A new social development enterprise strategy, which includes outgoing with experiments acquired from performed projects in construction period, has been developed.

The works has been collected in two basics in 2006 and later;

- 1) Concentrating activities for selling-marketing, scale-up in production, establishment and development of business in order to provide sustainability of income-generating activities,
- 2) Supporting the “community-based” organizations which may continue and take over the performed activities in order to be sustainability the project started within CIP; activities for capacity development which is increasing technical knowledge and skill to be provided corporate and financial sustainability.

“Exit planning” works in CIP projects has started in 2008 and all implementing partners have developed each outline exit plan and strategy for its projects. Although exit subject should be considered in so ever development projects in other words in project planning, CIP has made attempt to turn a long-termed development project, being alienated the followed approaches during construction and exit problematic has become debatable better the following years. The most important reason of this is to be minimized the constructions impacts and show it as cute against the local resident as I mentioned before. Besides, BTC Co.’s purpose has determined to invest activities depress in business activity as well as increasing BTC Co prestige in conjunction with not

falling behind a bad works which will affect the local resident for construction in period of 2006 year later.

### 3.9.1. EXIT OF COMMUNITY INVESTMENT PROJECTS/ 2003-2012

All Community Investment projects along the route were completed by end 2Q 2012. Therefore most of the activities focused on exit from the regions. Exits were planned long before the end of the projects in a participatory way, not experienced before as such in development programs. IPs started planning exits in 2008, forward looking. Exit started gradually with a focus of gradual retreat of IPs and highlighting local organizations in parallel. Plans continued to be discussed intensively in CIP workshops as well as with external evaluators and consultants. Refined plans were agreed in 2011. These plans included detailed work plan of a proper exit such as finalization of on-going projects; internal monitoring and evaluation assessments to be conducted in each project region by the implementing partners with the support of BTC's external M&E consultant. Plans also included development of final project reports comprising village-based data covering all activities in each village since 2003. In each project, exits also included a detailed disposition plan of offices and project assets.

#### ***Close-out Meetings:***

It was also important to share outcomes and lessons learnt after end of such comprehensive and integrated rural development projects. In each project region, project close out meetings were organized with extensive participation of government officials, local authorities, village based organizations, community members, media representatives where the achievements of community development projects were shared in detail. Almost in all project close-out meetings, there was a high level of appreciation both from the Government and

community side. BTC's contribution was acknowledged by high press coverage after each meeting in Turkey.

**Table 4 Some examples from the achievements**

<b>Support improvement of social infrastructure projects such as schools, village town halls, drinking water and irrigation etc.</b>	<ul style="list-style-type: none"> <li>• Over 500 quick impact projects have been completed</li> <li>• 123 drinking water systems</li> <li>• 97 irrigation systems &amp; 178 drinking water system for animals</li> <li>• 133 schools and several village common buildings were upgraded</li> </ul>
<b>Supporting income generation activities (agriculture, animal husbandry, fisheries, beekeeping etc)</b>	<ul style="list-style-type: none"> <li>• Over 131.000 farmers and 800 beekeepers received capacity building trainings</li> <li>• Over 1 million livestock vaccinated, 10% artificially inseminated</li> <li>• Approximately 2500 demonstrations farms were established</li> </ul>
<b>Capacity development for local NGOs and cooperatives</b>	<ul style="list-style-type: none"> <li>• Overall 133 community based organisations (including cooperatives, VDAs and Unions) received capacity building</li> <li>• Support from CIP; many of them have started their businesses with the support of BTC funds</li> <li>• Over 350 projects were initiated by CBOs from BTC and Non BTC</li> </ul>
<b>Awareness raising on health and education</b>	<ul style="list-style-type: none"> <li>• 37,700 people received general health trainings</li> <li>• 13,000 people received Reproductive Health training</li> <li>• 750 women/girls supported to complete their formal education through open school programme</li> </ul>

**Table 5 Numeric representation in related projects of BTC CIP programs**

Village number where benefit from BTC line:	330 villages
House number where benefits directly from projects.	About 50.000 house
BTC contribution:	30 million USD Dollar
The third party contribution and co-funds	80 million USD Dollar equal fund
Local organization which is collaborated (cooperative, voluntary union, foundation number):	133
Project number which has been practiced by local organizations with CIP's support.	350
Producer number who has been trained on the subject of organic farming and good farming practices:	130.000
Animal number which has been vaccinated against illness, made eugenics:	Over 1 million
Sample greenhouse/garden which has been established in order to demonstrative:	2500
Beneficiary number who has been trained on the subject of healthy:	37.700
Young woman number who has been given training support:	750
Substructure design/fast impact completed number: (school, clean potable water and sprinkler system, health care etc.)	500 (multi-projects have been supported in same villages)
Land which has been reclaimed. (only 20 villages in Cukurova):	40.000 decare

(Information between the year 2003 to 2012)<sup>1</sup>

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<sup>1</sup> Data were collected from Project Implementation Partners Reports.

## **CHAPTER 4**

### **BTC INVESTMENT PROGRAM**

The previous chapter of the thesis provided an overview of the BTC pipeline. This chapter will focus in detail on the two social investment projects and the stakeholders of the projects in RSDP. RSDP is a part of Communication and External Affairs (C&EA) and manages the Regional Development Initiative (RDI), Community Investment Program (CIP) and Environmental Investment Program (EIP). The CIPs started in 2003 with the construction and in the same year the first sustainability report for Azerbaijan was published. On the other hand, RDI is currently at the initial stage. CIP and RDI are two separate programs with clear strategic goals and there are no overlapping activities between the two programs.

#### **4.1. COMMUNITY INVESTMENT PROGRAM**

CIP is not the traditional voluntary contribution. The program is also not designed as a charity but as a partnership to maximize its benefits. It is considered as an investment by BP and social and economic return is expected. CIPs are community driven and are based on education and capacity building. After the initial contact, communities are asked to identify and prioritize their needs. According to the results of their immediate concerns, micro projects (also called quick impact projects) are implemented. Twenty five percent contributions of the communities are necessary in the form of labor or material. Some of the micro projects are infrastructure related but the program does not support any

long term infrastructure. In each country, the community liaison officers (CLO) act as an interface between BTC Co., CIP partners and the community.

Around eight million dollars for each country is allocated for a period of two years to implement the program for the communities living along the pipeline. The projects are aligned according to the country specific conditions. The request for proposal was made public at the end of 2002. An independent panel reviewed the proposals and the short listed candidates were invited for an oral presentation. The main difference of the program across border is that in Azerbaijan and Georgia all the partners are international NGOs but in Turkey, all the partners are national. The experience exchange across border between partners is limited because of the country specific conditions. Quarterly progress reports and highly detailed quarterly finance reports are prepared by the development partners.

#### 4.1.1. THE DEVELOPMENT OF THE COMMUNITY INVESTMENT PROGRAM

The Community Investment Program was conceived to go beyond the environmental and social mitigation measures arising from the construction of the Baku-Tbilisi-Ceyhan Crude Oil Pipeline. As such, it reflects a determination to pursue “sustainable human progress” through ensuring that communities along the pipeline route have access to additional benefit. According to documents made available to me conducting the final evaluation, the project purpose is to promote the long-term development of communities in the pipeline corridor through:

- (a) Long term development initiatives,
- (b) Capacity development
- (c) Immediate infrastructure improvement projects.

The envisaged outputs are:

- (a) Improved target group incomes through better animal husbandry,
- (b) Greater community self-confidence,

(c) Increased self-reliance.

In the October 2006 final evaluation of CIP the proposal for a second phase of the socio-economic investment program (CIP II) was endorsed, subject to IPs following two core recommendations, an emphasis on income generation and capacity development, in particular of the organizations with which they were working in the project area.

The CIP II, which maintained the same project purpose and outputs (excluding infrastructure-related activities), officially began operations in 2007. According to the CIP team, the successor program has narrowed and focused CIP down to income generation and capacity building due to:

- Sustainability and exit efforts
- Recommendations from external evaluations
- Level of participation and population of communities
- Budget decrease

In pursuit of this, technical assistance intensified, with local organisations gradually taking more responsibilities in carrying out initiatives. Furthermore, policy and strategy concerns, which had underpinned CIP I, are moving towards business value and security of the BTC assets as well as leveraging resources in helping to manage Community Relations beyond the grievance mechanism.

The increased focus and depth is reflected in: the budgetary reductions (US \$3.5 million and US \$2.7 million in 2007 and 2008 respectively<sup>2</sup>); staff cut backs (down from 70 (2006) to 54 (2007) and 49 (2008), and a concomitant reduction in the numbers of project villages, from 330 (2006) to 297 (2007) and 220 (2008).

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<sup>2</sup> As 2006 was effectively a transition year from CIP I to CIP II, additional resources were available in the first six months from the CAPEX budget as reflected in Table 6

**Table 6 Available CIP Resources**

<b>CIP I (CAPEX)</b>	<b>CIP II (OPEX)</b>		
<b>2003 - 2006 (mid 2006)CAPEX</b>	<b>Mid 2006 (Opex)</b>	<b>2007</b>	<b>2008</b>
\$9.000.000	\$1.140.000	\$3.500.000	\$2.695.000

(2006 –2008)

In accordance with the recommendations of CIP I's final evaluation, CIP II has pursued;

- Ensuring sustainability of income generation activities, including moving the focus from increasing scale of economic activities in 2007 to support for enterprise development in 2008.
- Enhancing local capacity to ensure sustainable impacts by moving from widespread trainings in 2007 to empowering local organizations in 2008.

#### 4.1.1.1. THE MID-TERM REVIEW (MTR) OF CIP II

In the course of a three week field assignment, I for the Mid-Term review of the Community Investment Program II visited pre-selected activities in all IP areas along the route of the pipeline. Before departure, I developed a basic information sheet for completion by the IP. The CIP team distributed this. In the course of these visits, discussions with village communities and project partner organizations were conducted, pursuing subject areas identified and agreed with the CIP team in advance of departure.

I for the MTR adopted the standard OECD Development Assistance Committee (DAC) methodology of appraising the design, implementation and results of the CIP in order to determine its relevance, efficiency, effectiveness, impact and sustainability of the program.

In this executive summary, overall conclusions and recommendations of the evaluation are presented for the CIP as a whole and for program areas, grouped

by performance. For ease of reference, the detailed recommendations for each program area, along with the general recommendations again.

#### 4.1.2. PROGRAMME-WIDE CONCLUSIONS OF THE MTR

##### 4.1.2.1 OVERALL

Based upon the visits, the earlier documentary review and briefings provided to it, I conclude overall that CIP II is on track to achieve purpose and goal. The recommendations of the CIP I's final evaluation have been introduced, particularly the recommendation to focus on income generation and capacity building, for organizational development. Resulting from this, I found clear evidence of successful income generation across all program regions. As such, project activities were overall found to be effective and resource utilization has been efficient.

##### 4.1.2.2. SUCCESSFUL LEVERAGE OF FUNDS

Within the context of a decline in CIP II resources compared with CIP I, the IPs have successfully leveraged considerable levels of additional resources. They have successfully mobilized both public (from governorships and central government) and donor resources (principally EU Accession Funds) in support of their activities. The IPs, with the encouragement of the CIP team, have sought to link to other BTC-supported activities, principally the Small Projects Support Fund and the Regional Development Initiative, seeking complementarity where possible. Attempts to link to environmental activities were also reported.

##### 4.1.2.3. ECONOMIC DEVELOPMENT

In addition to the IP's abilities to mobilize additional resources, the efficiency and effectiveness analyses carried out during the MTR have shown clearly that income generation activities have provided considerable added value to the

beneficiary communities. Whether milk collection, apiary, goose breeding, small scale manufacturing, they have demonstrated, on the whole, potential business success, which, if nurtured and well-managed are expected to provide sustained quality of life improvements to participants and their families. BTC takes the role of private sector one step forward and takes responsibility and action towards the development of its area of activity. Income generating activities created employment and launched small enterprises. Local resources have been mobilized and the villagers were trained to utilize these resources in an efficient and effective way. Standards of living have improved. Cooperatives are formed and supported through capacity building trainings for better management. The “enabling environment” and investment in “capital assets” of the population are important triggering factors for the development of rural livelihoods.

#### 4.1.2.4 CAPACITY OF IPs TO DELIVER PROGRAM

In general, the IPs have demonstrated considerable progress in strengthening their capacities to respond to the challenges that emerge in the course of project implementation. Where they do not possess the required skills in-house, they have been able to source them externally. Overall, the evaluation team identified increased capacity in the partner organizations, particularly in the more established areas that also received support under CIP I<sup>3</sup>The organizational challenges confronting IPs in Maras and Adana / Osmaniye , for example, are considerably greater due to the relative weakness of organization structures, nevertheless the IPs appear to have responded positively to these challenges. Overall, through trainings and M&E processes, capacities of the IPs have improved both technically and organizationally. They have expanded their scope of activities, and supported the creation of local civil initiatives.

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<sup>3</sup> The exception here being Posof Cooperative

#### 4.1.2.5. GENDER IMPACT

The CIP II has made a somewhat unexpected contribution to gender relations in the communities where women have benefited from investments. Additional income accruing from income generating activities was reported to have improved women's status within households, including their ability to question male household members on the use of resources. There have also been social benefits as women beneficiaries' isolation has declined. Both aspects were observed even in the most socially conservative regions.

#### 4.1.2.6. MONITORING AND FINANCIAL REPORTING NEEDS UPGRADING

There is potential to improve the overall capacity of monitoring systems as a project management tool. For example, the CIP II operates on activity-based budgeting but this is not fully reflected in the reporting, and it is therefore highly problematic to link activities to outputs and a challenge to determine outputs' contribution to goal. If an activity diverges or fails to contribute to the identified outputs, purpose (or goal), this is very difficult to identify early. There is no counterpart activity-based financial reporting. IPs, in particular PAR Consulting, and Atatürk University, reported that the current financial reporting system obscures monitoring spending by activity area.

#### 4.1.2.7. ISSUES OF PERCEPTION OF BTC

By and large, both the pipeline and BTC are perceived positively although, based on the information gathered during field visits, there are some 'problem' villagers and/or individuals<sup>4</sup>. BTC's visibility and reputation appear primarily at

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<sup>4</sup> The sampling process possibly over-emphasised this aspect. However, it was evident from the field visits that while overall perceptions are positive, in a minority of villages there are negative perceptions. In some, these appeared based on earlier (natural gas) pipeline construction and the distinction between the two experiences appeared to have merged; in others, the core of the problems appear to centre on potentially influential individuals/families who may be motivated by perceptions of advantage that may accrue.

risk from conflation with Botas in villagers' minds and the reported Botas /BIL approach<sup>5</sup>.

Four key areas emerged through my interaction with village interlocutors.

First, the pipeline's construction has brought benefits and advantages. This was the view of informants in the vast majority of villages visited.

Second, it also resulted in problems, although not as many (or as enduring) as which stemmed from the construction of the natural gas line. The key issue here is not the disruption but rather feelings of a lack of communication, coupled with negative perceptions of the attitude of those responsible for sorting out the villagers' complaints<sup>6</sup>.

Third, in addition to respondents' acknowledgement that without the pipeline, it is very unlikely that the positive benefits would have resulted, the enhanced security as a result of its existence has had positive spin offs for the area's residents.

Fourth, there is clear evidence of village interlocutors 'ownership' of and feelings of protectiveness towards the pipeline. Many referred to it in possessive terms and emphasized that they would be willing to report the presence of strangers. In effect, they have largely become allies in the pipeline's security, and appreciative of the benefits it has brought. This represents not only a considerable value-added for both the communities themselves, but also for BTC's overall investment in the CIP, which communities have clearly linked with the pipeline's construction and ongoing operation. The proposed further three years investment in CIP 2 will embed this link to a still greater degree, adding further value to BTC's investment in this regard.

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<sup>5</sup> This may be due to the urban – rural divide being conflated into a modernity – backwardness perspective. Again this is a matter of villagers' perception and the fact that CLOs are highly experienced and in some cases, from the area does not always help to allay this.

<sup>6</sup> Cf informant reports from Kurtalpinar, Calabas and Adamfakikoy

So, the remaining problem is the villagers' *perceptions* of a lack of communication between BIL/BTC and themselves. Thus, whatever the reality of the situation, so long as the *perception* exists, so will the problem.

#### 4.1.2.8. DEVELOPMENT OF RELATIONSHIPS WITH RECIPIENTS

Although there are some remaining perception problems, as identified above, and despite certain problems in the early years of CIP, on the whole, rather than being an “external” pipeline project, BTC followed a more participatory approach through CIP, and has earned some degree of trust of the locals, which is reflected in the “ownership” discourse discovered during the field work of this MTR (see above). Other than the activities, the sole existence of a civil society component, i.e. the IPs, is important. It gave a “face” to the undertaker of the project, rather than a logo of a large corporate. Considering the large geographical area that BTC pipeline covers, CIP has proved to be an effective tool to create a positive relationship with the villagers. BTC has directly contacted these populations via IPs, aiming to avoid misperceptions, and has demonstrated its plans and intentions in the region directly. Although there still are some court cases or accusations largely in relation to BOTAS (as discussed above), without CIP, it is possible that the number of cases against BTC would have increased. Today, these cases are rare, and the number avoided of legal conflicts is another value-added of CIP.

#### 4.2. COMMUNITY INVESTMENT PROGRAM & IMPLEMENTING PARTNERS

BTC Co. Turkey is led by BP, but what makes the Turkish operation different from Azerbaijan and Georgia is the lump sum turnkey agreement with BOTAŞ. The role played by BP in Azerbaijan and Georgia is played in Turkey by BOTAŞ. One very important implication is regarding the ownership of the pipeline because BOTAŞ is recognized as the owner of the project.

The public does not recognize BTC Co. or BP or the consortium partners and relates all the activities to BOTAŞ. The different ownership structure has a direct impact on the social and environmental investment of BTC Co. The local communities are confused about to whom they may complain and where the social investments come from. The main complaints of the communities are land compensation and infrastructure damage by the subcontractors. Complaints forms are submitted to BOTAŞ and BTC Co. is monitoring to see if all the complaints are addressed. The main difference is that Turkish CIPs are implemented by national organizations. Their operations cover ten cities along the pipeline. There are currently five national partners; one university, two NGOs and two consulting companies. Turkish CIP partners have regular workshops. Technical support to partners is provided by BTC Co. when required. For example, there was a request for training regarding a milk collection center and the experts were invited by BTC Co. to inform the partners. The four themes of Turkish CIPs are to improve income earning, agricultural sector, social infrastructure and capacity of communities to self-organize and self-initiate. The main challenges are the management of expectation of local community, and the management of relationships with the local authorities and politicians.

CIP will also continue in Turkey but since the construction phase of the pipeline is almost over, a new strategy is needed for the operating phase. There is already a contract with IFC and BTC Co. is working closely with UNDP and the European Union (EU).

Due to the candidacy of Turkey for EU, EU funds started to arrive in the country. There is potential for a synergy between BTC Co. funds and EU grants.

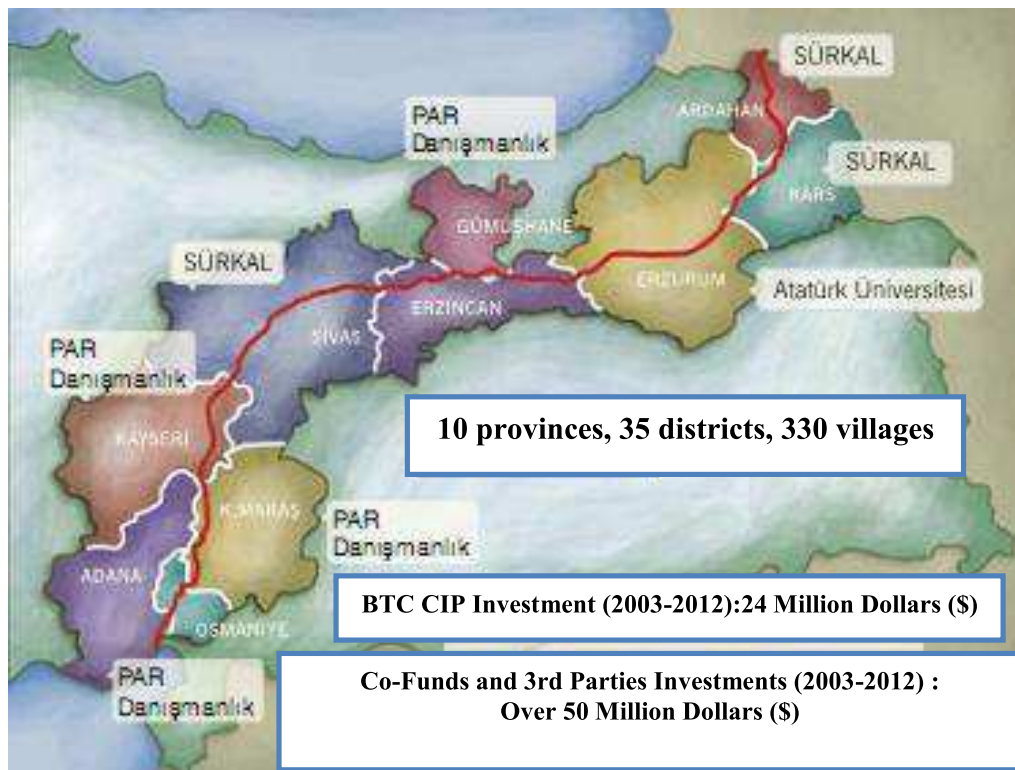


Figure 5 CIP Implementation Partners Along The Pipeline

#### 4.2.1. ARDAHAN SUSTAINABLE DEVELOPMENT PROJECT – SURKAL

##### 4.2.1.1. PROJECTS ID

**Project site:** 4 districts of Ardahan (Posof, Damal, Hanak and Ardahan Center) and 37 rural settlements

**Project period:** Start date – 1 July 2003  
End date – 30 July 2012

**Project budget:** BTC Co.'s donation: 3.356.702,72 \$  
The third parties contribution (co-funds): 8.044.682, 00 \$

#### 4.2.1.2. SOCIO – ECONOMIC BACKGROUND OF ARDAHAN

Ardahan, which borders Georgia, is located in Turkey's northeast. Despite a rich flora and fauna and a considerable natural resource base and potential, the province (population 133,756) suffers a number of constraining influences on its development. Not least of these are the severe winter conditions than can sever or radically limit transport communications both with the rest of Turkey and Georgia, to the north. Agriculture, in particular livestock rearing and associated agricultural activities, is the most important economic activity although a microclimate around Posof permits fruit and vegetable cultivation.

The pipeline's four kilometre corridor encompasses a total of 37 villages, 19 in Posof district, 10 in Ardahan central, and four each in Damal and Hanak districts. The latter two districts are the most socio-economically disadvantaged in the province both by virtue of physical conditions (climate, temperature variations etc.) and a location distant from commercial and industrial centres, limiting market access for its products.

#### 4.2.1.3. THE LOG-FRAME

The project's goal remains to encourage 'social and economic development of the settlements on BTC Pipeline' through

- Improving of income generating activities and economic opportunities for project affected people;
- Supporting of the development and improvement of the agricultural production;
- Supporting the use of organizational capacity, management and community based development.

Activities implemented that aim to achieve this support:

- i. Increasing quality and health livestock production.
- ii. Increasing feed production and its usage.
- iii. Increasing of diversity of plant production.

- iv. Supporting local entrepreneurship, including women's entrepreneurship.
- v. Ensuring local organization and increasing institutional capacity.
- vi. Promoting an equal gender-based access to livelihoods.

The project's design is a relevant response to the socio-cultural and socio-economic circumstances of the project area's population.

#### 4.2.1.4. ARDAHAN EFFICIENCY

The below tables outline the CIP budget resources and total actual resources available to the IP in Ardahan. The tables show the annual budget and expenditure for principal activity groups: income generating activities, capacity building activities and quick impact projects. Total Budget and Expenditure Table presents the financial situation not only for BTC funds, but also for non-BTC funds in order to highlight the level of beneficiary and third party support and help assess the resulting financial leverage.

**Table 7 Allocated Budget from BTC and Expenditure, Ardahan**

YEAR	ITEM	BUDGET (US\$ '000)	EXPENDITURE (US\$ '000)
<b>2007</b>	Income Generating Activities	279	215
	Capacity Building	464	305
	QIP (if applicable)	38	30
	<b>TOTAL</b>	<b>781</b>	<b>550</b>
<b>2008</b>	Income Generating Activities	150	135
	Capacity Building	524	150
	QIP (if applicable)		0
	<b>TOTAL</b>	<b>674</b>	<b>285</b>
<b>TOTAL (2007 &amp; 2008)</b>		<b>1,455</b>	<b>835</b>

**Table 8 total Budget and Expenditure, all Funders, Ardahan**

<b>YEAR</b>	<b>ITEM</b>	<b>BUDGET (US\$ '000S)</b>	<b>EXPENDITURE (US\$ '000S)</b>
<b>2007</b>	Income Generating Activities	438	355
	Capacity Building	497	392
	QIP (if applicable)	92	100
	<b>TOTAL</b>	<b>1,027</b>	<b>847</b>
<b>2008</b>	Income Generating Activities	345	360
	Capacity Building	576	150
	QIP (if applicable)	0	0
	<b>TOTAL</b>	<b>921</b>	<b>510</b>
<b>TOTAL (2007 &amp; 2008)</b>		<b>1,948</b>	<b>1,357</b>

Overall, the IP has successfully mobilized resources equivalent to an additional 38.4%. In 2007, the additional resources available were equivalent to 35%; in 2008, 44%. While activities were completed, budgeted amounts were under-spent, underlining the IP's efficient resource utilization despite the challenges posed through only 18 – 24 months implementation.

#### 4.2.1.5. ILLUSTRATIVE CASE FOR EFFICIENCY ANALYSIS

The efficiency aspect of SÜRKAL can be illustrated by analyzing the Internal Rate of Return (IRR) and Benefit-Cost Ratio (B/C Ratio) for the two milk collection and processing activities carried out by the two cooperatives in Ardahan with BTC assistance. The IRR enables us to judge the return on the investment. In order to judge the significance of the IRR, we compare it with the Opportunity cost of capital (OCC). OCC is the reference rate of return that could be earned if the capital were to be invested in a traditional manner, such as investing in the stock market with average returns, or by simply keeping the funds in a bank account. The OCC is also the discount rate for the capital. If IRR is equal to OCC, it means that the return on the investment can only cover the

discount rate of the initial capital invested in the project. If it is higher than the OCC, then the project proves to be efficient.

Similarly, the B/C ratio is used to assess the comparative efficiency of the investment. If the B/C Ratio is 1, it means that the investment is just breaking even in comparison with the reference rate of return. If the B/C is greater than 1, the project is judged to be efficient. If the B/C ratio is less than the OCC, then the investment is deemed inefficient. The table below lists the assumptions and parameters for the computation of IRR and B/R ratio.

**Table 9 Milk Collection-Assumptions and parameters  
(for IRR computation Ardahan)**

<b>Description</b>	<b>Unit</b>	<b>Level</b>
Haskoy Coop Milk Collection and Processing Capacity	metric ton per year	1,000
Damal Coop Milk Collection and Processing Capacity	metric ton per year	260
Combined Capacity of the two Coops	metric ton per year	1,260
Most Likely Annual Growth Rate in Milk Collection and Processing Capacity	percent	5%
Incremental Milk Price to Farmers Resulting from the Cooperative Movement	TL/liter	0.20
Incremental Income to Coop Members and to Non-Member Dairy Farmers	TL/year	252,000
Estimated Costs for Supporting Dairying and Coop Activity During 2009-2011	TL/year	300,000
Planning Horizon	year	10

The two cooperatives combined processed 1,260 metric tons of milk in 2008. We have assumed that the annual milk processing capacity will have a growth rate of 5%. We also conservatively assumed incremental milk price to farmers resulting from the cooperative movement to be 0.20TL/liter, although the field visit and the IP suggest that this magnitude is actually higher and probably

closer to 0.30 TL/liter. Under these assumptions, the incremental income to cooperative members and non-member dairy farmers turns out to be 252,000 TL/year. Meanwhile the estimated cost of supporting the activity to the project was 250,000 TL per annum during 2007 and 2008, and further investment costs are projected to be 300,000 TL/year spanning over the three years 2009, 2010 and 2011. In light of these assumptions, the analysis and projections are presented in Table 10 below:

**Table 10 IRR Computation for milk collection in Ardahan**  
(at incremental price:0,20 TL/Liter)

Year	Growth Rate (Percent)	Benefits (TL)	Costs (TL)	Cash Flow (TL)
2007		100,000	250,000	(150,000)
2008	Base year	252,000	250,000	2,000
2009	5%	264,600	300,000	(35,400)
2010	5%	277,830	300,000	(22,170)
2011	5%	291,722	300,000	(8,279)
2012	5%	306,308		306,308
2013	5%	321,623		321,623
2014	5%	337,704		337,704
2015	5%	354,589		354,589
2016	5%	372,319		372,319
<b>IRR</b>				<b>40%</b>
<b>C/B Ratio @10% OCC</b>				<b>1.58</b>

The IRR computation shows that the milk collection activity generates a 40% return on the investment. This is an exceptionally high rate of return, and every investor aspires to earn such a high rate. The cost-benefit ratio at 10% discount rate is 1.58. Thus the investment and the projected supplementary support (amounting to some TL 1.4 million in undiscounted terms) are highly efficient in generating the desired returns (amounting to some TL 2.8 million in undiscounted terms in 10 years). It should be emphasized that this is a conservative scenario incorporating lower expectations than the more likely higher levels of expected realizations. If, alternatively, we assume the incremental milk price to farmers resulting from the cooperative movement to be

TL 0.30 per liter of milk, as is the actual situation, the IRR would drastically improve to 95% and the cost-benefit ratio would rise to 2.32. Again, such rates of return are exceedingly high and very rarely encountered in real life situations. Perhaps a worst case scenario would be where the IRR turns out to be 10%, i.e. the internal rate of return is equal to the opportunity cost of capital, and in relation to that, the cost-benefit ratio is 1. Backward computations show that the incremental milk price to farmers resulting from the cooperative movement for this scenario, or *the switching value*, would be 0.123 TL/liters, which is far below the actual market reality.

All in all, milk collection plants by Haskoy and Damal Cooperatives are high-return investments even under the most conservative assumptions. This is evident from their promising income-generating capacity for the 10-year period for which the analysis was conducted.

#### 4.2.1.6. ARDAHAN EFFECTIVENESS

I visited five existing project and previous project sites in total in the course of the Ardahan field work.

The CIP IP was interviewed in Ankara before the visit. In addition I interviewed beneficiaries in three cooperatives and one village. Community members and leaders of two villages, which had participated in CIP 1, were also interviewed. Interviews were conducted over a period of two days. In the course of the interviews, I investigated the CIP 2 contribution to income generation and capacity (organizational) development, these being the recommendations of the CIP 1 final evaluation and, consequently, the focus of the second phase of the program.

This section includes a summary of effectiveness analysis and details of activities visited during the field visit.

Artificial insemination activity was implemented at a level less than planned due to low demand and apiculture activities were implemented by exceeding targets

due to increased beneficiary demand and public sector support. Overall, the IP proves to be effective in the province as targets are met in general.

Three distinct income generating activities were visited.

#### 4.2.1.6.1. MILK COLLECTION COOPERATIVES

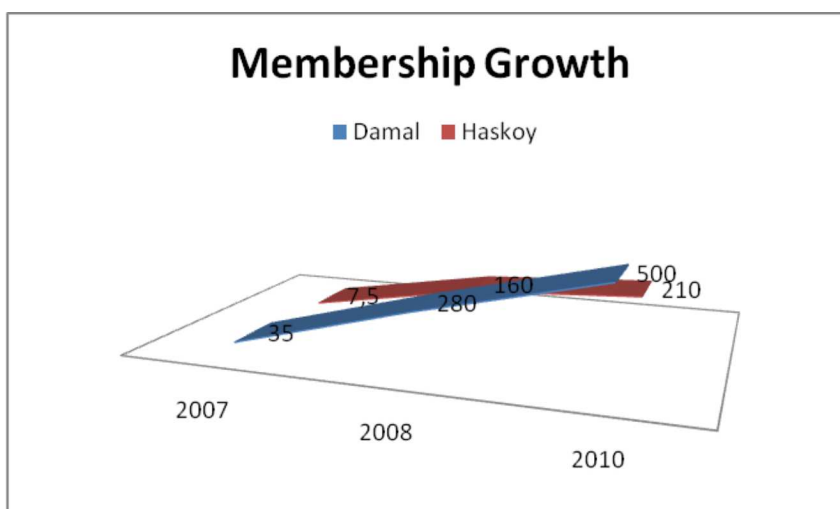
Both Damal and Haskoy milk collection cooperatives demonstrate considerable potential in income generation both for their own members as well as the wider milk producing community. The establishment of the two cooperatives and their resulting ability to control around 25% of the milk supply has led to the dairy companies increasing the offered producer price by around one third. Co-operative members have benefited somewhat less (approximately 20%).

**Table 11 Milk Producer Prices, Haskoy and Damal Cooperatives  
Ardahan**

Cooperative	Pre-Co-Op Advent (2006) Producer Price (TL/liter)	Current Price (TL/liter)	Cooperative Sale Price (TL/liter)	Current Additional Producer Income (TL/liter)	Additional Producer income Compared to 2006 (TL/liter)
	A	B	C	=C-B	=C-A
Damal	0.30	0.42	0.48	0.06	0.18
Haskoy	0.30	0.43	0.575	0.145	0.275

Members and management of both cooperatives are confident that by doubling their share of the supply market (i.e. to 50% of total supply), they will become effective price makers.

As individual perception of the cooperatives' utility has grown, membership has increased as well. Figure 6 shows the membership increase over the cooperatives' active years and the management's and members' aspirations to total membership within two years.



**Figure 6 Cooperative Membership , Ardahan**

The major challenge confronting both of these cooperatives is the need for operating capital, which is a direct function of the advance payment system. Both SÜRKAL and the cooperatives' management would prefer to move away from the system but since producers utilize it for their households' winter costs and animal feed<sup>7</sup>, they accept that this is unlikely in the medium-term. Under this, producers receive advance payment of between 80 - 100% of estimated total production in the coming year. For the Damal Cooperative, this requires operating capital of about TL 375,000 in order to make advance payments to 500 members. Haskoy's need is in the region of TL 200,000.

Both cooperatives recognize this as a challenge, although by no means an insurmountable one. Haskoy believes that a capital base of this size is achievable within three to four years; in essence the management plans a steady buildup of reserves for this use. Damal's plans are more ambitious and immediate: they have already applied for a TL 250 000 no interest loan through the Ministry of Agriculture, which they intend to have available for the 2010 productive year.

<sup>7</sup> The percentage use of this payment varies; some producers split it 50/50 between household and animal feed expenses, others devote up to 80% to animal feed costs.

#### 4.2.1.6.2. APIARY CULTURE

Despite the general perception that apiary culture (beekeeping) is unsuited to Ardahan's climatic conditions<sup>8</sup>, it has proved a successful, alternative source of income generation, and particularly beneficial for women. Following a challenging start in 2006 when only two households in Derekoy took up the activity, numbers expanded quickly. In 2007, the IP distributed hives to two further households and the Ardahan Governorship (Social Solidarity Foundation) distributed additional hives. Further hives were distributed in 2008, including through the sub-governor's office. At the time of the visit, 12 households had a total of 180 hives; for many households, 2008 was their first year of beekeeping and honey production.

**Table 12 Hives, Honey, Cost and Net Income, 2008, Ardahan**

<b>Number of Hives/Household</b>	<b>Honey – kg</b>	<b>Total Cost – TL</b>	<b>TL/kg</b>	<b>Total Net Income/Household</b>
15	200 <sup>9</sup>	1,000.00	25	2,750.00

Total income for village households from honey production and sale in 2008 is set out below.

**Table 13 Dereköy Honey Production and Sale, Ardahan**

<b>No. Hives (Total)</b>	<b>Honey – kg (Total)</b>	<b>Total Cost – TL</b>	<b>Total Net Income</b>
180	2 700	12 000	55 500.00

While all village respondents acknowledged that beekeeping had brought significant monetary advantage to participant households, a clear gendered perspective on its potential as a key income generating source was evident. Male respondents were much more sceptical, citing risk associated with climate as a key constraint. For their part, female respondents, while acknowledging

<sup>8</sup> In the 2007/08 winter, out of a total 1 050 hives in the province, six were lost.

<sup>9</sup> The women reported that they had given away c 50kg of honey as gifts to friends and relatives. The remaining 150kg was sold.

that climatic risk was a factor, emphasized that this could be managed through proper practice.

Over and above the monetary advantages accruing to households, there was clear evidence of the additional income, which was controlled by women, causing socio-cultural changes in the household. Women stressed that their knowledge of the additional household money meant that they were able to challenge men about money issues and insist on money for their priorities – household expenses, children's expenses, education costs, etc.

#### 4.2.1.6.3. FRUIT PROCESSING

The CIP's support of the Posof Cooperative's plans to engage in fruit processing as its means of income generation commenced at the start of CIP 1 activities in the province and was still continuing at the time of the visit. During this, the project has invested approximately TL 100,000 in capital equipment, the assets having been transferred to the cooperative<sup>10</sup>. In addition, the project has provided extensive technical support and advice, *inter alia* support for the development of the business plan, technical assistance for its revision, and ongoing mentoring and support from the IP. Despite this, with the exception of one (successful) trial, the machinery lies idle and the cooperative management informed me during the visit that it is inappropriate for the envisaged purpose.

Notwithstanding this belief, through the project's facilitation, the cooperative has entered into an agreement with the company that supplied the machinery, under which the company will rent the premises and the machines and process fruit itself for a period of 10 years. At the conclusion of the agreement, the cooperative will resume control of its machinery and, subject to municipal agreement, the premises<sup>11</sup>. Based upon this agreement, I note that the cooperative's return on its investment over the agreement period is over 22%.

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<sup>10</sup> Subject to the condition that the assets are retained for productive use. According to the cooperative chairperson, the cooperative had invested TL 40 000 of its own funds in the venture.

<sup>11</sup> The municipality made the premises available at a peppercorn rent to the cooperative for a period of 10 years, five of which had elapsed at the time of the MTR.

The cooperative chairman expressed serious reservations about the reliability of the agreement with the company, repeatedly stressing ‘if he pays’ when discussing the agreed rental income with the team.

Despite this expected return, the transfer of the grant-funded machinery to the cooperative, and the lengthy relationship with the IP and the CIP, the cooperative chairman strongly expressed the belief that the IP and BTC had deceived them, particularly in regard to the procurement of the machinery<sup>12</sup>. Furthermore, the issue appears to have become highly politicised; the meeting with me was also attended by a member of the municipal council who described the CIP investment as very small when compared to the millions invested in the pipeline. It is further complicated by the cooperative’s application to the Department of Agriculture for support for a TL 400 000 project, which, if successful as they have been guaranteed<sup>13</sup>, means, according to the cooperative chairman, that ‘there will not be enough room for the new machines’.

Given this environment and the ongoing absence of effectiveness, I believe that the IP and the project need to review its links with the cooperative as a matter of priority with a view to exiting from the relationship. There was little evidence in the discussion with the cooperative chairman that he understood the original business plan or that the cooperative had the capacity to bring it to fruition. In essence, this reversed the progress observed in this regard at the time of the final evaluation of CIP 1 and was effectively a reversal to the situation observed at the time of the CIP 1 MTR.

As part of this process, I believe that it is appropriate to commission a technical review of the machinery procured in the light of the business plan’s

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<sup>12</sup> It should be noted here that the views presented here is only those of the head of the cooperative. To follow up this issue, BTC have tried to contact the renting company to obtain their views of the situation, but to date have had no response.

<sup>13</sup> It is common practice in Turkey for companies preparing project applications to offer such guarantees against a percentage fee of the total project. If the project application is not successful, the company undertakes to return the fee paid in advance for preparation.

specifications. Furthermore, given the cooperative chairman's concerns, consideration should be given to facilitating the disposal of these fixed assets and the transfer of the resulting liquid assets to the cooperative's full control (alternatively, the fixed assets themselves could be wholly transferred). Finally, the agreement between the cooperative and the company should be reviewed by BTC's legal department to determine its precise status. The overall purpose of these actions is to facilitate the project's exit from an evidently ineffective and increasingly dysfunctional relationship.

#### 4.2.1.7. CAPACITY BUILDING

Capacity building, particularly for organizational development, comprises the second leg of the CIPs' strategic approach. On observation, it is evident that SÜRKAL has pursued this. Both the milk collection cooperatives and the beekeepers demonstrate an understanding of the activities they are undertaking and the market in which they are operating. The milk collection cooperatives' membership participating in the meeting with the team displayed their understanding of the issues surrounding milk marketing and an appreciation of price inelasticity, while still believing that further increases were possible.

Notwithstanding this, neither cooperative believed that it was capable of standing on its own feet, emphasizing that ongoing support was necessary. In part, this is because of the need for operating capital and assistance in accessing it. Clearly, further capacity support is required in this area at least; but additional areas for support include more transparent financial reporting to the membership to maintain and strengthen members trust in and support of the individual cooperatives.

The beekeepers demonstrate an understanding of their business, including costs and sales. But they also insist that they still require ongoing support, in both technical and business areas. Given that most have been operating for

approximately a year, this is understandable, not least because of the climate challenge to apiary culture in the region.

While the foregoing demonstrates that SÜRKAL's investment in capacity building has achieved results and been effective, the main capacity building shortfall has been in relation to the Posof Cooperative. I am aware that SÜRKAL has made considerable time and human resource investments intended to strengthen this cooperative as an organization. This capacity building support is built on initial business planning support and has followed the recommendations of the CIP 1 MTR. The final evaluation noted progress in this respect; however, with the advent of the new management, this progress appears to have been reversed and, for whatever reason, organizational development appears to have regressed to CIP 1 MTR levels. Given this and the foregoing discussion, there appears no reason to continue investing in capacity building for this cooperative.

This will enable SÜRKAL to increase its investment in capacity building for the other project beneficiaries, responding to demand-driven specific needs as and when they arise.

#### 4.2.1.8 ARDAHAN IMPACT

CIP 2's impact will build upon that achieved through CIP 1, which, at the time of visit to Ardahan, appears to be starting to emerge<sup>14</sup>. Thus, SÜRKAL's exploration of the potential of and investment in the development of the milk collection cooperatives during CIP 1 and the first period of CIP 2 have resulted in improvements to milk producers' incomes. Furthermore, the sustained investment over time in the improvement of animal health (vaccinations), feed (fodder crops), and hygiene (barn improvements and better milking practices)

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<sup>14</sup> The team can only comment on appearance in this respect as the sample of individual projects visited was too small to draw general conclusions in this regard. Much the same observation can be made in respect to sustainability.

have all impacted positively on productivity<sup>15</sup>. Similarly, income gains have been achieved through apiary culture, as well as other activity areas, e.g. greenhouses.

Support for organizational development through capacity building has also achieved demonstrable impact. However, gains made in this respect are more fragile, possibly reflecting the relative newness [sic] of some of the conceptual approaches. Nonetheless, new businesses have been established and are up and working, generating profits.

#### 4.2.1.9. ARDAHAN SUSTAINABILITY

At this point in time, judgment on the sustainability of interventions is even more problematic than on impact. At one level, the prospects of sustainability appear high: greater productivity and improved income levels seem sustainable subject to individual producers maintaining good practice, including improved feeding, animal health care, and delivery of product to market. Equally, the dairy companies' oligopolistic practices could be re-established should the cooperatives fail, so sustainability is partially dependent on their success. Similarly, apiary culture's sustainability is dependent on beekeepers' continued good practice.

Key aspects of organizational sustainability appear to be put in place. Both milk collection cooperatives, for example, clearly demonstrate understanding of the business environment in which they are operating, and they demonstrate increased organizational capacity, recording transactions, outgoings and receipts and, most importantly, sharing this information with the membership, reinforcing the emerging trust necessary for cooperatives' organizational sustainability. Nonetheless, the evidence is of potential for sustainability; further efforts are necessary.

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<sup>15</sup> Over the period the team has visited the region, reported milk output levels have grown from 2-3 litres/beast to 4/5 litres; while small in quantitative terms (largely because of the breed), the percentage increases (50 – 60%) are significant.

#### 4.2.1.10. ARDAHAN CONCLUSIONS AND RECOMMENDATIONS

Overall I believe that the project is largely on track to achieve purpose and goal in the province. Organizations that are contributing to better services for members and increased income for villagers are growing stronger. Improved practices are increasing and, as a consequence, incomes are rising. Nonetheless, the need persists to maintain emphasis on the twin recommended approaches – Income Generation and Capacity Building – in order to lock in the achievements of the CIP in both its phases.

In general, this review emphasises the need to continue the investment in income generation as the cornerstone of improving livelihoods in the province. The core approach, which focuses on animal husbandry, is clearly the correct one; however, SÜRKAL's investment in income diversification (apiary culture, greenhouses, etc.) is equally important, both for reasons of increasing income but also the socio-cultural effects within households. The CIP has again demonstrated the established adage that *'...to invest in women is to invest in the household; to invest in men is to invest in an individual.'*

In pursuit of income generation, it is appropriate to for SÜRKAL to investigate mechanisms to defend and advance the income gains achieved. Insurance against extreme weather-incurred losses would do much to protect farmers; I believe that SÜRKAL should investigate this, determining cost and viability for cooperative members. Second, since increased productivity, and the associated profit, is dependent on the value chain, establishing synergy between inputs and outputs and members' production would reduce input costs while increasing profits. SÜRKAL should pursue the establishment of a coherent value chain to maximize income return to cooperative members.

Alongside this focus on income generation is, at least, an equal need to focus on capacity building for organizational development. While considerable progress in this regard has been made, further investment in organizational development – leadership trainings, accounting/book keeping, and business planning,

marketing – are both desirable and necessary. SÜRKAL needs to pursue a mentoring approach, being present for support and advice in response to individual organizations needs. This is expected to be time-consuming, but, overall, should release time and human resources to reinforce skills development in non-core villages. Such reinforcement would ensure that existing investments are not lost because of the failure to reinforce the lessons learned.

Specific recommendations in respect of the Posof Cooperative have been made. These are:

- It is proposed to bring the relationship to an end – with accusations of deception it is no longer a partnership.
- Commission a technical review of the equipment supplied against the procurement specifications and the business plan;
- BTC legal department to review the agreement between the cooperative and the company;
- If legally binding, determine the cooperative's and the company's position on the agreement's future; and
- Investigate the sale of the machinery and the transfer of the proceeds, without conditions, to the cooperative

There is clearly some risk attached to the cessation of the relationship, which attaches both to reputation issues in Posof and the brokered relationship with the company, which has reportedly invested its own resources and is seeking a loan through the RDI's Credit Guarantee Fund. However, it is the view of mine that the breakdown in the Cooperative management – IP relationship is so serious that the risks associated with continuing are at least as great, and quite possibly greater. Clearly, legal considerations are critical and this explains the reason for a review of the agreement to determine how binding it is. Depending on the outcome of this review, I believe that ending the link with the cooperative is the most appropriate action.

In addition to BTC Co funding SÜRKAL is working on finding new funds from Turkish and international donors and NGOs. In this frame additional funds from Caritas and CRS secured. A common project about the Training of Women on carpeting and businesses is under way with UNDP. Additionally, credits and/or loans will be requested from the Agriculture Bank and the State Bank, as well as other national and international financial institutions for Cooperatives active in Ardahan Province and its Districts. A Revolving Fund will be formed and ongoing financial activities will be ensured. In summary, project sustainability will be provided through collaboration with governmental bodies, NGOs, the private sector and the local community.

SÜRKAL has established a consortium with international institutions to apply for European Union funds related to the development of the region too.



#### 4.2.1.11. SUMMARY OF THE ARDAHAN PROJECTS

Ardahan project's objective was to improve income generating activities such as beekeeping and agricultural production through strengthening the capacity of local organizations. During the reporting period, which was also the exit period, project focused on providing technical support to 4 local organizations; Provincial Directorate for Food, Agriculture and Animal Husbandry, Ardahan Beekeepers Union, Damal and Hasköy Agricultural Development Cooperatives

(ADC) in order to enhance their institutional capacity in providing service on common needs of their members.

In line with the protocol signed with the provincial directorate on combating foot and mouth disease, 4245 barns were disinfected and 4.485 producers attended trainings from 247 villages of 6 districts during this reporting period. Both office equipment and consultancy was provided to Beekeepers Union which increased its members from 480 to 500 in 2012. The union trained 523 beekeepers on wintering and spring/autumn maintenance. 40 producers decrease their winter losses from 4% to 2%.

Damal and Hasköy ADCs increased their milk collecting amount besides training their members on hygienic milking techniques. Damal and Hasköy ADCs collected 300 and 620 ton of milk in 2011; 100 and 400 ton as of June 2012 respectively, while the milk collection season (April to September) continues.

Project also supported 48 producers who cultivated 16.000 vegetable seedlings and met 80% of the seedling need in the region.

As it is seen above, nearly all the projects were related with agriculture and production. BTC Co. had started to contribute these projects during construction phase of the pipeline. Because when construction phase started, there were a lot of expropriation problems and the villagers were too reactive to the construction of pipeline. Then BTC Co. tried to show it cute to the villagers by implementing the agricultural projects to decrease villagers' reaction.

#### 4.2.1.12. INSTITUTIONS WHICH HAS BEEN COLLABORATED:

There are two main reasons that BTC Co. had to work with local institutions.

One of them is; some of the projects required approval of the local institutions because the projects were related about the basic works of Governments.

Another one is to get permits from local authorities for the construction of pipeline, BTC Co. tried to do whatever they want. The construction should be completed in a short period (in two years time) and BTC Co. did not want to

have problems because of the bureaucratic system in Turkey. The local institutions and organizations worked together were;

- Ardahan Governorship and Organizational Units (Special Provincial Administration, Directorate of Food, Agriculture and Livestock, National Education, Local Healthy Authority, Directorate of Beekeeping Rear)
- Ardahan Municipality
- District Governorships and Municipalities (Posof, Hanak and Damal Districts)
- European Union (Ardahan- Posof District beekeeping training project; Ardahan – Reproductive Health Project, Reproductive Health Project For High School Students, Ardahan Municipality Sewage System Project)
- Posof, Damal ve Hoçvan – Hasköy Agricultural Development Cooperative, Ardahan Advertising and Embellishment Union
- Serhat Development Agency
- Ardahan Beekeeping Union
- Dairy processing and production site in Posof and Göle district

#### 4.2.2. KARS SUSTAINABLE DEVELOPMENT PROJECT – SURKAL

##### 4.2.2.1. PROJECTS ID

**Project site:** 4 districts of Kars (Susuz, Selim, Sarıkamış and Kars Center) and 26 rural settlements

**Practice period:** Start date – 1 July 2003

End date – 30 July 2012

<b>Project budget:</b> BTC Co.'s donation:	3.016.150, 02 \$
The third parties contribution (co-funds):	3.378.000, 00 \$
Implementation Partners' Contribution:	935.90 \$

#### 4.2.2.2. SOCIO – ECONOMIC BACKGROUND OF KARS

Surkal's fields of operations are in two distinct geographic locations: Selim and Sarikamis. Both are broadly similar in economic terms in that the principal economic activities are animal husbandry-based with livestock being taken to pasture during the summer months. Related economic activities include fodder production to address winter feed needs. Further similarities lie in the distances to market that confront most producers, restricting the choices available to them. Despite these similarities, the socio-cultural environments of Selim and Sarikamis districts have resulted in Surkal experiencing very different working environments. The principal differences lie in the ethnic mix of the two districts, this apparently being a contributory factor to the clearly observable problematic working environment in Selim district.

#### 4.2.2.3. THE LOG-FRAME

The project's goal remains 'to encourage sustainable social and economic development of settlements located on BTC pipeline' through

- Supporting the development and improvement of crop farming
- Supporting communities' capacity in taking the initiative in terms of organizing and managing themselves and community based development (Local Initiative)

Achievement will be through:

- Increasing production of high quality and healthy animal products
- Increasing production and use of fodder
- Realizing Local Organizations and enhancing organizational capacity
- Supporting women's entry into organizational structures

The project's design is a relevant response to the socio-cultural and socio-economic circumstances of the project area's population.

#### 4.2.2.4. KARS EFFICIENCY

The below tables outline the CIP budget resources and total actual resources available to the IP in Kars. The tables below show the annual budget and expenditure for principal activity groups: income generating activities, capacity building activities and quick impact projects. Total Budget and Expenditure Table presents the financial situation not only for BTC funds, but also for non-BTC funds in order to highlight the level of third party support and help assess the resulting financial leverage.

**Table 14 Allocated Budget from BTC and Expenditure for Kars**

YEAR	ITEM	BUDGET ( US\$ ' 000S)	EXPENDITURE (US\$ '000S)
<b>2007</b>	Income Generating Activities	227	228
	Capacity Building	257	257
	QIP (if applicable)	7	7
	<b>TOTAL</b>	<b>491</b>	<b>492</b>
<b>2008</b>	Income Generating Activities	170	170
	Capacity Building	183	183
	QIP (if applicable)	7	7
	<b>TOTAL</b>	<b>360</b>	<b>360</b>
<b>TOTAL (2007 &amp; 2008)</b>		<b>851</b>	<b>852</b>

Tables 14 and 15 clearly demonstrate considerable leverage of additional financial resources achieved by Surkal in the province. Respectively in 2007 and 2008, Surkal utilized the CIP program to raise 42.5% and 76.4% in additional resources. Overall, the percentage of additional funds leveraged was 56.8%, a ratio in excess of 2:1. Based upon this, Surkal's utilization of resources has been efficient.

**Table 15 Total Budget <sup>16</sup> and Expenditure for Kars**

YEAR	ITEM	BUDGET (US\$ '000S)	EXPENDITURE (US\$ '000S)
<b>2007</b>	Income Generating Activities	436	437
	Capacity Building	257	257
	QIP (if applicable)	7	7
	<b>TOTAL</b>	<b>700</b>	<b>701</b>
<b>2008</b>	Income Generating Activities	450	445
	Capacity Building	183	183
	QIP (if applicable)	7	7
	<b>TOTAL</b>	<b>640</b>	<b>635</b>
<b>TOTAL (2007 &amp; 2008)</b>		<b>1,340</b>	<b>1,336</b>

#### 4.2.2.5. ILLUSTRATIVE CASES FOR EFFICIENCY ANALYSIS, KARS

##### *Geese Breeding in Darbogaz*

Although not funded primarily by BTC, the goose project is a worthwhile model enterprise. It represents a feasible and logical avenue to arouse interest for the village women in Darbogaz. It also offers realistic prospects to raise women's incomes in the village. The IP has been instrumental in applying for, follow-up and subsequent implementation of this EU funded project. The essential technical assistance invariably comes from the IP, and in a way, this project should be viewed as a jointly funded project. The original EU support was € 78,000 in 2007, plus TA contribution from the IP, probably worth at least another € 12,000, amounting roughly to € 90,000, or TL 200,000 in 2008 TL. Additional grant of 38,000 TL was provided from SSF for supplementary equipment, and another US\$5,000, or 6, 500 TL, fund was created from a donation. Hence, the overall, the amount of the investment reached some TL 250,000 as of 2008. The net returns from the project must exceed this investment to qualify for an

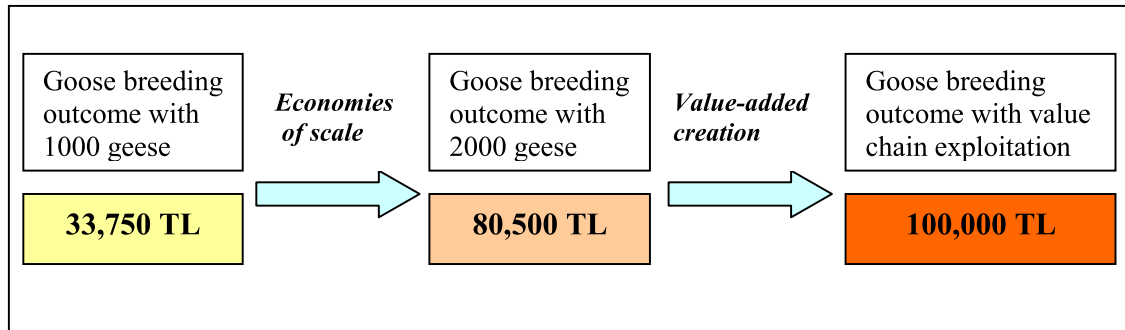
<sup>16</sup> Total Budget = BTC Budget + Non-BTC Budget

efficient operation. Some of the key parameters of this operation are shown in the below table.

**Table 16 Darboğaz VDF Geese Production Activity, Kars**

<b>Description</b>	<b>Units</b>	<b>Quantities</b>
Current number of geese	bird	80
Expected number of eggs to be gathered from the existing stock	egg	1200
Number expected to hatch next year	egg	1000
Cost of feed and shepherd's wages for range grazing per goose	TL	27.5
Total cost for grazing 1000 goose	TL	27500
Total number of geese marketed	bird	875
Unit price of goose and off cuts	TL	70
Total revenue per goose (excluding feather and down)	TL	61250
<b>Total annual profit for the village association with 1000 geese</b>	<b>TL</b>	<b>33,750</b>
Maximum number of geese to be reared per annum to be reached in a few years	bird	2,000
Total annual cost of 2000 geese	TL	42,000
Number of marketed geese	bird	1750
<b>Total annual profit for the village association with 2000 geese</b>	<b>TL</b>	<b>80,500</b>
Gross margin per goose if full value chain is exploited (such as selling goose meat at a special delicatessen restaurant)	TL	100
Maximum gross earnings with 2000 geese and full value chain exploitation (1750 marketed)	TL	210,000
Approximate additional expenses and taxes for 2000 geese	TL	80,000
<b>Net Income for the association with 2000 geese and full value chain exploitation (best estimate)</b>	<b>TL</b>	<b>130,000</b>
<b>Most likely net income per annum</b>	<b>TL</b>	<b>100,000</b>

To carry out the analysis, I assumed that from the total geese produced, 87.5% is marketed. We first computed the total annual profit accruing from 1000 geese (875 marketed) and later for 2000 geese (1750 marketed), including a reduction in cost per animal due to economies of scale. In addition, we also included the value added and additional expenses related to the full value-chain exploitation. As a result, net income for the association with 2000 geese and full value chain exploitation would be 130,000 TL, which would most likely be realized as 100,000 TL per annum.



**Figure 7 Income and Profitability Flow, Darboğaz VDF Geese Production Activity Kars**

With lots of good luck and sound management the investment can pay off in the medium term (i.e., three to four years). To be lucky, the Association should not encounter any mishaps, such as disease, market and price shocks, and other administrative barriers which are all too common in Turkey. There seems to be many ifs about the economic efficiency of this operation. Therefore, the activity needs to be closely monitored to validate the assumptions and predictions of the above analysis. Beyond any doubt, highly prudent and well-coordinated scaling-up is needed for this geese breeding activity. The amount of money invested is considerable in comparison with the current stream of benefits. A business plan could not be located, but one is needed even at this stage, especially to complete the risk analysis that would comprise the elements of uncertainty discussed above.

#### 4.2.2.6. KARS EFFECTIVENESS

I visited two project existing and previous project sites in total in the course of the Kars field work.

This section includes a summary of effectiveness analysis and details of activities visited during the field visit.

In 2007, establishment of district development/ advisory supervision councils was planned but not implemented. Nine activities were fully implemented as planned and nine activities were implemented by exceeding targets. The only activity that was implemented at a level less than planned was supporting the natural treatment system project of Karaorgan Development Association.

In 2008, all planned activities were implemented. Five of the activities were fully implemented. Four were implemented at a level less than planned and three were implemented by exceeding targets. Some of the activities that were implemented by exceeding targets in 2007 were implemented less than the 2008 targets. There are no activities implemented outside the initial planning.

Overall, the IP proves to be effective in the province as targets are met in general for 2007 and 2008.

In line with pre-existing strategies and the CIP 1 final evaluation's recommendations, Surkal continues to place income generation at the center of its community-based development approach. However, whereas in the past attention in this respect was focused on animal husbandry, my visit demonstrated that a greater diversity of income generation possibilities were being explored.

In this respect, Surkal has clearly adopted learning of other activities. Greenhouses, for example, were initiated by an earlier UNDP-supported project in Kars and have been developed by Surkal under BTC support. Similarly, Surkal's support and advice has enabled the Darbogaz Association to access EU-funding for a geese rearing and marketing project, which demonstrates considerable income generating potential for the village's women.

**Table 17 2009 and 2010 Potential Income from Goose Breeding Activity**  
Kars

Year	Production Number	Costs - TL	Slaughter Number	Unit Price -TL	Profit = TL (excluding feathers and down)
2009	1000	27 500	875	70 (Goose plus off cuts) 35/kg (Down) 17/kg (Feathers)	33 750
2010	2000	42 000	1 750	70 (Goose plus off cuts) 35/kg (Down) 17/kg (Feathers)	80 500

The key to both innovations, however, is that they built on existing knowledge and activities; the investment interventions served to upscale activity with which villagers were already familiar, at least in part.

Notwithstanding such innovations, animal husbandry remains central to income generation in the province. While direct support for breed improvement through AI has ended, Surkal remains committed to supporting private sector veterinary provision through advice and training. Villagers' experience of private sector provision has largely been negative, and, with the new changes to the subsidy program<sup>17</sup>, private sector provision has largely dried up. Respondents expressed unsolicited regret that Surkal was no longer providing AI and, semi-seriously, suggested that the Surkal veterinarian present should set up his own practice and provide AI.

Surkal continues support for animal husbandry through ongoing training and support to village extensionists and advice and training to individual farmers. Similarly, there continues an emphasis on production of fodder crops to improve animals feed during the winter months; the provision of baling machines has proved positive both for reasons of improved storage but also as a source of income. The healthier and better conditioned animals that result from regular

<sup>17</sup> Under the new policy, subsidy follows the calf rather than the veterinarian, effectively rewarding success not activity.

vaccination and health care and improved feeding have seen improved overall value at sale and milk yields. Notwithstanding the increased income accrued through much improved animal health and care, overall yields from traditional breeds remains low, especially when compared to yields from cross-breeds and other breeds, which can be as much as 100% higher.

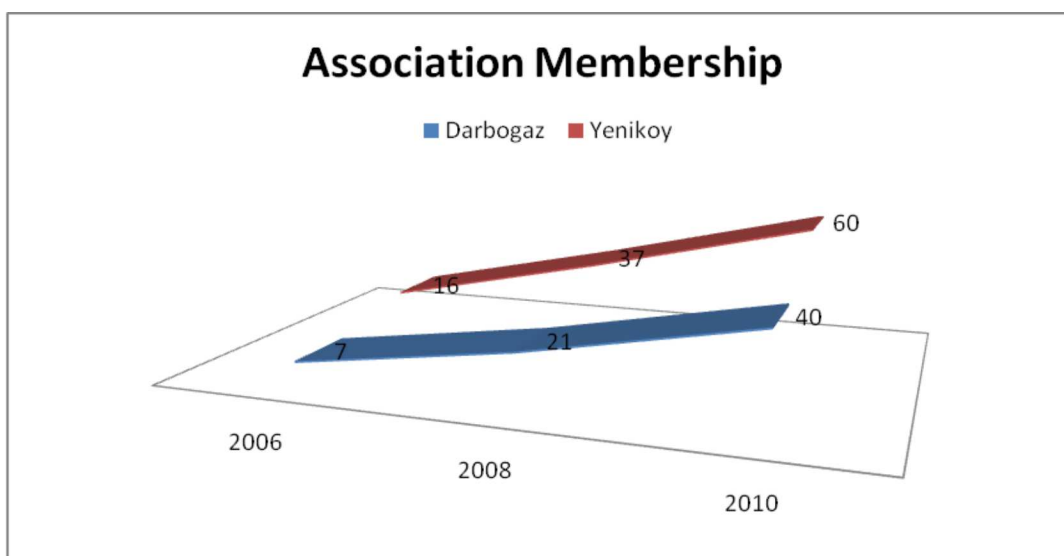
#### 4.2.2.7. CAPACITY BUILDING

The establishment and development of Village (Development) Associations lies at the core of Surkal's strategic community-based development approach. These organizations are the key interlocutors for the Surkal team and are intended to serve as sources of community mobilization in support of village self-development, supported through outside investment interventions and technical assistance.

In the course of CIP 1, Surkal adopted an all-inclusive approach to the establishment of the associations. While inclusiveness is clearly a desirable goal, it underlined the adage that *'the best is frequently the enemy of the good'*; in other words, by attempting to include all villagers in the associations, they were frequently paralyzed by internal disputes and, as a result, failed in their primary purpose, viz. mobilization in pursuit of self-development.

Based upon the field work, and in line with the recommendations of CIP 1's final evaluation to focus on organizational development, Surkal has down-scaled its ambitions in this regard. Rather than *ipso facto* being all inclusive groups, the associations currently are more in the nature of groupings of motivated villagers, who are committed to initiating self-help development in their villages that will serve as replicable models for others.

Based upon the observations and interviews, this resulted in tighter, less argumentative, and more focused organizations.



**Figure 8 Village Association Membership, Kars**

As such, they have a better chance of survival into the future in order to promote community-based development. It has also enabled Surkal to provide more focused capacity development support, which has further enhanced the associations' abilities and responsiveness to their communities' development needs and potential.

Associations believe that they have the necessary capacity to survive and, more importantly, continue activities in support of their members' and villages' development in Surkal's absence. In part, this can be attributed to the greater leadership role that associations have taken on in CIP 2 in line with the final evaluation's recommendation that Surkal should adopt a more supportive than leadership role. Notwithstanding this belief, associations clearly want ongoing advice and support from Surkal for the medium-term since this would mean that they would not have to cope with unnecessary challenges.

#### 4.2.2.8. KARS IMPACT

It is evident from the foregoing that CIP 2's impact will build upon that achieved through CIP 1. At the time of the visit to Kars, there appeared to be indications

of emerging impact. Villagers and association members demonstrated confidence about the future; milk yields were up and this was attributed to interventions surrounding animal health improvements and better feed, both of which they associated with Surkal and the CIP. Equally, the goose rearing project excited participants not only in Darbogaz but in other villages too; Yenikoy association members, some distance away and in another district, had heard of it and were enthusiastic about it. Other income generating interventions were equally positively perceived; greenhouses had improved both family diet but had added to women's income. This development had a social impact; women's participation in association business alongside men was cited as demonstrative of this positive social change.

#### 4.2.2.9. KARS SUSTAINABILITY

Judgment regarding the sustainability of interventions' benefits is possibly more problematic at this point in time than that surrounding impact. However, I consider that Surkal's downscaling of its ambitious all-inclusive approach to the establishment of associations is a positive step for sustainability. An effective organization, i.e. one that demonstrably delivers benefits to its members and wider community, is always more viable than one continuously riven by fractious argument, which delivers little of a practical nature.

Furthermore, practical benefits are becoming evident, which reinforces the benefits of following the advice provided. Long-term sustainability, however, depends on inculcating faith that the costs are outweighed by the benefits accruing from the additional investment. Progress in this regard appears to be being made.

#### 4.2.2.10. KARS CONCLUSION AND RECOMMENDATIONS

Surkal continues to facilitate considerable strides in respect of both income generation and organizational development of the village associations in the

province. Building on the existing support for animal husbandry, the team has shown innovative thinking in supporting the diversification of income generation activities. Village associations remain central to the strategic approach and, as income generation proves its benefits, the associations have demonstrated their worth to villagers. Surkal's support role has also enabled associations to demonstrate their capacities; it was evident to the team that associations increasingly are taking the lead and identifying opportunities for community-based development activities.

Notwithstanding the successes achieved, I believe that additional efforts in respect of both income generation and capacity development are necessary. Surkal, like other IPs, effectively has a three year window to develop and implement an exit strategy. For this to be effective, the IP has to be clear about where it wishes to leave the associations in two to three years time. Having identified the medium-term goal, the annual work plans should be conceived as definitive steps to achieve the end result. Surkal's approach implicitly endorses this; what is necessary is for it to be made explicit by clearly setting out the annual work plans' contribution to the proposed medium term strategy, in order to maximize impact and prospects for sustainability.

While this reflects the overall framework in terms of which the next three years' operations should be framed, the team has a number of specific observations, which it believes will enhance both income generation and organizational sustainability.

First, while dreams are important, they have to be rooted in reality if they are ever to be achieved. The premature introduction of a slaughter house and restaurant, for example, may prove counter-productive to the further development of the goose market, while also siphoning off resources into activities requiring significant capital overheads.

The issue is not whether, but when, the investment should be made; and before any investment is made, it is self-evident that a comprehensive business plan

should be in place so that investors understand fully what the implications of the proposed new business areas are. It is only through this means that informed decision can be taken. Small enterprises have a higher probability of failure within 1-2 years, due to problems with capital shortages and financing of overheads. Business plans are important to support the value-chain analysis. Such plans provide a broader understanding of linkages between the related sectors, existing market conditions, public policies and supply-demand interrelations. Therefore, we reiterate that a business plan it is a simple yet effective tool for planning, providing a general picture of challenges.

Second, the potential success of innovative ideas that are based on existing experience has been demonstrated. This should be built upon and new income generating initiatives in this regard encouraged, subject always to the requirement for detailed business plans.

Third, additional practical skills are needed by the associations. Business planning is clearly one, but so too as accountancy/book keeping, leadership development and management. The point is that the skills will complement the enthusiasm, which presently sustains the associations and will enable increased transparency, especially in financial matters, that will deepen trust amongst members and sustain the organization into the future.

While the move away from an all-inclusive approach has been positive is permitting the establishment of potentially sustainable and effective associations, it brings with it a risk of exclusivity, or at least the perception of it by non-members. The associations need to address this possibility before it emerges as a reality.

One way of addressing this is to pursue the organization's development through social inclusion. Essentially this means engaging in activities that make the association an integral part of the village's community and social life by expanding its involvement in social activities. Such social inclusivity provides ties that help organizations through difficult challenges as well.

In Darbogaz, this could build on the emerging tradition in the area of beautiful calf contests, through the sponsorship of a fattest goose contest. Yenikoy association's sponsorship of the village football team is another example of the promotion of inclusivity. The point is that the association is there not only for its members but for the village as a whole.

SURKAL aims to mobilize local resources in the first year of the Project implementation. From the second year onwards it will encourage the involvement of international donors. In other words, depending on the success of the project SURKAL is planning to provide the technical and financial resources of other donors. In this framework, European Union funds will be the prime target for external resources.

#### 4.2.2.11. SUMMARY OF THE KARS PROJECTS



The main objective of Kars project was to support sustainable rural development in 26 villages affected by BTC pipeline through improving the capacity of village-based organizations and communities to carry out community-driven development initiatives.

Through the partnerships developed with the Provincial Directorate of Food, Agriculture and Animal Husbandry and Kars Cattle Breeders Union (CBU), significant results were reached in animal husbandry. 18.870 barns were disinfected; 2.625 artificial inseminations were applied; 1.122 producers were trained, percentage of dead due to calf septicemia decreased from 5% to 1.6% and 19.134 animals were vaccinated against foot and mouth disease. Lastly, total number of CBU members increased from 4.200 to 4.500.

Producers continued cultivating vegetables in 735 greenhouses in 18.840m<sup>2</sup> areas. During the reporting period, 235 tons of cucumber, 78 tons of tomato and

19 tons of pepper were grown and used mostly for family consumption. 48 producers applied organic farming subsidies and 46 of them obtained certificates for 4.460 da area.

Project team provided technical support in drafting project proposals by local organizations. Two of these projects were awarded by Social Support Fund (SODES) with the total budget of US\$32.000. Also, 4 village associations obtained funding (US\$ 4.500) from regional development agency with the technical support of the project team during reporting period. The main achievement of the project is that The Caucasian Sustainable Rural Development Association, a strong local NGO is established and took over the leading role in sustaining the accomplishments of the project.

#### 4.2.2.12. INSTITUTIONS WHICH HAS BEEN COLLABORATED

- Governorship, District Governorships, Province and District Directorate of Food, Agriculture and Livestock and Other Government Agencies, Special Provincial Administration
- Kars Kafkas University
- BTC – CIP Implementation Partner
- Ministry of Agriculture, Social Assistance and Solidarity Foundations, Chamber of Agriculture
- Villages, village organizations, farmers and voluntary unions which is beneficiary of project directly

Projects aimed to European Union, SYDV, SODES, Serhat Development Agency, UNDP and BTC CO. sources has been prepared and practiced with development unions within project.

#### 4.2.3. ERZURUM SUSTAINABLE DEVELOPMENT PROJECT–ATATÜRK UNIVERSITY

##### 4.2.3.1. PROJECTS ID

**Project site:** 7 districts of Erzurum (Şenkaya, Horasan, Köprüköy, Pasinler, Ilica, Aşkale and Kars Center) and 63 rural settlements

**Practice period:** Start date – 1 July 2003

End date – 30 July 2012

<b>Project budget:</b> BTC Co.'s donation:	3.133.081, 23 \$
The third parties contribution (co-funds):	9.456.228, 48 \$
Implementation Partners' Contribution:	1.116.783, 36 \$

##### 4.2.3.2. SOCIO – ECONOMIC BACKGROUND OF ERZURUM

The Erzurum section of the CIP was the largest in RFP I (under CIP 1); travel from a village at one end of the project area to the other takes in excess of four hours. Such distances remain a major challenge to the achievement of the project's outputs and purpose and led to a management structure that allocates both geographic and sectoral responsibility. This resulted in improved project management and outreach, which has been maintained since villagers are able to liaise directly with known individuals.

Erzurum is possibly the most socially conservative of the four CIP project areas in the North East. This is a particularly important influence on the potential for women's empowerment and capacity development, necessitating strategies that are inclusive of key stakeholders. Economically, the project area is diverse, in part due to its size. For most, agricultural activities are key, but these vary with some districts (e.g. Pasinler) heavily involved on crop production and others in animal husbandry.

In still others, proximity to Erzurum and the surrounding industrial development areas means that the key economic activity is formal sector employment. In these villages, agricultural activities supplement income levels and are the

responsibility of unemployed family members (wives and children); labour contributions from employed men are after returning home (usually after 15.00 pm).

#### 4.2.3.3. THE LOG-FRAME

The project's goal remains to encourage social and economic development of the settlements on the BTC pipeline through:

- Supporting the development and improvement of agricultural production; and
- Supporting the use of organizational capacity, management and community-based development

Two specific outputs pursue this,

- Agriculture: Animal Husbandry, plant production and organic agriculture
- Capacity Development: Support to organizational capacity, Open School and health and sanitation program for women and girls.

Individual capacity development support activities (e.g. support to Open School students) will reach a natural conclusion and this aspect of the project will terminate naturally.

In the past pursuit of the project's goal, saw a twofold emphasis: first, ideas were piloted and, if successful, transferred to existing organizations; second, utilizing the university's comparative advantage as a public body, a close partnership was been established with state organizations. This was manifested in the project contributing to major state-funded program, such as artificial insemination and pasture improvement.

Subsequent to the revisions arising from the adoption of the CIP 1 final evaluation, emphasis has been paced on pursuing project goals through existing organizations, agricultural unions, producer associations and cooperatives. This saw the IP emphasise the twin-track organizational capacity development and income generation approach.

The evaluation team considers that the project's amended design is a relevant response to the socio-cultural and socio-economic circumstances of the project area's population. Furthermore, the strategic approach adopted has contributed to a greater and more effective outreach than would otherwise have been possible.

#### 4.2.3.4. ERZURUM EFFICIENCY

The below tables outline the CIP budget resources and total actual resources available to the IP in Erzurum. The tables below show the annual budget and expenditure for principal activity groups: income generating activities, capacity building activities and quick impact projects. The table on Total Budget and Expenditure presents the financial situation not only for BTC funds, but also for non-BTC funds in order to highlight the level of third party support and help assess the resulting financial leverage.

Tables 18 and 19 outline the CIP budget and the total budget in Erzurum activities.

**Table 18 Allocated Budget from BTC and Expenditure in Erzurum**

<b>YEAR</b>	<b>ITEM</b>	<b>BUDGET (000 USD)</b>	<b>EXPENDITURE (000 USD)</b>
<b>2007</b>	Income Generating Activities	279	235
	Capacity Building	290	250
	QIP (if applicable)	12	12
	<b>TOTAL</b>	<b>581</b>	<b>497</b>
<b>2008</b>	Income Generating Activities	194	110
	Capacity Building	187	107
	QIP (if applicable)	-	-
	<b>TOTAL</b>	<b>381</b>	<b>217</b>
<b>2007 &amp; 2008 TOTAL</b>		<b>962</b>	<b>714</b>

**Table 19 Total Budget and Expenditure, all Funders, Erzurum**

<b>YEAR</b>	<b>ITEM</b>	<b>BUDGET (000 USD)</b>	<b>EXPENDITURE (000 USD)</b>
<b>2007</b>	Income Generating Activities	350	302
	Capacity Building	331	309
	QIP (if applicable)	36	37
	<b>TOTAL</b>	<b>717</b>	<b>648</b>
<b>2008</b>	Income Generating Activities	275	156
	Capacity Building	268	151
	QIP (if applicable)	-	-
	<b>TOTAL</b>	<b>543</b>	<b>307</b>
<b>2007 &amp; 2008 TOTAL</b>		<b>1,260</b>	<b>955</b>

In the course of both years, considerable additional resources have been raised for CIP-linked purposes. Respectively, the IP has leveraged 30.4% and 41.5% for investment purposes; overall, the percentage of additional resources raised is 33.8%. The IP has also under-spent on both the CIP and total budgets despite achieving the planned activities. Both are clear indications of the efficient utilization of the resources available.

#### 4.2.3.5. ILLUSTRATIVE CASES FOR EFFICIENCY ANALYSIS

I illustrate the efficiency aspect for the AU by making reference to two of its activities, namely (a) the use the SSF, and (b) clover seed program. The use of the SSF fund falls in the realm of cost effectiveness, whereby the AU has been able to procure more items than planned for at lower cost, hence a clear manifestation of double cost effectiveness performance. This is explained below in some detail. The second illustrative case for efficiency relates to the rate of return on the clover seed activity, which has produced impressive results. Here we are trying to use the notion of rate of return on the investment.

### *Small Support Fund*

Small Support Fund is created in 2008. The provided funds were utilized to acquire machinery for village based organizations. The result of SSF was higher outcome at a lower cost, proving efficiency.

Thus, four more sub-projects are funded despite the savings of \$ 8,000. This efficiency was achieved through a combination of:

- Judicious procurement and good market research
- VAT exemption
- Co-financing of 50% from Government
- Greater co-financing from users

Hence, we observe that all cost-effectiveness means are fully utilized. It is a successful combination of public sector support, beneficiary co-financing and detailed market knowledge. Therefore, AU proved its capacity to use different cost-minimization methods and tools.

### *Clover Seed Program*

Clover seed was distributed through the Breeders Association. The operation proved highly efficient in terms of generating a substantial return to a modest investment. Here we introduce the costs and benefits of the program and then compute the rate of return and benefit-cost ratio to discuss the efficiency of the program in detail.

Government provides support to clover seed to encourage clover cultivation, which enables the cooperatives to buy seeds at a lower price. As a result, sale price by the cooperative is 30% lower than the market price. These costs are as follows:

**Table 20 Cost of clover seeds**

<b>Price of clover seed at the market</b>	<b>10 kg/ TL</b>
Price of clover seed via cooperatives	7/kg TL
Amount of seed distributed	6000 kgs
Cost of clover seed distributed	42,000 TL
Investment cost for TA	8,000 TL
<b>Total Investment Cost</b>	<b>50,000 TL</b>

The details of the seed distribution and outcomes are listed in the table below:

**Table 21 The details of the seed distribution and outcomes**

<b>Amount of seed distributed</b>	<b>6000 kgs</b>
Seeding rate	2 kgs/decare
Area seeded	3,000 decares
replacement period of clover (perennial crop)	5 years
Total area that can be harvested	15,000 decares

In a period of 5 years, 15,000 decares of land will be harvested by an initial seed distribution of 6000 kgs, which is used to seed 3,000 decares of land. In light of this information on yield, the benefits of the program could be summarized as:

**Table 22 Benefits of the program**

<b>Annual amount of dry hay harvested from three cuttings</b>	<b>1,300 kgs/decare</b>
Total amount of dry clover hay harvested in 5 years	20,000 tons
Unit price of dry clover hay	250 TL/ton
Total farm revenue	5,000,000 TL
production cost	50%
<b>Total profit</b>	<b>2,500,000 TL</b>

The summary of the costs and benefits are:

- Costs: 50,000 TL
- Benefits (Returns to Farmers): 2,500,000 TL

As a result, B/C Ratio and the internal rate of return could be computed as:

- Benefit/Cost Ratio (Unadjusted): 50
- Internal Rate of Return: Cannot be calculated because the rate of return is exceptionally high

One should note that the computation does not include future discounting. If the invested capital is discounted, there could be a slight fall in the B/C Ratio.

All in all, the clover seed program is a good example of cost-effectiveness combined with high returns.

#### 4.2.3.6. ERZURUM EFFECTIVENESS

I visited four project existing and previous project sites in total in the course of the Erzurum field work. This section includes a summary of effectiveness analysis and details of activities visited during the field visit.

In 2007, three activities are implemented by exceeding targets. Fodder crop seed distribution was realized below the planned level due to price inflation. There were no activities that have been planned but not implemented. All other activities were fully implemented.

In 2008, canola farming is implemented at a level less than planned due to climate conditions. Similarly, Hungarian vetch seed distribution was realized below the planned due to price inflation as in 2007. There were no activities that have been planned but not implemented. All other activities were realized as planned. The IP proves to be effective in implementing the planned activities.

In the course of the limited field visits the team carried out, there was clear evidence of successful income generation in line with the CIP 1 final evaluation's recommendations. Furthermore, the IP had pursued an approach which emphasised implementation through unions, cooperatives and producer associations; respectively, one union, two cooperatives and one producer association were visited.

Evidence of successful income generation was identified in some cases. For example, services provided through the Animal Breeders Union saw both members and the union itself benefit. For example, the Union provided clover and sanfoin (fodder crops) seeds to 15% of the total provincial market at between TL 4 – 5/kg. This had the effect of reducing the market price from TL 10/kg to TL 6/kg, benefiting not only the union's members but all fodder growers. Notwithstanding this, Government policy changes in relation to artificial insemination (AI) have impacted negatively on the Union. Plans had initially highlighted this as an area with the most potential for generating income for the Union. Policy changes reversed this and appear to have discouraged farmers

from pursuing AI, despite positive experiences in the past. To the evaluation team's knowledge, there have been three policy changes since the CIP 1 MTR. Anecdotal evidence is that these have impacted negatively on farmers' it would seem these unheralded changes have reduced farmers' ability to plan effectively. It would be useful if the effects of unexpected policy changes should be researched with a view to presenting this evidence-based research to Government and the Department of Agriculture.

In the two cooperatives, the provision of baling machines to each provided sources of income for the cooperatives, while ensuring members and non-members (albeit at a higher price) access to the equipment at less than market rates. The key turning point for the Vegetable Producers Association proved to be the project's investment in the provision of clean water for irrigation. As buyers became aware that the producers were no longer using waste water for irrigation, sales (and profit) nearly doubled. Diversification into non-tradition products (e.g. broccoli) and production methods (e.g. poly-tunnels) added to profits, as has the newly introduced production and sale of seedlings. Table 26 provides some examples of profits achieved.

**Table 23 Examples of Profits Achieved for the Different Organizations**  
Erzurum

Producer Unit	Income Source	Price – TL	Profit
Animal Breeders Union	Seed distribution	4.5/kg	12,375.00
	Vaccinations	Parasites 0.5	14,275.00
		Mixed 1.5	
Alvar Cooperative	Seeds	1.7/kg	5,100
	Baling Machine	0.375/25kg bale	429
Beypinari Cooperative	Vaccination	0.375	900
Vegetable Producers Association	Vegetable Production Seedling Production	70% gross sale – Black Sea region 0.85/unit (profit)	TL 4,000,000 (150 producers)

Some gains achieved, particularly by the cooperatives, are not quantifiable, but nonetheless real. Alvar Cooperative, for example, was crippled by accumulated debt and interest to the Ministry of Agriculture in excess of 700.000,00 TL. The commencement of activities brought the regeneration of trust amongst the membership and an increased willingness on their part to commence repayment of the debt. The cooperative successfully sought the debt's restructuring, which saw the Ministry cancel the outstanding accrued interest and agree to annual repayments, totaling 46.800,00 TL of the outstanding principal (234.000,00 TL). With support from the Vegetable Producers Association, which supplied seedlings and provided training, seven Beypinari's women have started vegetable growing and have joined the Association. The Association provided the broccoli and lettuce seedlings and gave the training for free. Four decare were harvested, providing a total production of 32 tones. This was seen as a good return. Other vegetables produced (seven households in total) include beans. To a considerable extent, women take responsibility for the activity and, as a result, control the income generated. According to male informants, broad estimates of profits from this activity were thought to be approximately 2.000,00 TL.

Both Beypinari's vegetable production and the growing membership trust in Alvar demonstrate important social benefits that have accrued from the project activities. While the former activity has clearly increased the status of women in the village (although there were no female participants in the team's meeting, the fact that they have joined the Association suggests considerable social change), the latter possibly provides most hope for the cooperative's future economic activities.

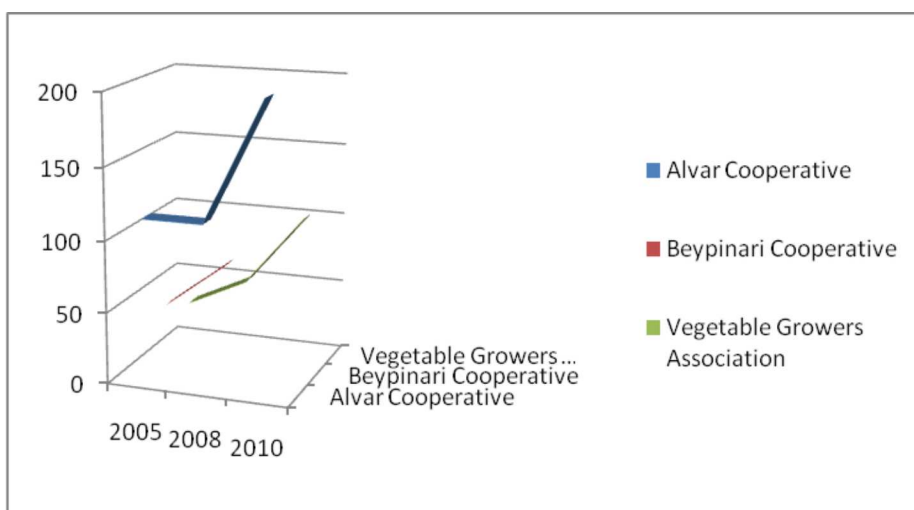
While beneficiary organizations have experienced numerous challenges in the course of the project's life, factors external to the project's environment have had a major effect on the Animal Breeders Union. The most important income generating strategy identified at the start of the Union's partnership with the IP

was AI. For the past two years (2006-07), the Union had pursued AI, thereby seeking to improve the cattle breed in the province. At the time, Government policy subsidized veterinarians artificially inseminating cattle. In support of the provision of this service to its members (both in project and non-project villages), the Union purchased an ultra-sound machine to confirm pregnancies. However, Government changed policy at the beginning of 2008 without any notice; the target of AI subsidies switched from the service provider to the calf throwing the Union's business play off course.

#### 4.2.3.7. CAPACITY BUILDING

Capacity building for organizational development comprised the second leg of the strategic approach proposed in the final evaluation of CIP 1. Based upon the field work undertaken, I believe that Atatürk University has pursued capacity development as a priority. However, the jury on the organizational development achievements of this remains out.

Support to the two cooperatives and the Vegetable Growers Association has had positive results from a membership point of view. This has encouraged membership aspirations which reflect significant growth. Figure 9 outlines membership growth and aspirations over the period 2005 to 2010.



**Figure 9 Organizational Membership, Erzurum**

Alvar Cooperative's aspirations are possibly unrealistic. As Figure 6 shows, membership was static between 2005 and 2008; in this situation, the aspiration to increase membership to 200 by 2010 may be unrealistic. By contrast, Beypinari has no aspirations, preferring to emphasise improved services to existing members rather than embarking on a recruitment drive. The Association's membership aspiration to double existing membership may also be ambitious but visible benefits to members may serve to assist the Association achieve its goal of 100 members in the next two years.

By contrast, Government policy changes have hampered the Breeders' Union's ability to deliver services to its membership. Thus, despite its access to more physical resources (vehicles, the ultrasound machine, etc.), income shortages and delays in receiving subsidies have resulted in staff cuts (down from 16 to 7). Inevitably, despite being able to retain key skills, this has resulted in reduced capacity.

Generally, the organizations emphasised their need for ongoing support from the IP. Furthermore, based upon the observations, none appear to be in a situation where they will be capable of self-sufficiency. These observations were borne out by the interviews conducted, which strongly suggested that capacity was limited in spite of the IP's efforts in this respect. The IP expressed greater confidence in the organizations capacity for self-sufficiency while including in its 2009 plan the intention to provide one – on – one support in key areas.

The IP has maintained a number of other activities, which have been broadly grouped under the capacity building heading. These include health and hygiene training for women, and support for Open Education candidates. In principal, I am fairly relaxed about this diversity, noting that the activities will come to a natural end: Open Education candidates, for example, will come to an end of

their education. I wish to underline, however, the importance of not adding more beneficiaries to those already existing<sup>18</sup>.

Of greater concern is the suggestion that women-only training and activities will be brought to an end. This is proposed on the understanding that men who receive training, convey the information to their wives and daughters who translate this information into action. I have serious reservations about such a 'trickle down' concept of skills development; there is considerable evidence from a range of sources, including popular children's games, that the message is garbled as it passes through more channels. As an efficiency concern, there is no point in not training the actual people who will be the ones applying the new practices. This causes time and resource loss on men's side with no efficient transfer of knowledge to women.

I appreciate that Erzurum is a very socially conservative area. As such, obtaining access to women for training is challenging. Nonetheless, the IP has successfully pursued women-only trainings for a number of years and this has proved successful; male respondents report that their wives and daughters, for example, have applied the lessons of animal hygiene training (e.g. washing udders before and after milking) that they have received. They also report that following hygiene and health training in which women participated; they have noted changes in family nutrition and children's hygiene practices that their wives have introduced. Last but not least, existing gender structures already limit women's direct access to knowledge as individuals. The trainings and activities not only provide this direct access but also make women equally 'visible' in the social arena, which is important for empowerment purposes.

I also note that the project has supported income generating interventions that target women, principally greenhouses and strawberries. As noted above, these have proved successful and have provided women with independent income, which they have invested in the household. Furthermore, this has contributed to

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<sup>18</sup> It should be noted that the IP is in agreement with this, and there will be no new registrations by the project in future.

changing social relations within the household, despite their being no evidence of any change externally.

For all these reasons, I support the fact that BTC intend to continue to support women-only training activities with emphasis on women entrepreneurship and women's organizations.

#### 4.2.3.8. ERZURUM IMPACT

For a number of reasons, assessing impact is challenging at this point in time. Nonetheless, based upon the field work conducted and experience gathered from earlier visits to the area, it is clear that some impact has been achieved. At present, this is chiefly in the area of income generation. Project interventions, as shown above, have demonstrably improved the income potential of both partner organizations' members and villagers generally. Furthermore, improved animal health and feed have increased yields and increased the animals' sale value.

Interventions, such as greenhouses, strawberries and vegetable growing have increased the incomes available to women. This has provided them control over resources, which has impacted on socio-cultural conditions within households. This has proved an important social impact in a particularly socially conservative area; in effect, women's bargaining power within the household over the use of resources has been strengthened.

Some impact has also been achieved in respect of the project's partner organizations. Members' trust in cooperatives has been reengaged, resulting in the decision to begin repaying one cooperative's debt to the Ministry of Agriculture. In another, increased trust has seen members' willingness to engage in cooperative activities re-awaken, resulting on positive results for the cooperative as a whole. Notwithstanding these gains, the team does not wish to over-emphasise the gains; they remain fragile and weak and are capable of reversal.

#### 4.2.3.9. ERZURUM SUSTAINABILITY

Assessing sustainability is very problematic at this point in time despite the province having been part of RFP 1. However, unlike other RFP 1 areas, there were significant delays in commencing implementation, arising from factors beyond the IP's control. In reality, implementation only really began following the CIP I MTR; in effect, the project, despite strenuous efforts to catch up, is two years behind the three other RFP 1 areas.

Having noted this, I note that the greater focus achieved does appear to be bearing fruit. Partner organizations appear to have been guided onto a sustainable path, not least because of the income generating activities supported. In the case of the two cooperatives visited in the course of the field visits, this has seen a re-awakening of members' interest and the re-emergence of trust in the cooperative and its renewed leadership.

The key to entrenching this lies in further organizational development, improved management skills and increased transparency located within organizations that continue to provide benefits to its members. The recommendations below seek to address the means to achieve this virtuous circle.

#### 4.2.3.10. CONCLUSIONS AND RECOMENDATIONS

With an effective three years remaining to the CIP II, it is clearly necessary for the IP to address the need for a medium term plan that provides for an exit strategy, which answers the question 'Where do you want to leave the cooperatives and unions in three years?' Having established the answer to this question, the IP's annual work plans, therefore, become strategic steps along the way to achieving this medium-term objective.

Within this overall framework, I believe that three key aspects need to be addressed. First, the focus on income generation must be maintained; it seems desirable that the focus should emphasise existing, rather than new, activities.

Success in this regard binds organization members to the cooperatives, associations, unions etc. more firmly, ensuring an appreciation of the benefits of membership. For those who are not members, it makes the organization more attractive, encouraging them to join and thereby strengthening the organization still further. In this connection, women-only income generating activities, e.g. greenhouses, strawberries and vegetable growing and marketing should be continued for the remainder of the program.

Second, further emphasis on capacity development for organizational development is clearly necessary. Based upon the interviews conducted and observations, key skills, which are still lacking or require reinforcement, are in areas such as business planning and management and book-keeping/accounting. The IP already plans one – on – one support. I strongly endorse this approach, which should be complemented, as appropriate, by more formal training sessions.

Similarly, with the increase in opportunities available to access additional resources from Government and donor organizations, additional skills in project development and program cycle management would be beneficial. Regardless of the achievements of the CIP, it is evident that project partner organizations will continue to need access to additional resources for investment purposes for some time to come. In this latter connection, skills development in monitoring as an effective management tool would be of considerable value.

Third, skills development targeting women should also be continued, particularly as this relates to income generation. Where possible, this should be through supported peer learning: women with experience in the identified activities providing supervised training to other women in their villages.

Finally, it would be inopportune were the University's comparative advantage in research not be utilized. As noted above, rapid and unheralded changes in Government agricultural policy appear to have affected farmers, and their associations, negatively. With access to research skills and expertise, the

university is well placed to lead IPs pursuing evidence-based policy research into the effects of policy changes on farmers in their areas. BTC should encourage this, setting aside time in the course of quarterly IP meetings to explore and pursue this idea. Further assistance through identifying possible donors (e.g. IFAD, FAO, EU – Erasmus Program) also appears desirable. This enquiry represents an opportunity to pursue evidence-based advocacy *vis a vis* Government and the Ministry of Agriculture in particular.

#### 4.2.2.11. SUMMARY OF THE ERZURUM PROJECTS



Erzurum project was launched in 2003 to improve the agricultural production and animal husbandry through supporting small enterprises in project villages, and to develop the capacity of local organizations.

In this reporting period, Erzurum Cattle Breeders Union (ECU) was financially and technically supported to enhance the sustainability of the animal husbandry activities in the region. ECU showed a remarkable success. 31.000 artificial inseminations were done; 53.000 ear-tags were applied to calves; ECU increased the number of members from 1.715 to 2.100 and became a recognized organization in the sector.

Another successful local organization, Vegetable Producers Association (VPA), harvested 300 tons of vegetable in 6 villages and 40 producers accomplished to extend from local market to neighbor cities.

Project supported entrepreneurship in the region. 22 applications were done to Credit Guarantee Fund. Three projects were funded under Small Support Fund. Local organizations covered 45% to the total project budgets as cash contribution. Nine local producer organizations such as Unions and cooperatives were supported to strengthen their management capacities. All of them prepared annual work plans, budgets; held monthly meetings and periodically informed

their members. Exit was successfully managed by the IP and the IP accomplished to leave strong local organizations behind which are both financially and institutionally capable of continuing the development activities initiated by the project.

#### 4.2.2.12. INSTITUTIONS WHICH HAS BEEN COLLABORATED

- Erzurum Governorship
- District Governorships
- Special Provincial Administration
- Provincial and District Directorates of Food, Agriculture and Livestock
- Provincial Directorate of National Education
- Provincial Directorate of Environment and Forestry
- Erzurum General Directorate of State Hydraulic Works
- Provincial Directorate of Health
- TEDAŞ
- Central Finance and Contract Unit
- Erzurum Metropolitan Municipality
- Local organizations (Erzurum Breeding Milk Union, Dadaskoy Greengrocer Union, Daphan Irrigation Union, Demirdöğen Irrigation Union, Union of Breeding Dairy Farmers, Dadaşköy Union of Vegetables Sellers , Daphan village cooperative)
- Atatürk University Faculty of Agriculture, Engineering, Kazım Karabekir Faculty of Education

Atatürk University Agriculture faculty was founded in 1958 and is a state university. The project coordination unit of the faculty is the implementing partner of BTC Co. in Erzurum. The dean of the faculty with another professor with eleven staff is leading the program. Since it is a state university, the rules and the employees are subject to government rules. Although they are the government and they must act accordingly, the project is managed with the

private sector rule. However many problems arose. First is when the payment is made to the university, the government tax the amount because the university accounting system belongs to the government. The second problem is regarding the payment to the two staff member; their status is public servant and the law does not allow public servants to directly receive salaries from the private sector. By mid-2004 the laws were changed for the university to receive the amount and only in March 2005 did the laws allow the project managers to receive their salary because there have been changes in the related laws and regulation due to the European Union membership discussions. Despite not receiving the payments from BTC Co. regularly, the project continued by using the resources of the university and due to the commitment of the staff members. The rector of the university is the official owner of the project on behalf of the university and he is not paid by BTC Co. The financial reporting for the university is different because they are first audited by the university accounting department then the receipts are send to the BTC Co. The university's biggest advantage is their access and good communication to the other government agencies in Erzurum. The relationship is intangible but very valuable.

#### 4.2.4. SIVAS SUSTAINABLE DEVELOPMENT PROJECT – SURKAL

##### 4.2.4.1. PROJECTS ID

**Project site:** 6 districts of Sivas (Altınyayla, Ulaş, Hafik, Zara, İmranlı and Sivas Center) and 54 rural settlements

**Practice period:** Start date – 1 July 2003

End date – 30 July 2012



<b>Project budget:</b> BTC Co.'s donation:	2.427.063,00\$
The third parties contribution (co-funds):	2.421.584,00\$
Implementation Partners' Contribution:	810,90\$

#### 4.2.4.2. SUMMARY OF THE SIVAS PROJECTS

Launched in 2004, Sivas project was designed to promote organic farming and strengthen capacity of local organizations during the last two years. Project supported intensively a local organization on agricultural activities, namely UKDER, to carry out organic farming activities in the project region. On the job trainings were provided to 100 producers. 2 producers, on behalf of UKDER, produced 10.000 cucumber, 10.000 tomato and 4,000 green pepper organic seedlings and achieved 120% productivity increase compared to the previous year. 19 producers grew vegetable seedling in greenhouses and met the seedling need of 159 producers in the region. 100 men and 200 women received technical trainings on greenhouse farming. 15 intermediary staff was trained in 15 villages and are ready to provide technical support.

Project also supported Sivas Cattle Breeders Union which applied artificial insemination to 350 animals in project villages. 200 barns in 20 villages were completely disinfected with producers' contribution. The rate of the producers who have their animals vaccinated for anthrax twice a year increased from 70% to 100%. Total cultivation area of trefoil, clover and vetch extended to 31.000 da area by end 2011.

During the reporting period, 5 women continued producing jewellery and managing the Şippoyaki (crafts) atelier in Hacımırza village. Project provided technical and financial support to the construction of common-use village oven at Akpınar.

#### 4.2.4.3. INSTITUTIONS WHICH HAS BEEN COLLABORATED

- Sivas Governorship, Zara, Ulaş, Altınyayla and İmranlı District Governorship
- Directorate of province and district of Food, Agriculture and Livestock
- Sivas Beekeeper Union
- JICA, UNDP
- Healthy Care Center

- East Anatolia agricultural producer and animal breeder union
- Independent Veterinary Surgeon
- Directorates of Public Education

#### 4.2.5. ERZINCAN AND GÜMÜŞHANE SUSTAINABLE DEVELOPMENT PROJECT – PAR CONSULTANCY

##### 4.2.5.1. PROJECTS ID

**Project site:** 5 districts of Erzincan and Gümüşhane (Erzincan Center, Çayırılı, Tercan, Refahiye and Gümüşhane Kelkit) and 49 rural settlements

**Practice period:** Start date – 1 July 2003

End date – 30 July 2012

<b>Project budget:</b> BTC Co.'s donation:	2.985.747, 15 \$
The third parties contribution (co-funds):	6.425.543, 00 \$
Implementation Partners' Contribution:	382.580,00 \$

##### 4.2.5.2. SUMMARY OF THE ERZINCAN AND GÜMÜŞHANE PROJECTS



Erzincan-Gümüşhane project was designed to improve the social and economic development through strengthening cooperatives. The reporting period was the last period of the exit strategy. Therefore project focused on supporting the successful cooperatives and helping the ones in liquidation process. Four cooperatives increased awareness on proper nutrition in cattle breeding. As a supplementary activity, milk collecting business continued and 470 livestock in 5 villages were artificially inseminated. Butter weighing, vacuuming and bar-coding machines were provided to the Yurtbaşı ADC, Can Köyler Dairy plant.

The third and fourth round of the heavy machine operating course was organized, one on excavator and the other on JCB. 46 participants received certificate for excavator operation and 21 participants received certificate for JCB operation.

Project also continued supporting open education program for women and youth in the region. 2 university students, 11 high school students and 4 primary school students succeeded in passing to the upper grade while 1 more high school student has completed high school in 2011.

Erkadın Women Cooperative sewed school uniforms for the students in the district as requested by Tercan sub governor. In order to share experiences, Erkadın visited Kozadan İpeğe Cooperatives in Ankara. The cooperative completed the year with an income of approximately \$ 7.000 from its production works.

#### 4.2.6. KAYSERİ SUSTAINABLE DEVELOPMENT PROJECT – PAR CONSULTANCY

##### 4.2.6.1. PROJECTS ID

**Project site:** 2 districts of Kayseri (Sarız and Pınarbaşı) and 33 rural settlements

**Practice period:** Start date – 27 September 2004

End date – 31 March 2012

<b>Project budget:</b> BTC Co.'s donation:	1.950.310,00\$
The third parties contribution (co-funds):	2.000.000,00\$
Implementation Partners' Contribution:	359.490,00\$

#### 4.2.6.2. SUMMARY OF THE KAYSERI PROJECTS



Kayseri project, during its exit period, focused on promoting fruit production and supporting the producers' unions to make them institutionally capable of sustaining their activities. Gümüşali and Karakuyu Agricultural Development Cooperatives started to enlarge their service area and produced

100 and 35 tons of animal feed respectively. The two cooperatives purchased necessary agricultural and production machines with the financial support of the project, Ministry of Agriculture and with their own means. Total value of Gümüşali ADC's machines is US\$18.167 and Karakuyu ADC's machines are US\$ 54.000.

In Sarız district, orchards supported in the last four years in project villages, also became widespread in other non-affected villages. Total number of the gardens reached 98 with 756 da area. With leading support of the project, all orchards are using drip irrigation systems and convenient pruning techniques.

Project team provided technical support to entrepreneurs in order to help them apply various funding agencies. The projects were about income generating, social empowerment and increasing productivity and managing capabilities of the organizations. In total US\$144,000 was awarded to local organizations with the support of BTC CDI project.

#### 4.2.7. KAHRAMANMARAŞ SUSTAINABLE DEVELOPMENT PROJECT – PAR CONSULTANCY

##### 4.2.7.1. PROJECTS ID

**Project site:** 2 districts of Kahramanmaraş (Göksun and Andırın) and 29 rural settlements

**Practice period:** Start date – 1 June 2007

End date – 30 June 2012

<b>Project budget:</b> BTC Co.'s donation:	2.843.703, 51 \$
The third parties contribution (co-funds):	2.149.780, 00 \$

#### 4.2.7.2. SUMMARY OF THE KAHRAMANMARAŞ PROJECTS



The overall objective of the project was to contribute to sustainable economic and social development in 29 settlements in Kahramanmaraş. During the exit, project focused on technically supporting the raspberry and blackberry producers, greenhouse farming activities and one producers' union. 21 raspberry and blackberry producers in total 49.000 m<sup>2</sup> of gardens sold their products to ice cream firms and at local market. The total harvest increased from 30 tons to 54,4 tons in 2011 and generated income more than US\$ 45.000. 8 greenhouse producers harvested totally 39.500kg cucumber and 7.350kg tomato. The income gained from each unit area increased 28%.

Andırın Cherry Producers Union was supported both technically and financially to execute its project on establishing 1.500 tones capacity cold storage and fruit processing facility. The project received US\$ 250.000 from DOĞAKA (Regional Development Agency) and created additional fund of US\$ 250.000 from the membership fees. The cold storage and fruit processing facility was launched last week of June, 2012.

#### 4.2.7.3. INSTITUTIONS WHICH HAS BEEN COLLABORATED

- Andırın and Göksun District Directorate of Agriculture
- Kahramanmaraş Sütçü İmam University
- Local Institutions (the work of Mukhtar and Municipalities)
- Andırın Cherry Producer Union
- Kahramanmaraş Chamber of Industry and Trade

- Tufanpaşa Social Development and Enterprise Union
- Geben Social Development and Enterprise Union
- Değirmendere Social Development and Enterprise Union
- Tahirbey Social Development and Enterprise Union
- Tırşık Magazine
- Aksu TV
- Andırın Post News

#### 4.2.8. ADANA AND OSMANIYE SUSTAINABLE DEVELOPMENT PROJECT – PAR CONSULTANCY

##### 4.2.8.1. PROJECTS ID

**Project site:** 2 districts of Adana (Ceyhan and Yumurtalık) and 19 rural settlements and 2 districts of Osmaniye (Kadirli and Osmaniye Center) and 14 rural settlements

**Practice period:** Start date – 31 January 2007

End date – 30 June 2012

**Project budget:** BTC Co.'s donation: 2.921.880, 94 \$

The third parties contribution (co-funds): 1.503.350, 00 \$

##### 4.2.8.2. SUMMARY OF THE ADANA AND OSMANIYE PROJECTS



Adana-Osmaniye project aimed at creating development models for improving income generation with spreading sustainable agricultural techniques in the Çukurova region. Project introduced sulphur implementation for soil betterment. Proper soil processing techniques were implemented at 30.000 da field that corresponds to 15% of the irrigated lands of the total project area.

In 2011, two village cooperatives and one village association were technically and financially supported in their milk collecting business that serves for about 300 villagers from 7 project settlements. Milk prices offered by the project supported village organization were at least 15% above the regional average. By means of this price support, cattle breeders earned at least US\$ 84.000 extra income.

Gölovası Marine Cooperative with the support of the project opened a cold storage facility that protects fishermen from sharp price fluctuations of the national shrimp market. This facility is expected to provide the opportunity not to sale shrimps daily to low price during the high seasons.

The project closure meeting was conducted on 25 June 2012. In addition to BTC's delegation, Deputy Governor of Adana, District Governor of Yumurtalık who was also representing Ceyhan District Governorship, mayors of Ceyhan and Yumurtalık municipalities, the head of Ceyhan Chamber of Agriculture, the head of Ceyhan Chamber of Commerce, the director of Ceyhan District Directorate of Agriculture and more than 300 villagers including leader farmers, fishermen and villagers participated to the meeting. 64 news about the activity appeared on media.

#### 4.2.8.3. INSTITUTIONS WHICH HAS BEEN COLLABORATED

- Adana Governorship
- Osmaniye Governorship
- Ceyhan District Governorship
- Yumurtalık District Governorship
- Kadirli District Governorship
- Adana and Osmaniye Provincial Directorate of Food, Agriculture and Livestock
- Adana Provincial Directorate of Health

- Adana provincial Directorate of National Education
- Ceyhan District Directorate of Food, Agriculture and Livestock
- Yumurtalık District Directorate of Food, Agriculture and Livestock
- Ceyhan Centre of Vocational Training
- Agricultural Development Cooperatives
- Gölovası and Yumurtalık Aquaculture Cooperative
- Employment development and Enterprise Support Project which has been supported by BTC Co. Regional Development Enterprise Program

## 4.3 REGIONAL DEVELOPMENT INITIATIVES

### 4.3.1 DEVELOPMENT OF REGIONAL DEVELOPMENT INITIATIVES

To meet the international standards and the demands of the lenders, social and environmental programs have been implemented in the last two years. These programs were a learning process and allowed BP to accumulate internal capabilities. During 2004, a Caspian Development Advisory Panel (CDAP) panel evaluated the impact of the sustainability business of the BTC pipeline. As a part of their recommendation, the panel advised BP to continue the social and environmental investment with CIPs, but also to start a new initiative with a higher amount of investment and larger scope. The reason for the recommendation was that the existing investments lack coherence in three countries and the effort is not unified across borders. The panel also concluded that a single strategy and higher investment amount was necessary for the region. In addition, the construction phase of the pipeline was coming to an end and new operational phase strategies had to be implemented for the future of the social investments along the pipeline. These factors created a need for another social investment scheme with a larger size and scope which is called Regional Development Initiative (RDI). Today RDI is at the embryonic stage of development. BP has committed \$25 million to RDI over a ten year period

starting in 2005, and is searching for partners such as international donors and NGOs to support its large scale country wide, cross-regional program. The level and scale of funding is different from CIP's. RDI will deal with the macroeconomic activities and national priority with a higher level of funding. To create brand identity for RDI is very important to distinguish it from CIPs.

The partners for the structure show differences in every country. For example, European Bank of Reconstruction and Development (EBRD) does not operate in Turkey. United States Agency of International Development (USAID) is a better partner for Turkey and UNDP Turkey is also a potential partner for the projects in Turkey. Although the scope is widely described, the business plan is still under construction. The three broad categories that RDI will focus on are defined by looking at what BP is doing well in their business. The first one is energy because BP is an energy company and they have internal capabilities in addressing energy-related issues. The second is enterprise development, mainly focused on supply-chain development. This is important for BP because it will increase local content and increase the capacity of the suppliers. BP is also planning to attract non-oil FDI to the region by supporting the supply chain. The last theme to be addressed by RDI is corporate governance. BP is planning to provide training and communicate with government official.

The audience of RDI is the internal BP audience, the development audience, governments and the public. The main future challenge of the RDI is to communicate and then to engage other parties. Firstly, the internal audience of BP has to be convinced so that the long term financial and managerial resources can be secured. Then the private sector, which is mainly composed of consortium partners and other energy business in the region, should be engaged in the initiative. The other oil companies showed little interest in the initiative. Only two consortium partners are currently committed to RDI. EBRD and IFC will contribute matching amounts. There are discussions with IFC for an SME growth and development project that will affect the supply chain. RDI will

be aligned with the government's strategies and priorities. The full support and engagement of the host governments is necessary because the government has an influential role. In addition to host governments, other interested governments such as US and UK can also contribute to the initiative. The different donors such as USAID, UNDP etc. and the international financial institution have to be approached. The relevant development partners, including existing international and local NGOs and others, have to be involved. Although many participants are preferred, too many partners can also be problematic for the control of the RDI. In addition, BP also wants to have control in the projects. Control is the key concern for all their operations. The main difficulty is that there are many stakeholders who speak different languages. The translation of these different expectations and concerns is difficult. In any case, even with few partners, BP is committed to RDI.

#### 4.3.2 EFFICIENT GOVERNANCE ENTERPRISE DEVELOPMENT

After the completion of such important energy transfer lines as Baku-Tbilisi-Ceyhan Pipeline Crude Oil Pipeline, Shah Deniz and South Caucasus Natural Gas Pipeline and commence of their operations, BP, the operator of these projects, started Regional Development Initiative (RDI), which is now known as Efficient Governance Enterprise Development (EGED) Program in order to contribute regional development in Azerbaijan, Georgia and Turkey. EGED was designed as a complementary addition to Community Development Initiative (CDI) and Environmental Investment Program (EIP) which have been implemented since 2003. According to the information given by BP officials, EGED aims to contribute attainment of national and international development goals by integrating experience and resources of BP and its partners with expertise of development bodies. This initiative is based on the understanding that creation of a productive and healthy business environment is directly related

to reaching national macro-economic and social development goals. Therefore, EGED aims to maximize development effects of crude oil transportation lines and equitable distribution of their benefits.

EGED is designed to work in cooperation with development bodies and in coordination with the efforts of public bodies, nongovernmental organizations (NGOs) and other stakeholders. Thus, EGED is targeting not to be a mere grant program; it also aims to facilitate utilization of communities of petroleum and gas industry on a larger scale.

EGED is implemented interactively with other currently active investment programs reflecting a holistic development approach. Almost all of the projects started within the scope of initiative are either based on the gaining of CIP and EIP or designed as complementary to development needs not addressed by these programs. EGED is supporting projects which support CIP and EIP particularly in areas of enterprise development (development and extension of income generating models which are sustainable and compatible with nature) and governance.

For these ends, EGED has been working in Turkey in the two thematic areas below up to 2012:

#### 4.3.2.1. ENTERPRISE DEVELOPMENT

EGED aims to contribute development of local economy through diversification of economic base within this thematic area. In particular, creation of long-term employment and improvement of the performances of businessmen and entrepreneurs are targeted.

Activities are conducted on following areas:

- Supporting the development of local banking and micro-finance sectors through providing credit, start-up capital, technical support and training
- Improving Access of SMEs to transparent and easy credits
- Experience transfer through needs-based technical support and

knowledge sharing.

#### 4.3.2.2. EFFICIENT GOVERNANCE

EGED will carry out activities for supporting the development of transparent and efficient revenue governance, rule of law and civil society. Focus areas in Turkey is generally shaped as improvement of governance capacity of institutions, supporting participation of private sector in governance processes and development of local civil society.

Training and capacity development is at the center of all activities as the crossing point of these two thematic areas. Special importance is given to the sustainability of the impacts of projects implemented under EGED.

#### 4.4. EGED PROJECTS

##### 4.4.1. ANTAKYA SOLID WASTE REGULAR STORAGE PROJECT

(Technical Support for Management of Antakya Solid Waste Regular Storage Facility according to International Standards Projects)

**Project Field:** Project was implemented in Antakya, in the solid waste storage facility of Antakya Municipality.

**Duration:** 3 Years (September 2007 – December 2010)

<b>Project Budget:</b> BTC Co. Contribution:	360.000 \$
Antakya Municipality Contribution:	2.000.000 \$
Total Budget:	2.360.000 \$

İSTAÇ Co., Ltd., since the year it was established has implemented many applications within the framework of national and international standards and especially "solid waste" field has been one of the leading companies in Turkey.

In the last five years, has expanded its field of activity including water, air and soil pollution subjects. İSTAÇ Inc. has been sharing its technical know-how and technological infrastructure primarily with Istanbul and all the Turkey.

Within the framework of the EU Waste Management Norms, the company is engaged in; installation and operation of municipal landfills, collecting of medical wastes and their incineration, organic waste composting and recycling, landfill gas electrical generation, the coast, the main artery, square and street cleaning, garbage leach ate treatment, construction and demolition waste management, packaging, waste management, ships bilge water, slop, sludge, etc., and disposal of wastes, sludge screening and reclamation efforts of mouth of the creek, fuel production from wastes that cannot be recycled, hazardous waste management. In 2005 İSTAÇ Inc., has prepared "EU Environmental Legislation Compatible Integrated Solid Waste Management Strategic Plan" and determined solid waste management strategy and objectives until 2023 set in Istanbul.

In accordance with the standards of the European Union to serve the region aimed at the creation of a sustainable waste management project;

- Building a facility in accordance with the EU Directives with appropriate capacity for municipal and domestic and industrial wastes in Antakya region and creating a management system for operation of the facility according to the international standards and developing technical and operational capacity of waste management according to the national and international requirements.
- Reduce the environmental pollution from wild storage and rehabilitation of the wild storage area,
- It is aimed to have less waste production with separation at the source and pilot applications intended for increase in recycling.

With this Project it is also aimed to contribute to the improvement of technical capacities of local authorities in accordance with international standards.

In Antakya establishment of a waste management system for household and domestic and industrial wastes and development of Antakya Municipality's operating capacity accordance with national and international requirements is aimed.

#### 4.4.1.1. THE TARGET GROUPS OF THE PROJECT - BENEFICIARIES

Primarily Antakya Municipality and Hatay Environmental Protection Association (ÇEVKOBİR) and 48 member districts and sub-district municipality benefit.

Approximately 650,000 people living in these settlements are directly affected by the results of the project. From the drop-down facilities, BTC and Pipeline operator Botaş International Limited (BIL) benefit. In addition, other companies, and villages in the region are among the beneficiaries of the project.

#### 4.4.1.2. APPLICATIONS

The project activities have been initiated with technical evaluations and the determination of shortcomings for the operation of solid wastes in accordance with international standards. The following activities were carried out within the period of three years:

- Completion of facility design and construction deficiencies in accordance with the EU standards,
- Preparation of storage area operation plan,
- Creation of plant operating system,
- The preparation of integrated solid waste management plan, in compliance with EU environmental legislation,
- Performance of waste characterization study according to the seasons,
- Preparation of packaging waste management plan,
- Preparation of medical waste management plan,
- Preparation of waste-treatment sludge management plan,
- Preparation of construction and demolition waste management plan,
- Preparation of Wild storage area rehabilitation projects,
- Developing the capacity of Antakya Municipality for operation,
- Management training (storage area operation training, packaging waste management training, medical waste management training, wildlife

rehabilitation training of landfill sites)

- Quality trainings

Has put forward an environmentally friendly waste disposal model in accordance with EU Directives in Antakya instead of wild storage. With the established facility 320 tons per day of domestic waste, 35 tons of medical waste and 7 tons of treatment plant sludge disposal in suitable conditions are provided.

All of these activities, especially the use of less energy in transport processes, and appropriate storage method leads to less carbon emissions. To ensure the sustainability of the facility, construction of the second lot of storage area has been completed.

Studies for “Source separation” of waste that can be reused in nature by recycling and training and pilot application (bags of garbage collection and separation containers) for recovery of paper, metal, glass, etc. into the economy continues under the leadership of Antakya Municipality and ÇEVKO-1. Another acquisition here is the development of capacities of the firms who have constructed the facility and operating it and the municipal staff in design and operation. The facility has become a model for other provinces in the region and the region's vision for the management of municipal solid waste has been developed.

BTC Co. decided to implement this project to decrease the transport and other costs for recycling of waste materials for its AGIs. BIL is sending BTC's domestic waste to Antakya instead of İZAYDAŞ which has reduced transportation costs by 67 % and Health and Safety risks significantly. BTC Co. planning to implement the same landfill projects in Ardahan and Erzurum; they are ongoing projects.

#### 4.4.1.2. COOPERATION GROUPS – PROJECT PARTNERS

- BTC Co. Company
- Antakya Municipality
- Hatay Environmental Protection Association (ÇEVKOBİR) and 48 member

districts and sub-district municipality.

- BOTAŞ International Limited Company (BIL)

#### 4.4.2 CEYHAN FIRE AND NATURAL DISASTER TRAINING CENTER (CEYDEM) PROJECT

Cooperation of Çukurova University and Search & Rescue Association (AKUT)

**Project Duration:** 11/2010 – 12/2012

**SDI Financing:** 461.600 \$

**Additional Matching:** 592.500 \$

Cukurova University is founded by on 11/30/1973 with the Law No. 1786 by joining Agricultural University and medical faculty which have been serving dependently to Ankara and Ataturk Universities. In 1992, the University has transferred some of the faculties and academies to Mersin University, Hatay Mustafa Kemal University, and Sutcu Imam University of Kahramanmaras. Thus, the young University has a great contribution for three new universities for starting education.

In 2007, one faculty and two academies are transferred to Korkut Ata University of Osmaniye. As of 2011, has been providing education service with Cukurova University's 13 faculties, 4 schools, 9 vocational high schools, 1 State Conservatory, 3 Institutes and 23 Research and Application centers, remaining as the most important university of the region.

AKUT Search and Rescue Association was founded in 1996, and in 1998 in Ceyhan, and in 1999 in Marmara earthquakes has shown superior success in human recovery and has gained statue of association for public interest. Later on AKUT has interfered with earthquakes and floods in Athens, Taiwan, Mozambique, India, Iran, Pakistan, Haiti and Japan ACUTE and accredited by the UN.OCHA INSARAG gaining International Search and Rescue Team status. Thus, became the first internationally accredited team of Turkey and sixth non-

governmental organizations in the world. In addition to the operational activities, within the scope of social responsibility and awareness-raising activities, has organized training, seminars and information meetings for nearly five million individuals, with specially designed simulators truck organized disaster and emergency information training for more than eight hundred towns and villages. At the same time, AKUT generates solutions for industrial solutions and training needs of institutions, and actively supports many institutions in simulation and drills. Today AKUT has completed its organizational structure with number of volunteers reaching almost 1500 in about 30 cities, and is continuing to be a popular movement with its infrastructure.

#### 4.4.2.1. IMPORTANCE OF THE PROJECT FOR THE REGION & ITS RATIONALE

In line with the increasing demand of the world for oil and natural gases, so is the importance of Turkey in the energy policies. Industrial sectors such as energy, shipyards, etc. and in particular, petrochemical sector prefer Iskenderun Bay and Ceyhan County in terms of close distance to raw oil, transportation, and shipment facilities. The region is, especially due to effect of the BTC Project, becoming a world class energy base. With the rapid industrialization of Çukurova Region seen in the recent years, and especially with the momentum of “Energy Expertise Industrial Region” founded by a Cabinet Decree No: 2007 / 12632, domestic and foreign investors are attracted to the region. And investment plan for Ceyhan Energy Expertise Industrial Region (CEIR) is coming clearer. According the this plan there will be oil refineries, petrochemical facilities, power plants, organized industrial zones, and shipyards within the region. However, plan doesn’t show a sign of a center where a multi-dimensional risk analyses for hydrocarbon fire and environmental risks associated with the petrochemical -focused industrial initiatives as well as theoretical and practical training on risk aversion can be carried out.

#### 4.4.2.2. OBJECTIVES OF THE PROJECT

Increase in the number of petrochemical facilities in the region increases the risk of fire and environmental impacts of it. There is a need for firefighters and emergency rescue teams equipped with proper knowledge and skills against fire and similar risks that might occur in these facilities. Considering there should be at least one firefighter for each 1.000 people according to European Standards, it's clear that Turkey needs 40.000 more firefighters. Employing trained staff at the firefighting departments of the municipalities, particularly at the nearby municipalities is of crucial importance in terms of protection of human life and environment.

In this context, Ceydem Project aims to support the service infrastructure in management of fire and environmental risks resulting from rapid industrialization of Çukurova Region; to improve the physical and human resources capacity, and to enhance the competitiveness of the region so that to improve the conditions of work environment.

Special goals that are desired to be achieved by bringing CEYDEM Project into action with its all components are;

- To train the personnel of industrial facilities as well as of local government in the region regularly on various simulation units in this center and to enhance their practical capacities thus improving individual proficiency and intervention skills.
- To provide a venue in which the students of civil defense and firefighting program in Ceyhan Vocational College can participate in hands-on training; and,
- To turn the education center to be built into sustainable organization who carries out internationally accredited certification programs.

#### 4.4.2.3. TARGET GROUPS & FINAL BENEFICIARIES OF THE PROJECT

Target groups and final beneficiaries of the project are middle to large scales industrial organizations who operates in various sectors including energy, petrochemical, etc., municipalities, local public authorities, and universities in the Region. Also employees in existing and to-be-founded industrial facilities, in particular local people who live nearby areas of industrial facilities, existing and future students of defense and firefighting program in Ceyhan Vocational College, faculty members, and also individuals who will find job opportunities with the help of certificates they will obtain.

CEYDEM will be built on an area of 40.000m<sup>2</sup> within the borders of Ceyhan Vocational College's campus in Ceyhan County, Adana. Facilities of CEYDEM and technical designs of simulation units thereof will be built and installed by Tekfen Engineering under the coordination of BTC Engineering. Tender process for construction works of CEYDEM has been completed and facility is, commenced in May 2012, expected to come into action early 2013.

Subsequent to the permission of YOK (higher education committee), a Civil Defense and Firefighting program was started at Ceyhan Vocational College, and required academic personnel were appointed. Preparation to provide faculty instructors foreign training courses (at Ark Rescue International in US, Pro Board certificated) is about to completed.

Management and operation of the education center to be founded will be under charge of Institute of Education and Research founded by Search and Rescue Association (AKUT) in accordance with the annual budget and work programs. During the course of operation and development of the education center, AKUT will provide expert instructors for promotion of the center at the public and target groups level as well as for various certification programs to be held for full-time managers and personnel. Domestic and international experience of the AKUT in firefighting and natural disasters will play an important role in sustaining of CEYDEM.

Training packages exclusive to each industrial sector will be prepared by the instructors and faculty members of CEYDEM in collaboration with the foreign universities. Effective methods in firefighting and natural disasters such as knowledge about best extinguishing materials for each type of fire, determination of spreading direction of the fire according to the wind's direction, importance of team work, and intervention techniques as well as search and rescue techniques in cases of earthquakes and/or industrial incidents, working at height, high angle rescue, confined space rescue, alive rescue, etc. will be taught through simulations and at hands on trainings by experiences instructors in CEYDEM.

It's a must now for employee candidates in the region to master skills and knowledge about related legislations and regulations, intervention methods and techniques in firefighting and emergency situations, etc. In this context, CEYDEM will not only contribute in solving problems of security, health and environment but also contribute in providing new job opportunities and enhancing the competitiveness of the region. CEYDEM will also form a hands-on training field for the students who study in Civil Defense and Firefighting program at Ceyhan Vocational College.

#### 4.4.2.4. COLLABORATING GROUPS

The topic being focused on as a multiplier effect in CEYDEM is to enhance the capacity and competence of firefighting departments of local governments in firefighting cases. Beside the problems resulting from lack of proper firefighting vehicles and equipments, also lack of proper training of the personnel in firefighting departments of local authorities have been repeatedly emphasized by the local authorities themselves. A needs analysis to identify the vehicle/equipment and proper firefighting training shortages of firefighting departments in 10 provinces and 34 counties is started and in this context, 3 provinces are visited by the related people. It's

planned to cover the specified educational shortages under CEYDEM. There is an ongoing search for source and collaboration opportunities to cover the shortages of vehicles/ equipments.

Negotiations are currently being held to develop the Project together with AFAD (Republic of Turkey Prime Ministry Disasters & Emergency Management Presidency) in order to ensure effectiveness of the project in developing national policies on disasters and emergencies. Early negotiations with industrial facilities at the Bay about participation in the training programs were held, and it's already agreed between AKUT and many leader industrialists to continue existing training agreement via CEYDEM subsequent to its completion.



CEYDEM project aims at meeting the capacity building needs to manage fire and natural disaster risks in terms of human resources and physical infrastructure in the heavily industrialized İskenderun Bay with a special focus on the Ceyhan Energy Industrial Zone. With this project, the fire teams of private companies and the local municipalities in the region will be trained through a certification program to be established under

CEYDEM.

Design projects for the fire and natural disaster simulations were completed by Tekfen Engineering Company as an in-kind contribution. Construction of the facility was initiated in line with the Partnership Protocol signed between Çukurova University, Botaş International Limited BIL (operator of BTC P/L Turkey Section), Search and Rescue Association (AKUT) and BTC Co. A Ground breaking ceremony for CEYDEM has been organized with the participation of local authorities, industries around Ceyhan and press.

Having the approval of Higher Council of Education (YOK), Çukurova University have opened the two year vocational program on civil defense and fire-fighting to train firemen under Çukurova Vocational High School and assigned teachers who will start training students by 2012. CEYDEM will be an important practical ground for vocational trainings.

Operation phase of the project is being developed by partners. This phase will include a gap analysis of the fire-fighting departments of the municipalities (33 district and 10 provincial municipalities) along the BTC pipeline prior to the trainings. By implementing this project, BTC Co. is going to decrease fireman trainings cost 80 %. Because in the past, BTC co. sent its firemen to take fire fighting trainings in international standards in Texas, America and paid over \$4000 for each.

#### 4.4.3 ISKENDERUN BAY INDUSTRIAL SYMBIOSIS PROJECT

Technology Development Foundation of Turkey (TTGV)

**Project Duration:** 12/2010 – 12/2012

**SDI Financing:** 540.451 \$

**Additional Matching:** 141.810 \$



The project was designed to initiate industrial symbiosis (IS) implementations in the Iskenderun Bay, as a mechanism to increase the collaboration and solidarity between companies for achieving both environmental and economic improvement in the region, as well as mitigating the cumulative business risks and impacts around Ceyhan Marine Terminal. Project is being implemented by TTGV in cooperation with Industrial Synergies Ltd. (ISL) - National Industrial Symbiosis Program in UK- and environmental engineering department of Middle East Technical University (METU).

IS network and database system was developed where related companies and the possible IS relations are recorded. As a result of the IS development workshops with the participation of 70 representatives from 50 companies in total, 400 IS opportunities were identified. Project team has initiated detailed feasibility studies on 10 pilot potential synergies which will create significant environmental and economic gains in the region. Some of these areas which will be researched in detail include but not limited to the following:

- Bioremediation of contaminated soil
- Use of silage in the high way construction
- Common environmental and health safety trainings for the industries such as emergency response management in the bay, carbon footprint and environmental permits etc.

An advisory committee has been established with 24 members from 21 institutions including ministries, regional development agencies, chambers of commerce and industries, private sector, international institutions, university and private sector representatives.

The project team attended the international working conference on applied industrial symbiosis organized by ISL where they received update on the IS applications in the world, EU policies and supports (international financial resources); learnt about other national programs and contacted with related people and institutions.

Project website [www.endustriyelsimbiyoz.org](http://www.endustriyelsimbiyoz.org) is on-line and provides continuous and updated information on IS.

#### 4.4.4 CEYHAN BUSINESS DEVELOPMENT CENTER - CEYGEM

EDUSER Consultancy



**Project Duration:** 01/2012 –12/2012

**SDI Financing:** 813.000 \$

**Additional Matching:** Approximately 2 million \$

Ceyhan Business Development Centre – CEYGEM is the third phase of the employment and enterprise development project. During the first two phases, needs assessment for unemployed and for SMEs were identified, trainings for MSMEs and career consultancy, vocational trainings for unemployed people was provided. By the end of these phases, 83 SMEs were trained. 253 people received entrepreneurship trainings and 36 new companies were established. 722 people received career development trainings. Over 350 people were employed.

Third phase was designed as a public-private partnership to provide a vocational training and business consultation facility and in particular, support Ceyhan companies with developing capabilities for international business.

Operation institution of CEYGEM was established and registered. Project team visited a vocational training institution in Hamburg, Germany namely BfW/INAB to exchange experience and observe good training practices. This will also help deciding on the structure of CEYGEM as a business incubator centre. The visit culminated with a co-operative agreement between BfW/INAB and the Ceyhan Chamber of Commerce to jointly develop an internationally accredited welder training program. Successful trainees will be

licensed in accordance with Deutsches Institut für Normung, the German Institute for Standardization (DIN) standards, with certificates validated by the



EU. The program will start as soon as the construction of the facility is completed.

As of June 2012, 18% of the construction work was completed. While construction continues, vocational trainings also continue in parallel. 514 workers from

different industries and SMEs participated 4 days vocational training on working in heavy and dangerous conditions.

#### 4.4.5 CREDIT SUPPORT FOR MSMES

Credit Support Project for Micro, Small and Medium Scale Enterprises (MSMEs) in the BTC Pipeline Provinces

Credit Guarantee Fund Co. (CGF Co.) in cooperation with Agricultural Bank and Turkey Business Bank

**Project Duration:** 10/2007 – 10/2017

**SDI Financing:** 2.0 million\$

**Additional Matching:** 2.0 million \$

Credit volume for SMEs: 22 million \$

This business development initiative was designed to support local micro, small and medium enterprises (MSMEs) and entrepreneurs along the p/l route by providing loan guarantees to enable them to access bank financing. BTC Co. signed a co-funding agreement with the Credit Guarantee Fund (CGF) of Turkey in 2008. Then Agricultural Bank (Ziraat Bankası) and Business Bank (İş Bankası), the two of the biggest country wide banks in the country were engaged in the project. In addition, negotiations are in progress with Turkey Economy Bank (TEB) to associate with project implementation.

As of June 2012, 3.527.221 \$worth of guarantee requested by 95 MSMEs were approved by CGF, and over 2.620.495 \$credit has been approved by the Banks. All beneficiary MSMEs are from the BTC Pipeline regions. 87% of these MSMEs are micro, 7% small and 6% medium enterprises and all are established in small districts along the BTC. 75% of the beneficiaries are from agro-business, 9% are from manufacturing, and 16% are service sector.

#### 4.5 HIGHLIGHTS OF BTC INVESTMENT PROGRAMS

- 8 projects under Community Development Initiative were completed in line with their comprehensive exit strategies after 9 years of execution in over 300 communities along the BTC route. Close-out meetings were held in each project province with the broad participation of local authorities, NGOs, project partners and representatives of communities. Short films were produced for every project, press releases were sent out and the events were covered in national and local media.
- As of 2012, BTC Co. invested US\$30 million for the SDI projects since 2003 to manage non-technical business risks with a leverage fund of US\$80 million in the region. Detailed, village-based data for each project carried out during 9 years are recorded in final project reports of 8 CDI projects.
- Request for proposals is on-going for the new period (2012-2016) during which the CDI projects will encourage and strengthen community-based organizations and individual entrepreneurs along the BTC route through providing financial and technical assistance. This will be provided under “Small Grant Fund Programme” which is a key component of the new CDI projects. It is planned that 50% of the total CDI funds will be directly provided to projects implemented by the village based organizations and individuals.

- Over US\$ 3.5 million credit was provided to 95 micro and small enterprises along the BTC route with the credit guarantee support of BTC and Credit Guarantee Fund Co. in Turkey.
- CEYDEM - Natural Disaster and Fire Training Centre construction is almost completed at the end of October 2012. Operation phase has also been designed by one of the internationally recognized rescue organizations – AKUT consisting a gap assessment study and capacity building for local municipalities on fire fighting and natural disaster management on the p/l route.
- In 2011, BTC Co conducted Sustainable Development Initiative (SDI) forum and exchange visits to other countries to share lessons learned with other country teams along the BTC route. In this context, C&EA Directors from Azerbaijan, Georgia and Turkey and senior BTC management team visited several community development initiatives, enterprise development and effective governance projects in Turkey by end July 2011.
- Within “Industrial Symbiosis” project IS network and database system was developed where related companies and the possible IS relations are recorded. As a result of the IS development workshops with the participation of 70 representatives from 50 companies in total in different cities around İskenderun Bay, 400 IS opportunities were identified. Project team is supporting realization of some the pilot projects identified such as bioremediation of contaminated soil, silage waste to be used for the construction of high ways, providing common trainings to all industries around Ceyhan Marine Terminal i.e. emergency response management in the waste and carbon footprint trainings.
- A comprehensive awareness campaign has been implemented in over 300 villages and 294 schools, all local authorities and gendarmerie stations along the BTC route by BIL Community Relations Experts with

the support of Community Investment implementing partners to increase awareness on land use restrictions, third party crossings and emergency issues etc. The Campaign aims at spreading our message through these training sessions to landowners, land users and communities along the pipeline route. Local authorities, public institutions and particularly state organizations implementing projects near or on the route are also in our target group. As a result significant decrease was observed in land use violations in 2011 and those violations that were recorded were among the less critical ones. Between 2009 and 2010, 651 land use violations had been recorded. In 2011 following the training campaign, new violations fell to 104 – a decline in violations of about 70%. This campaign was one of the recommended Helios entries in 2012.

## **CHAPTER 5**

### **CONCLUSION**

Communication between the local government agencies and BOTAŞ was not very open, since the decision regarding the pipeline and the other government offices were centralized in the capital. Although the problems were mainly caused at the subcontractor's level, due to the miscommunication and authority and ownership-related problems, the dialogue between BOTAS, BTC and the local government agencies was negatively affected.

At the same time as the construction activities, the arrival of the CIP partners in cities on behalf of the BTC caused further confusion. Dialogue did not start immediately and the attitude was not welcoming at the beginning of the CIP projects. Local government officials also did not approve the selection of the NGOs who do not have experience in their cities to be selected as CIP partners. They would have liked to play a more active implementing role and they did not like the fact that their role was played by the NGOs.

The other problem is the differences of the culture between BOTAŞ and BTC Co. employees and the local government officials and the people in the cities. The attitude and culture of the engineers and employees of BOTAŞ and BTC Co. represented the big cities. The local's prototyped them with their black sunglasses and black jeeps and they are accused of not blending into the city and not recognizing the authority of the local governments. Since these cities are relatively small, the local government officials like the governor of the city represents the higher authority in the city and they are treated accordingly.

These are unwritten but very important rules. As an example, the majority of the towns visited the sites to welcome the project but the executives of the project never made an official visit to the governor's office. In the report prepared by the Ministry of Industry and Commerce for Kars that describes the economic status, there is no mention of the pipeline or its related business.

The consortium partners including the Turkish State Petroleum Agency (TPAO) are not involved with the CIP activities in Turkey but are informed regularly. The local media agencies reflect the opinion of the local communities. The language and attitude differ from city to city depending on the relationship and events. In Kars, the local media news reflects the complaints about the subcontractor of BTC regarding the local employment or conflicts with local government agencies such as environmental agencies and BTC and its subcontractors. The same press recognizes the contribution of SÜRKAL to the communities. On the other hand, in the neighboring city, Erzurum, the local media has a very different voice. The Strawberry festival news was released with enthusiasm as a major event for the development of the city. The main reason was the attendance of all the government agencies at the festival.

In order to implement the CIPs, BP developed relationships with many stakeholders and the program affected all of them. The first stakeholder group is the NGOs. In both countries the CIP partners developed close relationships between each other. In Azerbaijan, the characteristics of the partners are more homogeneous, but in Turkey those characteristics are very different from each other. During the CIP workshop attended in Turkey, a constructive discussion regarding the partner's responsibilities started. The discussion was about which organization is socially more responsible; the government, the business or NGO's. Although they were concerned about their role in the CIP project, the discussion resulted in three main arguments. The first one is that NGO's are not working for profit; they are more concerned about the process and have longer

time horizons than the other partners so; NGOs are by definition more socially responsible.

The university point of view was that “Government is Government” which emphasize that social responsibility is the reason of existence for the government so they automatically must be more socially responsible than anyone else.

*“Development should not be the monopoly of the government or NGOs because the global picture is not promising and only the participation of business to the efforts will facilitate the process”*

In addition, to the above comments, the private sector argued that most of the time NGOs are given priorities in the development sector because they represent the civil society and business is discriminated despite the fact business have more internal capabilities and resources. The discussion among the partners was inconclusive and BTC Co. management concluded that as long as the goal is common, it is not important who is implementing the projects.

On the other hand, there is a conflict of interest between the international and national NGOs as a result of the BTC social investment program. As a result of this competition, the capacity of national NGOs will develop and participation of the national NGOs in the program will increase. In the long run, the operation will be localized and the cost of the contracts will decrease to the benefit of BP. Although international NGOs can lose few contracts to national NGOs, there will always be other opportunities in the country for them. The impact is a win-win situation for the stakeholders.

The NGO monitoring, which was the first in the Azerbaijan oil sector, benefited all the participants, but mostly the individuals who attended the process. It was learning and capacity building process because of the training received by them and their capacity will be transferred to new participants of similar processes in future. The monitoring process established a network and increased the communication among twenty seven organizations which participated. In

addition, the communication barriers that existed between BP and the local NGOs are partially removed. It is an accomplishment for both sides to constructively discuss the findings and agree to future follow ups. The process established cooperation and confidence between OSI and BP.

The impact of the program on the local governments has been different depending on the location and country. There are examples of good cooperation such as the Erzurum case, but there was also strong opposition to the social investment projects at the beginning of their operation in other locations. The main reason for this is BTC Co. and BOTAŞ developed a relationship at the national government level and the local authorities somehow felt neglected. The local Turkish Government agencies in the cities have more presence, authority and also human and financial resources. Conflict of interests arose as a result of (a) the ownership confusion of the pipeline regarding BOTAŞ's role and responsibilities and (b) the miscommunications during the construction phase. Although there are improvements regarding the partnership, the future social investment program success depended on better communication with local government agencies.

The universities in both countries are affected positively. In Turkey, by becoming development partner, the university had the chance to transform their theoretical knowledge into practical experience. The first strawberry harvest in a city where people never tasted strawberries before is a result of this process.

Lastly, there has been economic and social impact of the CIP program on the communities living along the pipeline. Before the construction started many groups and organizations including, BTC Co., consulting companies, researchers, anti BTC groups and agencies flew to the region to talk to them. This unexpected interest in their life styles and land created high expectation of the communities. On the other hand, they also got confused hearing different stories about the pipeline; one day they were hearing from BTC Co. about good things such as local employment or land compensations and the next day, from

the anti BTC campaign officials they heard about the potential environmental hazards. Then, their lives were affected by the construction activities, sometime positively, sometime negatively. Jobs were created, local business benefited from increased activities but the roads were damaged, the landscape changed. At the same time, the development partners arrived and asked them what they wanted for their community and explained that they would have to participate in the process. They got more confused. In addition, many monitoring groups came and asked them how satisfied they were with the pipeline activities. This caused further confusion. The impact of this varies from village to village and from project to project, but they were all granted at least one request.

#### *RISKS & OPPORTUNITIES OF PUBLIC & PRIVATE PARTNERSHIP*

There observed some risks and opportunities in these public and private partnership projects. Bureaucratic decision making processes which lead to long delays and different agendas of government and cooperate are the difficulties of the local institutions. There are not established lines for authority and responsibilities for the local institutions. For example; three institutions namely; State Highways, State Hydraulic Works and Special Provincial Administration are both responsible of a small scale infrastructure project of a village. This conflict of authority can be resulted in delays of projects.

Moreover, people working in these institutions are sometimes become a risk for projects. The biggest risk is the high turnover in Government officers which leads to indefinite time, fund and technical assistance investment for building capacity. Other risks can be considered as; strong resistance to change, tendency to maintain status quo; difficult to establish trust relationship, hardship to follow planned projects and budgets; hardship to adopt to newly developed technologies, equipment and software; lack of performance / competency based assignments within the agencies, influence of political advocacy; delays in

achieving commitments, low level ownership, hardship or inability to initiate budget transfers, deploying direct cash etc.

Strong financial, human resource and administrative capacity; nationwide network and branches; ability to announce action and achievements to wider public and creating public opinion; ability to duplicate the implementation and widen the impact of the achievements for nation level organization; ability to achieve respect and cooperation from other governmental agencies, enriching potential supports from governmental stakeholders to the action; ability to create force major situations for necessities on governmental level for the action and support in creating matching funds for the action can be considered as opportunities of this partnership. Ability to embed the action into governmental plans and projects is the most important opportunity. To illustrate this, I want to give İŞKUR Project that embed career consultancy to strategic plan for National Employment Agency and ensuring employment of 4000 Career Consultants.

“Visibility” issue is very important for BTC Co. BTC Co. want everything whether it is a small scale or large scale projects, visible.

Partnerships between business and non-governmental organizations (NGOs) have increased in number and sophistication over the last decade. A number of factors are contributing to this trend including governments, consumers and others demanding an increase in the private sector’s commitment to being “responsible members of society”. This combined with the decrease of government funding of NGOs means that cross-sector partnerships are becoming core to addressing many complex social and environmental issues. Over time, these collaborations are becoming more sophisticated, strategic and aligned to business objectives, in many cases moving beyond basic philanthropy to ‘win – win’ partnerships that are in fact generating strong business, social and environmental benefits.

BTC Co. tried to do this by implementing pilot projects but ignore the engagement of local or national initiatives on these projects. If a business sector

wants not only to become successful in social projects but also to do something for its benefit; it should make plans about their projects with local authorities. After that, they have to develop their projects. On the other hand, NGOs should never become profit-making organizations; they have to remember their priorities like protecting the interests of people.

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## APPENDIX

### TEZ FOTOKOPİSİ İZİN FORMU

#### ENSTİTÜ

Fen Bilimleri Enstitüsü ☐

Sosyal Bilimler Enstitüsü ☐

Uygulamalı Matematik Enstitüsü ☐

Enformatik Enstitüsü ☐

Deniz Bilimleri Enstitüsü ☐

#### YAZARIN

Soyadı : ÇETİN  
Adı : BAŞAK  
Bölümü : KENTSEL POLİTİKA PLANLAMASI VE YEREL YÖNETİMLER

#### TEZİN ADI (İngilizce) :

TEZİN TÜRÜ : Yüksek Lisans ☐ Doktora ☐

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir. ☐
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir. ☐
3. Tezimden bir bir (1) yıl süreyle fotokopi alınamaz. ☐

#### TEZİN KÜTÜPHANEYE TESLİM TARİHİ: