



BTC/SCP and WREP Community Development Initiative Report for July- September, 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 programs 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:

- Minor delays of works were made in one community. Due to the governmental regulations and policies allocation of government contribution took more time than expected
- Trainings about Accounting and taxation issues to Social Enterprises took more time than expected. Financial accounting was difficult to understand and learn. It required more training to support CBOs to run and control overall process of the activities.

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

- The infrastructure projects are being implemented successfully. All activities are performed in correspondence with timeline and funds according to the respective budgets.
- 9 infrastructure rehabilitation projects were implemented during the reporting quarter making total of 20 rehabilitation projects within the timeline of CDI 3.
- Implementing local partner conducted close monitoring of the activities to learn the main outcomes of the projects. Community feedback was positive with main focus on following:
 - After the rehabilitation activities, the villagers have easy access to water, quality of life improved: less time for water supply, less physical efforts especially for woman, better health and water safety;
 - The villagers have better irrigation opportunities for agricultural plots; cattle watering in the field is improved .



Rehabilitation activities in the village Arali , Akhaltikhe district

- The project continued benefiting various representatives of target communities through creation of short-term employment opportunities within the framework of infrastructure rehabilitation projects. The skilled labor provided different types of works and services including material transportation, welding, excavator operations, etc. total of 99 individuals (skilled labor) were contracted on short-term employment basis and received about 28,000\$ for their services (382 man/day in total).
- 6 CBOs proposals on Social Enterprises (SE) were selected for funding. The grant agreements were signed by the parties. During the reporting quarter all the winner CBOs finalized procurement procedures. Most of the Social Enterprises financed are focused on agricultural service provision that is so crucial in rural area and make relevant contribution into communities' economic growth and prosperity.
- As it is highlighted above, one of the challenges observed during the reporting quarter was CBOs unwillingness (and in some cases, low awareness) to keep the account books to highlight expenses and income. The program provided additional work and some more consultancy to provide the relevant knowledge to them,
- During the monitoring visits general tendency of competition inequality among the neighboring villages was noted. Despite the fact that farmers suffer from lack of agricultural machinery, some kind of competition still exists in the communities. e.g. The main competitors are villagers of neighboring communities owning some machinery. These people are not registered and do not pay any taxes and accordingly they rent the machinery at a lower price than the registered CBOs within CDI. It make CDI group service a little bit expensive. Taking into account that tax burden is quite high (at least 20% salary, 15% profit, 5% assets) CDI Grantee CBOs are not in favorable situation. Nevertheless, the risks and possible solutions have to be assessed and thought precisely, which will be underlined in the next quarterly report. .

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

- During the reporting period the program was focused on seasonal activities in the target communities. The period was very important in terms of harvesting crops, bringing cattle from pastures and preparing for winter season.
- The overall situation in plots is satisfactory except those (some potato, maize and beetroot plots) that were damaged by heavy hail in couple of target villages. After consultation visits and re-applying agricultural inputs farmers could secure at about 60-70 % of harvest.
- Total of 106 group trainings were held with participation of 489 demo farmers, 66 other and 34 producer/service group members. 32 individual trainings were also conducted to discuss the different topics on agricultural issues and activities
- Agricultural service groups conducted the following activities
 - 35 ha was cultivated/sprayed. Besides the agricultural activities,
 - Treatment of 38 livestock was carried out
- The project marketing officers were conducting consultation visits in target communities introducing information of price changes in markets and sales opportunities. According to market assessments conducted during the reporting month the price on vegetables and wheat decreased compared to the last year and the farmers were assisted in defining markets and other locations to sell their product. During the reporting month 45 target farmers sold their product to wholesalers. Namely, total of 3047 kg of cheese and 6523 kg of meat were sold with total value 26,000 USD..
- At the beginning of reporting quarter all the selected 18 small start-up business grantees, which are representing 14 businesses, were financed.
- Majority of grantees began to generate incomes and perform the activities according to the business plans .

Case study

In the village Ivanovka, Tetrtskaro District, Ms. Tsiala Gugeshashvili expressed interest to start a small business – establishment of the grocery shop in the village. She participated in the competition announced within CDI program and her business proposal became one of the winners .

With the help of a \$1,000 small business grant from CDI, and with her own resources she managed to bring her idea about grocery into life. It was a savvy business move, since their store has become the only source for groceries in Ivanovka village.



The grocery shop established by Tsiala Gugeshashvili in the village Ivanovka, Tetrtskaro District

“Farmers to Market”

Final outputs and outcomes of the project are as follow :

- Within the whole lifetime of the project 6 Consolidation Centers (CC) were established within the project . These CCs are :
 - Honey processing Center in Akhaltikhe
 - Milk processing and cheese producing factory in the village Tsinisi (Akhaltikhe district)
 - Fodder factory in the village Tsinisi (Akhaltikhe district)
 - Milk processing and Cheese producing Factory in Marneuli
 - Fodder producing center with Grain drying process in Marneuli
 - Chicken’s incubator and small capacity fodder mill in the village Mukhati (Tetrtskaro district)
- Project provided 50 % of capital investments, while business partner was responsible for covering the rest 50 % capital investments and mobilize 100% of running costs.
- Out of total 6 Consolidation Centers, 5 were equipped with internet connection. In spite of this, farmers found much more convenient to use value chain directories rather than seek purchasers via internet. For this reason the FtM project increased provision of the hard copies of directories.
- CCs are oriented on purchasing of common types of product which are traditional in the regions along the pipeline. For this reason the Project was focused on provision of relevant trainings to the farmers in order to enable them to increase quality and quantity of the product , which are in demand.
- 602 were trained in improved production technique, 559 in partial budgeting and 524 in food safety. This resulted in 72 % of farmers reported increased volume of production as a result of trainings on improved production techniques.
 - 717,091 liters of milk collected from 557 pipeline farmers.
 - 49 tons of cereals purchased from 23 beneficiaries.
 - 114,263 chicken eggs acquired from 140 farmers.
 - 1800 kg of honey purchased from 32 residents of western communities.
 - A total of 80,523 kg of cheese, cottage-cheese and cream, 15,6 tons of cereals, 39,485 chickens, 12,243 chicken eggs, 35 tons of fodder were sold by the consolidation centers.
 - Sales revenue received by the CCs equaled to \$ 392,427
 - 5 consolidation centers (except of Honey CC) are demonstrating financial sustainability by the end of the project. Net profit received by CCs totals to \$44,663
- Through the lifetime of the project 4 trade shows of agricultural products were organized. The purpose of the show was to promote local product such as vegetable, honey as well as dairy products, assist farmers selling their products via connecting them directly with purchasers.

- Each show was very successful and ended up with excellent results. Participant farmers were very satisfied with the results since they managed to sell 99% of presented product and reach some agreements with the purchasers of agricultural products.
- The major consolidated outcomes and outputs of 4 trade shows are as following :
 - Consolidation Centers (CC) increased incomes of the pipeline farmers and saved their time and money for selling the product in the markets, they also gave the farmers motivation to focus fully on primary production, increase volumes of the production and therefore earn more money, since they do not have problems related to the marketing of the product thanks to CC operations.
 - 289 pipeline farmers participated in trade shows
 - 5340 purchasers/ buyers of products visited shows.
 - Farmers managed to sell 105 tons of product
 - Sales revenue received by the farmers equaled to 117,000 Gel (about \$70,000)
 - 114 farmers reached agreement for future sales and exchanged contact information with purchasers.
 - 2300 hard copies of value chain directories were printed and distributed among farmers and market consumers.
- To estimate impact of the project interaction, the survey was conducted among 320 pipeline farmers which received benefits within the framework of the project.
 - 89% of 320 interviewees reported increase of average annual income of their families as a result of cooperation with consolidation centers and only 11% interviewed beneficiaries reported that average annual income of their families remained unchangeable.
 - 96% of 283 interviewees confirmed that the increase of average annual income, that increased livelihood security of their families.
 - 95% out of 320 interviewees gave positive answer on the question - whether they are satisfied with CCs' partnership. The reasons of satisfaction named by the farmers were different , namely: a). CCs pay money in a timely manner purchasing entire selling product with acceptable price for most farmers ; b). Selling product from home and without the need to go far from the village, saving farmers' time and money; c). Selling of milk is more profitable for farmers than cheese making; d).It is only source of income for some Households; e). Selling product to the CC gave motivation to the farmers to increase volume of production. f). CC helps farmers with agriculture machinery, gives seed grain with discounted price and acquiring total volume of grain crops after harvesting.
 - Only 15 of interviewees (5%) gave negative answer on mentioned question and each of them named the same reason: purchase price offered by CCs was less than market price.



Cheese producing factory in the village Tsisni, Akahlsikhe District

CDI for WREP

Main challenges of the program during the quarter

Main challenges during this quarter were connected with planning and implementing the summer camps: selection of participants, elaboration and realization of the integral and interesting camp program, safety of travel and camp activities, integration between camp participants, etc. All difficulties were successfully overcome and both camps went off smoothly and well.

Specific outputs of the project are as follow :

- 2nd Micro-grant competition has been announced in all schools, 15 best environmental projects will be selected and implemented during next quarter.
- Two, 6 days, summer camps were organized by the Project in July, bringing the target youth groups representatives together for experience sharing, reviewing the lessons learned and strengthening the network among the Youth Groups from different districts and regions.
- 7 volunteer leaders grown within the CDI 2 have provided peer learning and led the groups during the camp. Mixing YCBP beneficiaries with the scouts from different parts of Georgia provided additional value of cross-

sharing and learning as well as coaching the youth on key life skills and competencies promoted within scouting.

- Camp program was designed as an integral part of the camp life, full of educational activities, using scout educational methodology: non-formal education, working in small groups, scout games, trainings, hiking and evening performances. Trainings topics included: leadership, overview of scouting, first aid, orienteering, pioneering as a result:
- 173 kids from target schools have enjoyed summer holidays, acquired leadership, group building and scouting skills, became more sensitive to the environmental issues and integrated with the youth from different regions of Georgia;
- 86 additional students have acquired the basic leadership skills enabling them to act as group leaders in the future;
- Positive, friendly and cheerful environment of each camp served as a foundation for high level integration between participants and strengthened self-confidence and responsibility of the participants;
- Seven CDI 2 leaders have strengthened their leadership abilities and established links with the project beneficiaries.

Case study

One of the core objective for the project is rising safety culture among the target communities .

Youth groups, created in the framework of the project, have implemented environmental projects with the micro-grants. All of them were paying huge attention to safety. Students of the village Shavshvebi school – Gori district (270 students in total), have demonstrated good understanding of the importance of the risk assessment for the future projects, by reading “BP Golden Rules” and considering all necessary measures during their activities:

“Together with the project mobilizer, we studied carefully the “BP Golden Rules” and extracted all the measures necessary for the safety of our activities. When implementing our project, “Green Corner”, we have used gloves, safety glasses and hats. Due to this project, we have become more careful and have started to perceive our and other’s health with greater care.” – Members of the Youth Group, Avto Sosishvili, Lasha Gogichaishvili, Otar Taturashvili and George Bolotaevi have reported.



Students are implementing environmental activities in the village Meore Sviri, Zestaphoni District

Next Quarter

CDI 3 for BTC/SCP

- Follow up and assessment of start-up grant component;
- Developing Organizational Development Plans for producer/service groups
- Assessment of social and economic impact of the infrastructure rehabilitation projects
- Assessment of SE component
- Assessment of income generation of target farmers

CDI for WREP

- Award and implementation of the micro-grant environmental projects
- Follow focus group meetings by CTC
- Communication and game management training by Swiss scouts

END