



BTC/SCP and WREP Community Investment Programme Report for February-June, 2010

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 Investment Program (CIP) overview

Community investment on BTC/SCP

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 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 CIP 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 CIP (CIP 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 CIP 2 - "Farmers to Markets" project (FtoM) has started in addition to on-going activities. The project activities will be implemented during three year period (2008-2011)

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 Investment Program along the BTC/SCP and WREP pipelines in Georgia beyond Y2009.

Third phase of the Community Investment Program on BTC/SCP pipeline (CIP3) started in May 2010 with CARE international as the lead partner. Smooth transition between the CIP2 and CIP3 was achieved through extending some of the activities of CIP2 until commencement of the new phase.

The proposal submitted by CARE international for the CIP3 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 Investment Program.

Community Investment in the villages along WREP

In 2009 the decision was made to bring WREP Georgia community investment 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**
 - CIP3 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 CIP 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. CIP3 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 :

- **Improved Economic opportunities for targeted pipeline communities:**
 - 600 pipeline farmers have increased access to agricultural product buyers by the end of the project
- **Increased skills and incomes for farmers in targeted pipeline communities:**
 - 600 pipeline farmers achieve this goal through training, outreach services and increasing their access to markets for their products. 4 regional trade shows are held, attracting 2,000 people to the shows
- **Sustainability Ensured by Ownership**

- Private sector entrepreneurs are 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 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 investment Programs Budget

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

Programs Management and Coordination

The CIP program is managed by the 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 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

CIP 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

CIP for WREP - “Youth Capacity Building Project”

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

Progress Update of the Programs

CIP 3 for BTC/SCP

Specific examples of outcomes include:

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

- Program started informational meetings with the communities, identifying their interests, conveying the information on the new approaches and conditions of the infrastructure grants scheme. All the communities were introduced to main requirements of the proposal submission.
- Total of 27 CBOs submitted proposals to participate in the competition. The proposals were reviewed according to the criteria specified in the grants proposal instructions and total of 11 projects were selected for further funding

Agricultural support and new business start up activities will support the communities to improve their livelihoods

- CIP 3 started to shift away from subsidized technology demonstrations to a demand driven engagement with farmers in the West part of the pipeline. As for the Eastern communities the approaches is focused on the traditional demonstration farming engaging all new farmers and introducing new technologies of agricultural production.
- During the reporting time 19 demonstration groups were created in the Western villages. In the East, so far 51 demonstrations are arranged with the individual farmers at the same time attracting other interested members of the community to participate in on the farm training process.
- By the end of CIP2, the project has piloted meristem potato production in couple of villages which proved to be of high interest to the farmers, enabling them to start seed production (from the plantlets) and slowly replace the imported seeds by producing Super-Super Elite potato seeds. CIP 3 continues to support this initiative and establish Farmers association who will handle the initiation after the end of CIP. The meristem potato production Institute is highly interested in proposal of CARE to support the creation of the Samtskhe-Javakheti Seed Potato Association and constantly supply the association with plantlets.
- Within the Marketing support several farmers were assisted to seel their products. During the reporting quarter: 172 farmers were assisted to sell: seed potato 16,300 kg, table potato – 20,200kg, meat – 29,958 kg, cheese – 6,931 kg, honey – 55 kg
- Program announced competition to support the ideas to establishment new businesses along the pipeline areas. Program has solicited proposals from all over target communities. As a result 100 applications (150 participants) were submitted for grants competition. From which 91 participants (61 proposals) were selected for Business management training. The training was completed in mid of July, after the participants are expected to present business proposals for the second round of competition and consecutive funding.

“Farmers to Market”

The project follow the recommendations of mid-term evaluation and achieves the success in supporting the business development along the pipeline areas.

Since the launch of the project, 3 Consolidation Centers (CC) are already established.

- Honey packaging Consolidation Center in Akhaltsikhe – Business partner – “Nature Product”
- Milk collecting , and Cheese, Cottage cheese and Cream producing Consolidation Center in Tsnisi – Business partner – “Georgian Business Zone (GBZ) Ltd”
- Milk collecting and cheese producing Consolidation Center in Marneuli – Business partner – “Nugbari Ltd”
- More than 230,000 ton milk were purchased from the pipeline communities during the reporting period
- Akhaltiskhe Honey packing CC managed to sell about 200 kg packed honey during the reporting period . in total 1,600 kg honey is purchased from the pipeline farmers by CC.

CIP for WREP

- Project started its activities with orientation meetings conducted in all target schools, made project presentation for Board of Trustees, school administration, student self-government, teachers and representatives of the regional educational resource centers .
- Procedures of risk assessment/analyzes for the rehabilitation activities and relevant working schedules were adjusted
- Small rehabilitation activities has already started at target schools

Next Quarter

CIP 3 for BTC/SCP

- Continue support to the Infrastructure Rehabilitation projects
- Selection of the finalist Business proposals from the Start-up trainees
- Planning and implementation of cross visits amongst farmers and groups, purchase of inputs relevant for each old/new demonstration plot

FtM

- Establish 2 new Consolidation centers

CIP for WREP

- Coordinating rehabilitation activities
- Planning to provide social survey in the target schools

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