



BTC/SCP and WREP Community Development Initiative Report for July- September, 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 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*.

The project activities will being 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 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),

Progress Update of the Programs

CDI 3 for BTC/SCP

Specific examples of outcomes include:

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

- During the reporting period all 11 infrastructure rehabilitation projects were launched in target communities
- Program mobilization and engineering staff conducted the safety trainings to CBO and community members.
- Closing period of most rehabilitation project will be extended till November to ensure that all work activities are finalized by winter
- CBO capacity strengthening component is on going activity. During the reporting period several trainings were provided to the CBOs. Training participants had an opportunity to analyze current situation in their communities, estimate resources, identify strategic priorities and set goals and objectives for future development of their communities. CBO members were introduced the notion of social enterprise component of CDI, which is one of the opportunities to ensure sustainable development of the communities

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

- During the reporting month the main focus was made on estimation of demonstrations for the spring crops. Monitoring visits were conducted in the targeted areas focusing on condition of demo plots and livestock/poultry/beehives as well as estimation of the harvest. Monitoring visits showed that in spite of weather conditions the harvest is more or less satisfactory.
- As it was reported in the previous Quarterly reports, the program piloted meristem potato production to start potato seed production. The main idea of the initiative was to enable farmers/groups to start elite potato seed production and replace the imported seeds. Reported elsewhere the meristem potato plantlets have been planted by potato production groups. The harvest is considered to be good. The harvest is kept properly and in spring it will be processed and planted again. The desired outcome will be on the third year when the farmers get high class seed material.
- Due to the severe droughts within the last two months of the reporting quarter, the demo farmers were posed to a significant low yield of potato as well as grain and fodder crops especially in Tsalka district. A slightly better condition is in lower zone (Gardabani and Tetrtskaro district) where the yield indications are satisfactory but not excellent.
- 95 group trainings and 98 individual trainings on several agricultural topics were conducted for the farmers

- Service and producer groups are actively involved in seasonal agricultural activities Total of 21 ha is plowed, 69 households received 87 services;
 - ✓ Total of 10 ha is tilled, 10 households received 18 service units;
 - ✓ Total of 82 ha is sprayed, 287 households received 296 service units;
 - ✓ Total of 225 heads of livestock received current treatment through 225 service units, 223 families benefited.
- Within the framework of marketing component :
 - ✓ 90 farmers were assisted to sell table potato 44,500 kg, meat – 15,372 kg cheese – 2,047 kg , honey – 920 kg
- **Designing curriculum on “Sales and Marketing Training”.** The goal of this training is to help micro-enterprise improve their marketing practice, diversify the sales techniques and distribution ways, as well as subordinate all other aspects of business (product, technology, supply, etc) to market requirements and trends. In long-term perspective, this strategy has to contribute to business sustainability. The training is envisaged to be delivered by CARE/CIP marketing officers. Program implementing partner CTC task is to develop training modules, transfer the modules to the marketing officers and participate in first round of the training as a co-trainer in order to ensure effective knowledge transfer to the community members .
- CDI designed “Sales and marketing training” curriculum to help micro-enterprises to improve their marketing practice, diversify the sales techniques and distribution ways, learn market needs and trends and accordingly produce diverse products to adjust activities to the market needs. In long-term perspective, this strategy has to contribute into business sustainability.
- Within the framework of the business start-up grants component , total of 91 participants participated in Business management training. Trainees submitted 59 business proposals from which 32 proposals are selected. (41 persons). 26 businesses are funded during the reported quarter .
- Bank Constanta started to disbursed subsidized agricultural loans to the farmers . Out of the targeted 120 loans 29 ones are issued during the reported quarter.

Case study

The village Marabda is one of the villages in Tetrtsakro district located along the BTC/SCP pipelines. One of the village residents expressed interest to co-operate with the program, to obtain the required business knowledge, get the program grant and establish the private beauty saloon in the village. “I grew up in Tbilisi and earned the hairdresser’s qualifications in the city. The salon I was studying and the one I could manage to open with this grant are of a competing quality of appliances available. Not that many rural hair salons have the equipment which I was able to purchase within the framework of my business, all the teachers from my community come surprised as there is no similar salon in the neighborhood” - informs us the business lady.

‘Farmers to Market’

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

The target proposed by the Program proposed to establish 4 or 6 Consolidation centers (CC) for the agricultural products has been achieved and 6 CCs are established and started operation. All the six CCs are listed below:

- Honey packaging Consolidation Center in Akhaltsikhe – Business partner – “Nature Product”
- Milk collecting, and Cheese, Cottage cheese and Cream producing Consolidation Center in the village Tsnisi (Akhaltsikhe District) – Business partner – “Georgian Business Zone (GBZ) Ltd”
- Fodder Production Factory in the village Tsnisi (Akhaltsikhe district), Business partner “Georgian Business Zone (GBZ) Ltd”
- Milk collecting and cheese producing Consolidation Center in Marneuli – Business partner -” Nugbari Ltd”
- Fodder Production factory in Marneuli – Business partner “ Lomtagora” Ltd
- Incubator of chicken’s eggs and small capacity fodder mill in the village Mukhati (Tetrtskaro District) – Business partner “Bakar Okuashvili”

Specific outputs of the CCs are follow :

- Tsnisi milk collecting CC provided trainings on prevention methods against such diseases as Brucellosis and Mastitis to 170 farmers.
- Tsnisi milk collecting CC managed to collect 71,582 liter milk from the villages in Samtkhe - Javakheti region . Gross amounts paid to farmers by the CC totaled to \$ 20,650. CC produced 19,767 kg cheese, cream and cottage cheese during the reporting quarter.
- Tsnisi Fodder Production Factory imported relevant and installed them. CC Purchased 1 T cereals from the framers to provide primary testing. Testing was conducted successfully in the last month of the quarter.
- Milk collecting and cheese producing CC in Marneuli continued milk collection process. They managed to purchase 16,358 liter milk from 62 CDI villages’ farmers. Gross amounts paid to farmers by the CC totaled to \$6,530 Gel. Total volume of the collected milk was processed, therefore 1,920 kg of cheese was produced.
- Fodder production factory in Marneuli imported the grain dryer and other equipment and installed . Primary tested was provided.
- Egg incubator and small fodder mill in Marneuli started its operation. CC managed to collect 7,865 eggs from 77 residents of CDI villages. The amount paid to farmers equaled to \$965

CDI for WREP

- During the reporting period all 44 schools elaborated projects for room rehabilitation and furniture purchase, made biddings and risk assessments and signed contracts;
- Rehabilitation and furniture purchase was finished in 41 schools. All schools contributed to both rehabilitation and furniture purchase process either in-kind or monetary;
- Project mobilizers worked with school administration and board of trustees explaining safety requirements and helped them to create RAs for each rehabilitation activities;
- Information leaflets were printed and distributed to schools;
- Baseline survey questionnaire and sampling was done, interviews were held in 10 schools;
- Meetings with the Student self-governments were held in several schools and training participants were selected in some of them.

Next Quarter

CDI 3 for BTC/SCP

- Continued discussions with Biotechnology Institute on joint creation of the Potato seeds Producer's Association in samtskhe-javakheti
- Discussions on assessment of the feasibility of "nationalization" of CDI implementing partner ; Final decision-making together with BP on next steps
- Completion of all infrastructure rehabilitation projects will be achieved ;
- Starting collection of first harvest information (for further comparison and analyses);
- Completion of the analyses and internal roll-out of the marketing baseline report;
- Follow-up on Start-up Businesses (new and old funded ones);
- Follow-up on Farmer's Group development plans

FtM

- Starting of purchase of cereals from target farmers by new business partners
- Organization of third Agricultural Trade Show

CDI for WREP

- Finishing school room rehabilitations and furniture purchase;

- Finalizing the baseline survey: finishing interviews, database creation, statistical analyzes, report by the sociologist;
- Conducting Leadership and Environment Program trainings for all school representatives;
- Starting creation of the youth groups;
- Starting Personal Development trainings for the students

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