



## **BTC/SCP and WREP Community Development Initiative Report for April -June, 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. Within the no cost extension procedure, the project implementation was prolonged till the end of July, 2011 to fulfill the planned activities with the funds remaining in the project budget.

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:*

### **Main challenges of the project:**

- Unfavorable weather conditions had negatively affected some agriculture crops in target villages.

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

- Newly selected local NGOs , Center for Training and Consultancy (CTC) and Regional Development Association (RDA ) continued adjustment of administrative activities with the requirements. After signing the agreements with RDA and CTC , CARE started assessment of administrative systems (HR and vehicle management, accounting, procurement, etc.) used by partner organizations. It appeared that in general partners are using well developed administrative procedures which are in compliance with generally recognized good practices. Several recommendations were provided on some needed adjustments, e.g. staff time sheets, fuel procurement and/or accounting, to meet BP and CARE reporting requirements. As a result, CARE and the partner organizations agreed on activity plan and timeframes, reporting, monitoring and management systems, coordination between partners and donors.
- Within the framework of gradual transition, amendment was signed regarding the NGOs handling of the field activities, such as infrastructure rehabilitation, social enterprise, small business start up component .
- With this agreement and amendment the gradual transition of CARE managed and implemented activities may be considered completed, although CARE will provide capacity building consultations, support and advice as well as closely monitor progress and impact.
- During the second round of infrastructure rehabilitation grants competition total of 24 proposals were submitted. 10 proposals were selected for further assessment and funding. Program engineers visited the proposed rehabilitation sites and assessed feasibility of the projects. Agreement with the selected CBOs will be signed soon.
- Within the second round of Social Enterprise (SE) competition, and after the relevant training provided to 21 interested CBOs , 11 full scale proposals were submitted for further selection and funding.
- The proposals were discussed and assessed according to the agreed criteria: feasibility of social enterprise business idea (market size, product offer, price, competition, production and operations, capacity, supply management, employees and responsibility distribution), sustainability of social component, ways and mechanisms of transparency and accountability toward community.

- After the selection process CARE and newly selected NGOs held individual interviews with all applicants in order to ensure the members of CBOs have deeper understanding of Social Enterprise principles, their responsibilities towards the community and feasibility of implementing community social/economic projects with the profit gained from the SE activities. Six Business proposals were selected for further financing, which will be finalized during the next quarter.
- Program staff continues monitoring of the SE established during the previous phase. All the activities are in progress as per proposed plans. Individual meetings are being held with the CBOs to discuss financial and tax issues.

***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 group and individual trainings on several topics, on-site monitoring visits and delivery of the consultations to target farmers.
- Based on the results of the monitoring activities, it is worth mentioning that the overall situation is satisfactory in spite of the weather conditions. Rainy weather affected agricultural crops such as barley and maize. The corresponding recommendations were given to farmers on applying fungicides and herbicides in order to prevent and take control over diseases if there are any.
- Agricultural inputs were distributed to the target farmers. In total they received 1,320 kg of fertilizers and 52 kg of seed in addition to the other preparations.
- During the reporting quarter, total of 107 group trainings were conducted with participation of 583 demo farmers, on “Norms and technology of planting different plants, Norms and technology of applying fertilizers and other preparation”, etc
- Total of 150 individual trainings were conducted to target demo farmers focusing on the following topics: “Norms and Technologies of fertilizers in green houses, methods for struggling against fungal diseases, applications of combined fertilizers in corn planting, ” etc.
- Within the cross border initiative program marketing officer participated in “International Day for the honey”, celebrated in Ardahan province and supported by BP in Turkey under the Community Development Initiative. The information and knowledge gained during the event was shared with the program staff.
- Within the framework of the marketing component total of 73 farmers were assisted in selling their product to wholesalers, resulting in 14,400 kg of meat and 3,700 kg of cheese sold by farmers to the total price of \$ 125,000.
- Service groups were involved in providing seasonal land cultivation services and agricultural activities to their clients. In total, 710 service operations were delivered to 637 households.

- ✓ Tilling was done on 10 Ha of soil, 20 households received 20 service units;
  - ✓ Total of 31 Ha was sprayed, 112 Households received 128 services
  - ✓ Milling was done on 94 Ha, 310 Households received 365 services
  - ✓ Current treatment was provided to 133 livestock, 133 Households received 133 services.
  - ✓ Hay cutting was provided on 23 Ha, 49 Households received 49 services.
  - ✓ Ridging was provided on 5 Ha land, 13 Households received 15 services
- 27 people received grants to start the new businesses. Some people established joint businesses which supported the start of 18 businesses in total.
  - During the reporting quarter, the project announced the third round of small business start-up grants competition. 14 businesses with 18 grantees will signed the agreement during the next quarter.
  - 32 Agricultural subsidized loans are disbursed to the farmers bringing together 156 loans in total.

## Case study

Under Community Development Initiatives, special attention is paid to the capacity of Community Based Organizations (CBOs). Program tries to support them to be involved in new initiative: establishing social enterprise activities in their own communities. Such kind of activities should enable their sustainability after the program lifetime.

One of the successful social enterprise proposals takes us to Borjomi District in the village Tabatskuri. The village is located at 2000m altitude and is home to about 200 families.

With support of the program and with high motivation of the village CBO, they initiated projects and started providing public transportation services from the village to the district center by mini bus twice a week.

No public transport has run from the village to the neighboring towns for more than 20 years.

“We will use the profit from this project to support the villagers to survive during the harsh winter” the member of CBO says. “We get almost two meters of snow and it blocks the roads, so we will use the profit from the mini bus operation for hiring the bulldozer and clean the road twice a month”

Involvement in similar social enterprise projects will enable CBOs to become engaged in commercial operation and use the profits for the benefits of their communities.

## “Farmers to Market”

### Main challenges of the program during the quarter

- Cold weather conditions in Tetrtskaro district served as inhibiting factor for chickens’ sales and consequently for eggs collection. For this reason chicken collection CC suspended eggs collection in June, which was the last month of the chicken eggs collection season. Collection will resumed in Autumn .
- Business partner Nature Product Ltd stopped operations at honey CC without any objective reasons. The honey CC was not operational during the reporting quarter.

### Specific outputs of the project are as follow :

- During the reporting quarter project organized tradeshow for farmers from CDI target villages giving them the opportunity to present and sell agricultural production from their own farms. Total of 51 farmers participated in the event and presented a wide range of products such as greens, garlic, onion, cheese, walnuts, cottage cheese, sour cream, cucumber, rabbits, wine and etc. Total value of sold production was 23,179 Gel.
- In the reporting period the FtM project held a number of additional group and individual training sessions in food safety, partial budgeting and improved production techniques for the client farmers of the consolidation centers. 267 farmers attended the training sessions. During the trainings 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.
- In the reporting quarter FtM project conducted survey of farmers trained in partial budgeting. The purpose of the survey was to find out percentage of the trained farmers who regularly uses account books in order to estimate household incomes and expenses and calculate final profit. Overall number of the interviewed farmers equaled to 271. Results of the survey revealed that out of total number of the interviewee 149 farmers (i.e. 55%) said that they regularly used account books for calculating and recording their incomes and expenses. It gives them the knowledge to estimate income/ profit and plan future activities beyond CDI.
- Cheese producing CC in the village Tsnisi provided trainings to 56 target farmers. The trainings covered various issues related to livestock breeding, among them: livestock disease, its prevention and treatment; hygiene of cattle shed and its disinfection; cattle feeding. Through veterinary activities some disease affected areas were detected where farmers received appropriate veterinary medicine for disinfection and cattle treatment.. The training on silage production technology was also organized for local farmers.
- In respect of the honey CC in Akhaltsikhe it was mentioned in previous reports that business partner “Natural Product” was planning to establish the

new line – producing and selling 20 gr of honey containers and market them to the big hotels . There were couple of attempt to establish the line, but business partner failed to fulfill promise. According to the reports operations at the CC was stopped. After the assessment of the partners operational activities, it turned out that the partner of the honey CC failed to realize profitable business idea and therefore the last attempt to maintain CC operational.

- In terms of great market demand on the product, existence of proper honey processing equipment and of course honey inventories in the region, nonexistence of competitors (packing honey in 20 gr. containers was unprecedented in Georgia) FtM considers to maintain CC and support its effective operation. The decision was made to terminate partnership agreement signed with Natural Product Ltd and withdrawal honey processing equipment from the partner company. FtM plans to transfer honey processing equipment into the ownership of private company Urbanist Ltd, owner of honey CC's building. This company has relevant experience since it provided similar service to Natural Product Ltd, company has contacts with beekeepers in target communities and knows how to work properly with honey processing equipment.
- Project is keeping negotiation on marketing management and distribution of the 20 gr. honey containers; in case the negotiations are successful it might be handled by the business partner of Tsnisi CC GBZ Ltd, which has excellent experience in marketing including positioning of new product on the market.
- After completion of FtM project monitoring of honey CC's operations as well as reporting about the states of honey CC operations will be fulfilled by CDI.
- Georgian Cheese-Marneuli CC continued milk collection process. CC managed to purchase 25, 600 liter milk from 101 CDI farmers. Total volume of the collected milk was processed; 2,860 kg of cheese was produced and sold. CC provided extension service to the target farmers. Up to 113 heads of cattle were vaccinated against internal and external parasites. Consultant in livestock farming conducted trainings for the farmers in cattle breeding and food safety standards.
- Tsnisi Fodder producing Consolidation center – fodder factory - sold 1,590 fodder to the farmers in the target villages as well as in the surrounding villages.
- Lomtagora CC also provided its client farmers with extension services. Farmers were trained and consulted in grain crops growing technology. The farmers were supervised how to cultivate grain crops to ensure the harvest increase.
- CC in Tetrtskaro district continued eggs collection.. During the reporting quarter total quantity of eggs collected by the CC equaled to 31,467.. The mentioned quantities of eggs were purchased from 14 target farmers. More than 30,000 chickens were incubated and sold in the surrounding villages.

## **CDI for WREP**

## **Main challenges of the program during the quarter**

This quarter was busy with the micro-grant project implementation, consequently main challenge was timely and quality realization of the projects, while schools were occupied with graduation exams and May turned to be extremely rainy and gloomy.

### **Specific outputs of the project are as follow :**

- Micro-grants were awarded to all 44 schools. Most of the youth groups have already finished the project realization. In many cases, bad weather has been a disturbing factor, since most of the projects require open-air works. 7 projects are still on-going.
- 76 World Scout Environment Program or other small scale activities were organized by the youth groups during the reporting period; These activities include: "Catch the Carbon Dioxide", "Food Chains and Chemicals", "Garbage Bin", "Quick Energy Debates", and "A Natural Disaster Story", among others.
- In regard to safety procedures during the rehabilitation activities , it is worth mentioning that projects staff and students considered all steps which were required during the working process. They were acting according to the plans in the risk assessments for each project. Project mobilisers discussed safety of each micro-grant project with the students, safety reports were written by the students and posted at schools. Most of the groups reported that they followed risk assessment and necessary procedures using relevant equipments such as : gloves, eye glasses, hats, rubber shoes and masks during cleaning or ground works. One group has written that they tried to follow BP golden rules.
- Project started preparation activities for 2 scout camps which were planned to be established in July, 2011 in Lagodekhi state reserved area.
  - ✚ Proposal of activities were designed.
  - ✚ Participants from each schools were selected;
  - ✚ Selection and instructing camp leaders was finilsed;
  - ✚ Selection and preparation of camp site was finilsied
  - ✚ Communication all necessary information to participants, school administration and parents were conducted;
  - ✚ Purchasing of camp equipment and other staff was finalized

## **Next Quarter**

### **CDI 3 for BTC/SCP**

- Follow up and assessment of start-up grant component;
- Disbursement of grants for Social Enterprises (second round)

- Developing Organizational Development Plans for producer/service groups

### **FtM**

- Arrangement of handover of CARE's legal rights on co-funded property to the owner companies of the consolidation centers.
- Survey of the FtM project's target farmers benefited from CCs operations.
- Preparation of FtM project's final report

### **CDI for WREP**

- 2 Summer Camps with the participation of 186 students to be held in July,11
- Second call for the micro-grant environmental projects to be announced in September, 11.

END