



BTC/SCP and WREP Community Development Initiative Report for January-March, 2011

GEORGIA

BP's business activities in Georgia

BP has been in Georgia since 1996. Our main business is all about the safe transportation and delivery of energy through our pipeline operations, where we are the lead investor and operator in three major oil and gas projects:

Baku-Tbilisi-Ceyhan (BTC) pipeline

The Baku-Tbilisi-Ceyhan (BTC) pipeline began operating in June 2006. With a total construction cost of circa \$4 billion, the BTC pipeline is the first direct transportation link between the Caspian and the Mediterranean seas. At full capacity, it can deliver one million barrels of oil per day to market, generating important revenues for the Georgian government for decades to come.

South Caucasus gas pipeline (SCP)

The South Caucasus gas pipeline (SCP) started delivering gas from the Shah Deniz field in the Caspian to markets in Azerbaijan and Georgia from December 2006, and in Turkey from July 2007, representing an important new source of gas supply for the region.

Western Route Export Pipeline (WREP)

The Western Route Export Pipeline (WREP), also known as the Baku-Supsa pipeline, was our first investment in Georgia. This 830 km pipeline transports oil from the Chirag field in the Caspian Sea, via the Sangachal terminal in Azerbaijan, to the Supsa terminal in western Georgia, with just under half of the pipeline located in Georgia. WREP, which became fully operational in 1999, is capable of transporting up to 100,000 barrels of oil a day.

BP Georgia Community Development Initiative (CDI) overview

Community development along BTC/SCP pipelines

The Georgia CDI was initiated in early 2003 in 77 communities along the SCP and BTC Pipeline route. Initially the program started with the title of Community Investment Program (CIP). Later, in 2010 the title of the program changed into the Community Development Initiative (CDI).

The goal of CDI during the construction phase was to enhance positive relations between BP and communities along the pipeline route through sustainable socio-economic development.

The overall program budget during pipeline construction phase was \$8 million over a three-year period (2003-2006). Similar program were created for Azerbaijan and Turkey.

After the completion of construction of BTC/SCP pipelines and moving into the operations phase (2006), BP as operator of BTC and SCP, continued financing of the phase II of the CDI for additional 3 years (2006-2009) with the aim to strengthen/solidify positive relationships with communities along the route of the BTC/SCP pipelines .

The overall goal for Phase II of the CDI (CDI 2) was to enhance positive relations between BP and communities along the BTC/SCP pipelines route by investing in communities that demonstrate a commitment to become models for sustainable community development. The aim is to support communities to become increasingly able to implement and sustain self-help projects with minimal external support, and to thereby improve the livelihoods and opportunities for the pipeline affected communities through a partnership relationship with BP.

In the beginning of 2008 implementation of the marketing component of the CDI 2 - “Farmers to Markets” project (FtoM) has started in addition to on-going activities. The initiative to start the project was prompted by the need to address and fill in a significant gap by assisting small farmers in getting their goods to market. For this reason the project was named as *Farmers to Markets*.

Implementation of project activities was scheduled for three year period (2008-2011). Due to the saving in the project budget at the beginning of 2011, No- cost extension of the project was approved . FtM project was prolonged by four months until the end of June’2011.

Recognizing commitment of BP and its co-venturers to support enhancement of the quality of life of the communities in the countries of the three pipeline projects (BTC/SCP/WREP), and based on the company stakeholder development strategy the decision was made to continue supporting Community Development Initiative along the BTC/SCP and WREP pipelines in Georgia beyond Y2009.

Third phase of the Community Development Initiative on BTC/SCP pipeline (CDI 3) started in May 2010 with CARE international as the lead partner. Smooth transition between the CDI 2 and CDI 3 was achieved through extending some of the activities of CIP2 until commencement of the new phase.

The proposal submitted by CARE international for the CDI3 was reviewed both internally by BTC/SCP team and externally by an Advisory Board made up of representatives of key donor organizations active in the country - United Nations Development Programme (UNDP), US Agency for International Development (USAID), the European Union (EU) and Swiss Cooperation Office for the South Caucasus (SDC)

In May, 2010 formal agreement was signed with CARE international in the Caucasus to lead the program implementation together with two local organizations : Center for training and Consultancy (CTC) and Constanta Bank (micro loans). _ Programme will be implemented till the end of January 2012 with the total budget of \$ 1.865,081 million.

The goal of the third phase of the Community Program is to enhance and strengthen positive and harmonious relationships with communities along the pipelines route through sustainable social and economic development. Two main areas - agriculture and civil society capacity building - have been identified as the most suitable areas for further intervention taking into consideration country specifics and the results already achieved through the 1st and 2nd phases of the Community Development Initiative.

Community Development Initiative in the villages along WREP

In 2009 the decision was made to bring WREP Georgia community Development initiative under the same management framework as for the BTC/SCP, which resulted in engaging local NGO in project implementation through the Request for Proposal (RfP) process, with focus on youth capacity building component defined as a target area for investment.

The Youth Capacity Building Project was launched in May, 2010. Georgian Organization of Scouts Movement was selected as the project implementing partner through the tender process.

The project will end in May, 2012. Total budget is 482, 013 USD *out* of which the amount requested from BP for the implementation of the proposed project is 299,923 USD. 173, 490 USD is contributed by Georgian organization of Scouts and its partner NGO - Center for Training and Consultancy (CTC) as well as by the project with the Swiss Guide and Scout Movement.

Description of the Key objectives and main themes of above mentioned programs are represented in below paragraphs/chapters.

BTC/SCP CIP 3 - Objectives and key components

- **Social / Institutional Objective and its components complementing the overall goal**
 - **Increased capacity** of local NGO's to ensure that they are able to manage program implementation independently without international NGO supervision, local NGO improves social positioning of pipeline communities, and supports an enabling environment for sustainable development of pipeline communities.
 - 20 community infrastructure projects are implemented
 - 10 Community based Organizations (CBO's) generating income to deliver services to their communities

- **Economic Objective and its components complementing the overall goal**
 - **Improved economic opportunities**, development of small and medium enterprises. Household income of targeted families increased through the development of **small business activities**, increased the level of economic services availabilities in the community.
 - The majority of economic interventions will be related to **agriculture**, with the recognition that markets and marketing of products and services become more important as time goes on.
 - **Subsidized loan** scheme opportunity will be provided to farmers and small businesses, during the life of the project, and provide a much needed stimulus to small business development in targeted communities.

- **Exit strategy – ensuring sustainability**
 - CDI 3 exit strategy will begin from the first day of the project. Capacity building of local civil society organizations and farmer groups will continue throughout the project and result in structures more able to function as development actors for target communities, and as future CDI partners with BP.
 - During the first months of the project, CARE will investigate alternative options for a local NGO to pick up responsibility for significant components of the project, in particular, the agricultural advisory services, small business development and Community development activities. CDI 3 will start gradual handover of the component after the 8 months of the phase three start-up, although will retain the oversight and guidance throughout the 2 year lifespan of the programme building capacity of the chosen agency to be an effective and sustainable replacement for CARE as an implementer.

Farmers To Market’ (FtM) for BTC/SCP - Objectives and Key components :

The **GOAL** of the proposed project is *“improved livelihood security in pipeline communities through agricultural services and better access to markets.”* This goal fits into the larger CDI -2 goal of enhanced positive relations between BP and communities along the pipeline route through sustainable socio-economic development.

Objectives of FtM is as following:

- **Improved Economic opportunities for targeted pipeline communities:**

- 600 pipeline farmers will have access to agricultural product buyers by the end of the project
- **Increased skills and incomes for farmers in targeted pipeline communities:**
 - 600 pipeline farmers will achieve this goal through training, outreach services and increase their access to markets for their products. 4 regional trade shows will be held, attracting 2,000 people to the shows
- **Sustainability Ensured by Ownership**
 - Private sector entrepreneurs will be involved in the project implementation to establish Consolidation Centers (CC) along the BTC/SCP pipelines and support incensement of financial viability of the Consolidation Centres and extension services. CCs will collect/purchase locally produced agricultural goods ensuring their access to the markets. In total 4-6 CCs will be established during the lifetime of the project

WREP Community Investment Program – “Youth Capacity Building Project” - Objectives and key components :

- **Improved capacity of youth to cope with the environmental issues .**
 - Youth from the target 44 schools are involved in Environmental and Leadership trainings
 - Micro-grants program enabling students from the target schools to implement small scale environmental projects
 - Students from target schools are introduced with the World Environmental Programme equipping them with the practical understanding, knowledge and tools of environmental issues.
 - 1 summer camp promoting peer-learning, networking and summarizing the achievements throughout the length of the project.
- **Key competencies of the target youth groups enabling life long learning are developed**
 - Youth from the target schools improve and acquire oral and written communication skills, strengthen capacity for more structured and clear self expression; improve logical and analytical thinking skills and tools for rational decision making; improve Job seeking skills. Such approach feeds the capacity building opportunity of the target youth to prioritize, identify and implement micro-grants scheme and engage with the community to lobby for their interest.

Community Development Initiative Budget

The total budget for the Community Development initiatives in Georgia (2008 -20012) is as follows: third phase of BTC/SCP Community Development Program (CIP 3) is \$ 1.865,081 million. FtoM - \$520,000 , WREP Community Development Program - \$ 299, 923 (BP and its partners only)

Programs Management and Coordination

The CDI programs are managed by the Social Responsibility team in Tbilisi. Community Development (CD) Coordinator is dedicated full time to monitoring and evaluating the work of the NGOs through regular participation in field activities and review of monthly, quarterly and annual reports. The CD Coordinator reports to Social Responsibility Manager

The NGOs that implement programs send to BP monthly reports, which provide a brief summary of activities for the month and outlines any issues or actions. Quarterly reports that are provided each calendar quarter, go into more depth on financial management issues. An annual report focuses on results, monitoring and evaluation, programmatic changes, etc.

Implementing Partners

CDI 3 for BTC/SCP

- CARE international in Georgia working with local partners
 - Constanta Foundation (now Constanta Bank) (micro-lending),
 - Centre for Training and Consultancy (CTC),

“Farmers to Market” for BTC/SCP

- CARE international in Georgia

CDI for WREP - “Youth Capacity Building Project”

- Georgian Organization of Scouts Movement leading the project working with local partner
 - Centre for Training and Consultancy (CTC),

CDI 3 for BTC/SCP

Specific examples of outcomes include:

Capacity building in communities and civil society strengthening activities are on – going

- In January, 2011, by the selection committee two local NGOs, Centre for training and Consultancy (CTC) and Regional Development Association (RDA) with the highest ranking were selected to undertake CDI activities in Eastern and Western pipeline communities.
- In March, CDI implementing lead NGO CARE international in the Caucasus has signed agreements with CTC and RDA for management of project activities in the target areas. Nevertheless, the transition process appeared to be challenging due to the numerous administrative and technical issues, like legal transfer of the staff members with all benefits, handover of the office/vehicle management and etc.
- The main administrative issues such as office rent, staff members insurance, vehicle administration are settled and employment contracts with CDI staff members are signed.
- CDI announced the second round of infrastructure rehabilitation grants competition. Total of 73 target villages (46 in East and 27 in West) were handed over the application forms followed by consultation meetings on technical issues.
- As it was reported in the previous report, the project announced grant competition in CDI target villages within the framework of “Grants for Social Enterprises (SE)” component. All the interested CBOs who express a serious intent to pursue the idea of a social enterprise for their community were given opportunity to apply for the grant amounting 10,000 USD.
- Relevant training sessions were provided to the interested CBOs. Proposals from 6 CBOs were shortlisted and these CBOs were interviewed
- At the final stage 4 CBO’s proposals were selected for further financing. The agreements have been prepared and signed.
- During the reporting quarter CDI managed to continue working on SE component and announced the second round of SE grant competition. This information was disseminated among target CBOs, as well as providing interested ones with necessary consultations and recommendations about the process.

Agricultural support, new business start up activities and subsidized agricultural loans will support the communities to improve their livelihoods

- General agricultural activities were focused on on-site monitoring visits, trainings and delivery of the consultations to target farmers.

- Project assisted 101 target farmers in purchasing combined 5,655 kg of fodder with 50% farmers' monetary contribution; at the same time it was introduced its importance in daily ratio of livestock. Project continues monitoring livestock feeding accordingly recording milking statistics.
- During the reporting quarter, total of 53 group trainings were conducted with participation of 257 demo farmers, 153 client farmers and 6 group members discussing topics on "Norms of using combined fodder and its importance"; "Safety demands for livestock products collection and realization"; "Brucellosis and its treatment" and etc.
- Total of 81 individual trainings were conducted to target demo farmers focusing on the following topics: "Agricultural activities on not irrigated land", "Advantages of application of new combined fertilizer". "Soil preparation for sowing hybrid corn," etc.
- Total of 274 farmers were trained in food safety and partial budgeting.
- Several trainings and consultancy were provided to demo farmers and producer/service group members updating on the price changes and some legislative issues. Total of 70 target farmers were trained in Western and Eastern villages alongside the pipeline route.
- Within the framework of the marketing component total of 93 farmers were assisted in selling their produce to wholesalers, resulting in 55,520 kg farm produce sold by farmers to the price of \$ 95,000. The main products what farmers sold to the wholesalers were seed and table potato , meat and cheese.
- Service groups were involved in providing pre-seasonal land cultivation services to their clients. In total, 216 service operations were delivered to 199 households.
 - ✓ Total of 14 ha of plowed soil was milled, 43 households received 54 service units;
 - ✓ Total of 7 Ha is cultivated, 22 Households received 28 services
 - ✓ Total of 134 heads of livestock received current treatment through 134 service units, 134 families benefited.
- The project started the process of Organizational Development planning by producers and service groups. The group members were introduced to the idea of further organizational development, importance of business profitability and target markets/competitive products and necessity of development of planning/monitoring cycle, know-how, competence management and financial systems, in order to cover the target market with competitive product offer. Groups are expected to create the structure "Organizational Plans of Producers and Service Groups".
- During the reporting quarter, the project announced the second round of small business start-up grants competition. Total of 166 grant applications were submitted for further reviewing. 45 business application with 67 participants were selected for business management trainings to support the applicants to provide the details business proposals.
- After the revision of submitted proposals, 19 business ideas (28 participants) were selected for further financing
- Arrangement of the subsidized loan scheme and provision of credit services to farmer groups reached its target set by the project. During the reporting Quarter client satisfaction survey was conducted by the sub-partner – Constanta Bank assessing the impact of loans on clients' businesses/activities.

Total of 50 clients were interviewed among them - 35% were men and 65% were women. The majority of these customers (80%) represent households which consist of three and more family members. Majority of clients are engaged in Agricultural activities, most of them run their business more than 3 years. All interviewed customers stated:

- ❖ Constanta Bank offers them high quality of services
- ❖ The vast majority of interviewees , 72% believe that their businesses have significantly improved since they received Constanta's loans.
- ❖ 100% of interviewed customers confirmed that they would continue partnership with Constanta Bank

Case study

- It is worth mentioning that CDI piloted meristim potato production activities showed the positive progress . To go through the background of the activities, it started with 1400 potato plantlets , which were provided to the farmers groups for planting. The number of harvested tubers equaled to 345 kg. which was stored within the relevant temperature norms for the next planting season. During the reporting period 345 kg tubers were planted and it is expected to harvest 3 or 4 tons of potato seeds. To achieve the final target, harvested seeds will be planted during the next year spring. It is expected to harvest 30-40 MT of high quality of potato seeds in autumn next year. The harvest will be used for marketing and get distributed to the local farmers, which will support the project objective - create local potato seed producer group in the region.

“Farmers to Market”

Main challenges of the program during the quarter

- Low quantity and quality of the milk caused by general calving season remained unchangeable in the reporting quarter.
- Bad weather conditions served as inhibiting factor for eggs collection, therefore incubation process of chicken eggs at relevant Consolidation Center (CC) was resumed a month later than was planned.

Specific outputs of the project are as follow :

- During the reporting period the FtM project promoted a number of group and individual training sessions on food safety, partial budgeting and improved production techniques for the client farmers of the Consolidation Centers. Farmers acquired knowledge in food safety practices since they were introduced to core principles of food safety as well as topics related to the primary production part of food safety legislature and standards
- Honey Consolidation Center (CC) started preparation for launching production of hotels oriented product - 20 gr. honey containers. Following the collection of 200 kg honey from the target farmers, CC began honey processing and produced 5000 units of 20gr. honey containers. As a result of CC manager's negotiations, a number of this new inventory, 1,440 unit of 20 gr containers were distributed to six small and medium size hotels and two supermarkets located in Tbilisi.
- Honey CC has also started negotiations with a number of big hotels and companies operating in Tbilisi aiming at supplying these institutions with new product.
- Georgian Cheese-Marneuli CC continued milk collection process. CC managed to purchase 13, 589 liter milk from 36 CDI farmers. Total volume of the collected milk was processed; therefore 1,768 kg of cheese was produced and sold.
- Tsnisi Fodder producing Consolidation center – fodder factory, purchased 2,000 kg of cereals. Using previous quarter purchase, CC managed to produce and sell 12,155 kg of fodder to the farmers.
- During the reporting quarter Marneuli Consolidation Center finalized equipping process .as it was planned in the initial proposal of the business partner. Milk cooling unit with capacity of one ton as well as two vehicles, among them one for milk transportation and the second for cheese distribution were purchased by the business partner. Acquisition of the abovementioned assets were funded by contribution of the FtM project.
- Lomtagora CC managed to identify several farmers having some inventories of cereals available for sale. During the reporting period business partner purchased 27,3 tons of maize from 17 target farmers in CDI villages. Overall, as of the end of reporting period, CC managed to collect 30,3 tons of cereals against planned 30 tones.
- CC in Tetrtskaro district “Bakar Okuashvili” continued eggs collection.. During the reporting quarter total quantity of eggs collected by the CC equaled to30, 300. The mentioned quantities of eggs were purchased from 77 target farmers. Incubator started operation .

CDI for WREP

Specific outputs of the project are as follow :

- Micro-grant competition was announced in all target schools, calls for proposals were distributed among the youth groups.. Micro-projects were submitted by all 44 schools. The proposals were reviewed and both general and specific recommendations were made by the reviewing committee, comprised by the representatives of Scouts of Georgia, CTC and BP. Some youth groups, not fulfilling main project criteria, were asked to resubmit the projects as soon as possible. The rest will take in account our recommendations when writing the project next time.
- 230 new students have joined the already existing, (established within the project) youth groups
- CTC has implemented 24 Personal Development Trainings for 279 students. Overall evaluation of the trainers was very positive; participants were very motivated and well selected in most of the cases
- 217 small scale environmental actions were organized by the youth groups. Most of them were World Scout Environment Program activities. In some cases students were quite creative, enriching their activities with some humanitarian or promotional actions.
- Several youth groups have applied to the local authorities with the appeals about waste management and were assured that the assistance will be provided;

Next Quarter

CDI 3 for BTC/SCP

- Selection and Disbursement of the start-up grants (third round);
- Selection and disbursement of grants for Social Enterprises (second round)
- Selection and disbursement of grants for infrastructure rehabilitation activities (Y2)
- Infrastructure assessment survey;
- Assessment of business start-up grants component
- Developing Organizational Development Plans for producer/service groups

FtM

- Provide additional client farmers of the CCs with trainings in partial budgeting, improved production technique and food safety;
- Organization of fourth Agricultural Trade Show during the no cost extension period
- Provision of training sessions in updated food safety law and standards to the consolidation centers' staff and beneficiary farmers.
- Preparation of an updated value chain directory for the beneficiary farmers.
- Arrangement of handover of CARE's legal rights on co-funded property to the owner companies of the consolidation centers.

CDI for WREP

- Award and Implementation of the Micro-Grant Environmental Projects;
- Preparation Activities for the Summer Camp
- Case Studies produced by Youth Initiative Groups
- Press / Media Releases/articles are issues to promote project activities

END