



BTC/SCP Community Investment Programme 2 (CIP 2) Final Report GEORGIA 2010

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 830km 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 155,000 barrels of oil a day.

Community Investment Program (CIP) overview

The Georgia CIP was initiated in early 2003 in 77 communities along the SCP and BTC Pipeline route.

The goal of CIP 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, BP as operator of BTC and SCP, continued financing of the phase II of the CIP 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 CIP (CIP 2) is 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 CIP 2 (Farmers to Markets program - FtoM) has started in addition to on-going activities.

CIP 2 - Key components

- **Strengthening Civil Society and Infrastructure Rehabilitation.** Provide support to more self-directed communities; strengthen their “demand-driven approach” towards local government to meet its responsibilities by budgetary support to community-prioritized infrastructure rehabilitation through economically focused competitive grant process. In total 45 rehabilitation projects will be implemented by the end of the programme.
- **Improve Agricultural Services to Farmers.** Provide market-oriented extension services, including access to loan capital; demonstrate business models of cooperation through groups, associations and cooperation. Provide on-farm technical advice to demonstration farmers.
- **Support for Income Generation through Micro-lending.** Provide credit service to micro entrepreneurs and to the farmer groups via new loan products to stimulate business and employment. To support the increase focus on market driven business development, project strengthens institutional capacity of branches of local micro-finance institution Constanta Foundation along the pipeline.
- **Business Start-up for Young Women Entrepreneurs.** Encouraging entrepreneurship among young women in communities along pipelines through combination of training and start-up grants.
- **Education and Youth Empowerment.** Follow-on support to Board of Trustees (BoTs) in strategic planning, decision making, conflict sensitivity. Building leadership and conflict awareness among Scout groups.

Program Budget

The total budget for the second phase of the Community Investment Program in Georgia during the Operation phase is \$4,38 million. (CIP 2 -\$3,86, FtoM - \$520,000)

Project Management and Coordination

The CIP 2 project is managed by the BTC/SCP Social Responsibility team in Tbilisi. Community Investment (CI) 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 CI Coordinator reports to Social Responsibility Team Leader.

The NGOs that implement CIP 2 send to BTC/SCP 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.

CIP 2 final evaluation was undertaken by a team of external consultants in spring 2009, which also covers a mid-term evaluation of Farmers to Markets project – FtoM. The evaluation focused on the impact of CIP 2 intervention, defined whether the activities implemented as well as planned are appropriate for achieving the goal of supporting sustainable development for communities along the pipeline route. The evaluation also issued recommendations on necessary adjustments to some activities with the aim of improving the ability of the Community Investment Program to meet its stated goals as well as Company requirements. The evaluation findings and recommendations are presented in the following sections.

CIP 2 Final Evaluation Findings and Recommendations

- As the majority of the country's communities earn their income from agriculture, the approach selected by the program implementing partner CARE to **focus on the agricultural component is appropriate**. The component enables to relatively easily achieve improvement of the communities' economic conditions. Focus on development of this sector is also recommended in the next phase of CIP.
- Recommended to focus on **development of small-scale private enterprise in agricultural sector**, as well as on market oriented sectors and processing and manufacturing of agricultural products.
- One of the important components for CIP and for **support to community development is establishment and strengthening of community based organizations (CBO)** - independent institutional entities. Focus on CBO was the right program approach. Sustainable development of CBOs should continue to be one of the key CIP targets.
- **Village as community asset** – such approach contributes to increase in community responsibility. CBOs responsible for implementing of rehabilitation projects make the business more effective. Infrastructure component significantly boosted improvement of economic conditions in the villages.
- **Business Start-up for Young Women Entrepreneurs** was evaluated as one of the most successful components. Relatively small funds but more consultations, recommendations and management provided by the project for business start up makes the component more dynamic.

Changes in program completion date

CIP 2 completion was scheduled by end of July, 2009. After the final evaluation the decision was made to extend the project till February, 2010 in order to ensure continuous project implementation up to CIP 3 commencement. CIP 2 key components for the next 6 months were defined as follows:

- **Infrastructure Rehabilitation.** Undertake final technical evaluation of rehabilitation works and determine the level of component impact on the community development throughout the program implementation period. Launch the rehabilitation project progress database, define qualitative and quantitative outcomes.
- **Improve Agricultural Services, demonstration farms.** Seasonal changes and support for farmers through supply of various agricultural resources, encourage planting of seasonal crops and introduction of appropriate technology, continue working with the groups and associations. Organize trainings, open door days, exchange of farmers' visits. Organize additional trade shows within FtoM program.
- **Business Start-up for Young Women Entrepreneurs.** Encourage entrepreneurship among young women as part of the program with the aim of ensuring their sustainability, support for start-up and implementation of new business projects through trainings and workshops.

Implementing Partners

A "Request for Proposals" for CIP 2 was advertised in October 2005. The proposals received were 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 -the Department for International Development (DFID), United Nations Development Programme (UNDP), US Agency for International Development (USAID) and the European Union (EU).

In May 2006, a consortium of NGOs led by CARE International was selected to implement three year project with the total budget of \$3,849,136 million.

The following Local partner organizations were selected in the consortium :

- Constanta Foundation (now Constanta Bank) (micro-lending),
- Centre for Training and Consultancy (CTC),
- Scouts movement of Georgia,
- Partners Georgia(P-G)
- Association of Business Consultants (ABCO)

The above local partners implemented various components of the project, therefore their involvement in the project differed.

Progress Update for Key Objectives

CIP 2 key objective is to improve the livelihood security and employment for the communities along the BTC/SCP Pipeline route in order to enhance positive relations between BP and Communities to ensure the harmonious environment for pipeline operations.

Additionally, BTC/SCP wish to build the capacity of the pipeline affected communities to implement and sustain self-help projects with minimal external support, and to improve the livelihoods and opportunities for more than 80 000 people through CIP 2 interventions.

Challenges during the program lifetime

One of the biggest challenges of the project was the after war shock and fully paralyzed operations for at least 2 weeks after the end of the military operations. Both East and West parts of the CIP suffered from the crises and the declaration of the Military State across all Georgia. Vast majority of the CIP communities hosted IDP families (in some cases reaching 25 individuals per 1 host family). Farmers groups and other community representatives actively supported the project in collection of the food items, sharing their winter stocks of the produce and in a longer run increasing their own vulnerability to cope with the results of war. The final round of the infrastructure projects was also delayed due to the changing priorities of the government and re-allocation of the local funding to support the IDP relief processes. The decision was made not to rely on the potential government contributions for the 3rd year of CIP infrastructure grant disbursement and elaborate the set of initiatives that could have been addresses with project / community resources. (Request for community contribution increased up to 50%)

Specific examples of outcomes include:

Capacity building in communities and civil society strengthening having positive impact

- More competitiveness was introduced through limited number of socio-economic infrastructure grants and opportunities given to all 77 participating target communities to bid for the available funding, thus boosting up the community contributions (up to 50%) rather than total dependency on the grants. Referring to the new strategy of “demand-driven” approach and more focus on the performing communities, 57 projects were successfully implemented supporting the sustainable development of 37 pipeline rural communities.
- Promoted conflict sensitive approach to programming in ethnically diverse villages / areas through thorough analyses of all submitted infrastructure projects against the “Do no Harm” framework. Several trainings were provided to the civic leaders as well as to the youth (both in the schools and in villages) in peace-building and conflict mitigation techniques. Such initiatives among youth especially, resulted in the Training of the Trainers and multiplication of the knowledge through peer education scheme.

- In 2006, the Ministry of Education introduced new requirements for the schools by electing the Boards of Trustees (BoTs - governing bodies consisting of 6-12 members) and setting the new set of responsibilities for the school management processes. As the capacity of the Ministry of Education to train all members of the BoTs and retain the consistency in knowledge sharing was low, CIP has identified the need to provide such capacity building to the 5 primary target schools in 5 big towns in East (2 schools in Marneuli, 1 in Gardabani, 1 in Tetrtskaro and 1 in Rustavi, 1 in Tsalka) and 7 schools in West (6 in Akhaltsikhe, 1 Bakuriani) as part of the youth and education components. Total of approximately 140 members of the BoTs have gone through various trainings provided by Center for Training and Consultancy (CTC) that had an accredited trainer by the Ministry of Education on board. The key topics of the trainings were as follows: new roles and responsibilities as set out by the law, management practices of the BoTs, Election standards of the School Directors, curriculum development / approval processes, budget development / approval processes, Code of Ethics, strategy and other relevant document elaboration . All of these are required by the new accreditation process launched by the Ministry of Education.
- In addition to the opportunities of widening the management practices, all 5 target schools in East were offered the small scale infrastructure grant support. Each of the schools have had an opportunity to implement 3 different types of projects that aimed at the upgrade of schooling facilities be it the construction/rehabilitation work or identified need of the library stock renewal, biology / chemistry cabinet equipment or similar. The project continuously monitored the usage of upgraded facilities and has seen a significant (almost double) increase in the attendance of these facilities as a result of the improved educational methods.
- Within the Youth and Education component approximately 400 children have participated in camps organized in various locations and supported by the Scout Leaders, 20 youth and 10 teachers have increased their knowledge of the environmental challenges and are leading the eco – clubs in 5 big town schools in East ; about 18 environmental projects have inspired the local community to raise the advocacy issues over the environmental challenges with the local government representatives.

Inspiration Resulting in the Financial Aid

It is incredible that, with only 200Gel supported from Scouts, inspired school staff and students were successful to raise almost Gel 17,000 from the local municipality that has arranged benches and gravel coating for the yard of the school. With a minor grant from Scouts, kids eagerly planted flowers and prepared themselves for the opening ceremony. As it was reported by the school, one of the professors (Mr. Tarkhnishvili), was conducting the survey on the level of schooling and libraries in educational facilities of Marneuli town, CIP supported public school #5 received the highest scoring and was claimed to have the best library available in the town, that on its hand supported engagement of students in various educational aspects as well as in extracurricular activities.

Livelihoods are improving as a result of agricultural support and micro-credit activities:

- CIP2 continued application of the extension messages through arrangement of the demonstration plots, believing in the existing need to promote modern technologies, best practices and peer-learning. In order to differentiate the approach exercised by the phase 1 of the CIP, all previously affiliated demonstrator farmers were substituted with completely new individuals willing to test and take the risk of innovations promoted by the project. Total of 100 demonstrator farmers (40 plant cultivators, 20 cattle breeders, 25 cattle breeder / plant cultivators and 15 beekeepers) worked with the project Agriculture Extensionists on adoption of the new methods and better farming practices. As part of the economic development strategy of the project, successful attempts were made to “take the farmers to the next level” by introducing 50% input supply (of the total Y1 value) in Y2 and thus increasing farmers participation, followed by no inputs delivered in Y3 and continuity in the demonstrations as well as the costs born by the farmers themselves.¹
- The project utilized various means of interaction with beneficiary farmers: individual and group trainings, open day field presentations, cross visits, monitoring of individual farms and other types of verbal or written recommendations. Throughout the 3 year period, total of 281 client farmers and 100 demonstrator farmers attended 1,469 individual trainings, 342 group trainings², were provided with various specific consultation during 3,234 monitoring visits paid by the project staff, received approximately 15, 407kg various inputs and as a result have adopted at least 1 (or in some cases more) new technology promoted by the project. The project has intensively distributed and utilized leaflets, books and other printed materials to support the capacity building process. Number of journals and books have been compiled to summarize all training materials extended to the beneficiary farmers and give them more sources for information as needed.
- Total of 15 producer groups and 10 service groups were supported and / or created within the course of CIP2. The groups were supported with lower scale of inputs as compared to the demonstration farmers, but were given the opportunity to participate in the open call for the “development” grants (maximum value of each grant \$5,000) aiming at expansion of their production and / or provision of agricultural services. Each of the bidding groups had to present 40% monetary contribution in all cases, whether that was renewal of the inputs or purchase of the agro-machinery
- Given the need of the gradual shift towards market oriented approaches, the program supported farmers to set up linkages with the retail and wholesale buyers, provision of the advices on the quality of products demanded by the end-buyers. Total of 1070 agricultural contracts were signed, enabling pipeline farmers setting up better sales and marketing linkages.
- One of the major events funded by the CIP2 was the agriculture trade show organized in autumn of 2009. The main idea of the show was the support to the project “Farmers to Market” and its marketing needs. During the trade show Tbilisi based buyers / companies were introduced with the products from more

¹ Some exceptions were made after the war events, when the project supported the winterization of the most vulnerable and affected farmers by provision of relevant inputs to substitute some of the products out of their stock (utilized by IDPs).

² Topics of the provided trainings, as well as the harvest comparison report (including data 2006-2008) listed in the Annex 2.

than 85 producer farmers of Samtskhe – Javakheti and Kvemo Kartli. Namely, 5,5 tons of produce sold from the East amounted Gel 7,000 and 32,5 tons marketed by the West resulted in the total income of Gel 24,000. The need of the organized marketing opportunities is evident, well-appreciated and inquired by small-scale producer farmers as well as the companies operating in the fields of food industry.

- During the lifetime of the program CIP managed to launch the small scale, start-up business component which could enable farmers gain relevant experience and later seek credit for the expansion of the business activities. Young women (up to age of 35) were specifically targeted the program as being identified as the most vulnerable group. Total of 89 young women entrepreneurs were granted approximately \$800-1,000 to start up the initiatives that varied from the agricultural production (i.e. cheese and dairy products, chicken breeding etc) to the social type of services to the community members (i.e. bath houses, barber's shops, etc). 92% of all funded businesses are operational.
- In CIP2 Constanta Foundation (that has over time transformed itself as a Bank Constanta) continued disbursement of the individual and group loans in and beyond the CIP target areas, though retaining a specific target for the pipeline farmers submitting inquiries for the agriculture loan. During the life of the project, total of \$8.9 million were disbursed through 4138 loans; \$801,305 disbursed to 472 pipeline farmers – the target of 800 farmers was not achieved due to the financial crisis, increasing interest rates and decrease in number of farmers submitting loan applications due to non-affordability of the loans. Worth to mention that first ever agricultural loan in the amount of US 10,000 was disbursed in Tsalka, the district which is yet considered as the high risk zone by all micro-finance institutions. Throughout the project, CIP has only covered the operational costs of 13 additional credit officers doing the promotion of the loan products among CIP the villages. The loan capital was allocated by Constanta itself.

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