



BTC/SCP and WREP Community Development Initiative Report for April- June, 2012

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 1

(CIP 1). Later, in 2010 the title of the program changed into the Community Development Initiative (CDI).

The goal of CDI 1 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 (FtM) 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 again 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 Program (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). Program duration was planned till the end of January 2012 with the total budget of \$ 1.865,081 million.

Due to the saving in the program budget, the program was prolonged within the no-cost extension procedure by two months until the end of March'2012 to fulfill the planned activities with the funds remaining in the project budget.

The goal of the third phase of the Community Program was 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.

During the first months of the project, CARE investigated alternative options for a local NGO to pick up responsibility for significant components of the project during the second year of the project implementation, in particular, the agricultural advisory services, small business development and Community development activities. CARE international selected two local NGOs to implement the field activities under the CARE supervision. Regional Development Association was selected in the West section communities, Center for Training and Consultancy was selected to implement activities in the East section communities.

After the 8 months from the start of CDI phase three, CARE started handover process to the mentioned organizations, although CARE retained the oversight and guidance throughout the 2 year lifespan of the program.

To maintain the existing level of relationship and impact on the communities affected by the business, as well as to ensure the business continuity and managing the reputation in the country, the 4th phase of CDI implementation was initiated.

The Final External Evaluation of CDI 3, done at the end of CDI 3, considered nationalization strategy process as correct step for further operation, considered local NGOs CTC and RDA capable to manage implementation of the next phase of the project and recommended to request the proposals from them via tender for CDI4 implementation.

In March, 2012, BP Georgia announced Request for Proposals from CTC and RDA for the three - year CDI implementation (CDI 4).

The proposals submitted for the CDI4 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 - the European Union (EU) and Swiss Cooperation Office for the South Caucasus (SDC)

Both proposals were considered relevant to handle the implementation of CDI 4, CTC in the Eastern part and RDA in the Western part communities. Program duration is May, 2012 – May 2015 with total budget of the program 3,044,094 USD.

The main goal of the 4th phase of the project is to deepen the positive relations between BP communities along the BTC/SCP pipelines route, by investing in communities to provide positive contribution for sustainable improvement in communities and maintain and enhance

sustainability of social-economic development. Main areas of the program include agriculture, business development as well as community development through capacity building and sustainable activities.

The specific objectives of the CDI 4 are to promote sustainable forms of social cooperation and initiatives for community sustainable development and to enable economic opportunities for the pipeline communities to develop regional agro-business and provide public goods and services through established small and medium scale businesses.

Community Development Initiative for BTC/SCP – 4th phase

Objectives and key components

- **Social / Institutional Objective and its components complementing the overall goal**
 - Sustainable forms of social cooperation and initiatives for sustainable community development are promoted
 - 31 community infrastructure projects are implemented
 - 11 Community Based Organizations (CBO's) establish Social enterprises to generate income to deliver services to their communities
 - More than 25,000 residents are benefited from improved infrastructure and social enterprises
- **Economic Objective and its components complementing the overall goal**
 - Enabled economic opportunities for development of agro businesses in the communities and public goods and services are provided through established of small and medium scale businesses
 - 105 small and medium scale business are established with participation of at least 40% of women
 - 70% of funded start-up businesses achieve the profitability in 12 month from the start
 - 3 Financial and legal Service Groups are established in Adigeni , Akhalkalaki and Borjomi districts
 - 36 services are rendered by each Financial and Legal Service Group to project beneficiaries
 - 100 on farm demonstration are established
 - At least 150 farmers /producers (30% of women) linked to the urban channels to sell their products
 - 1800 farming households achieved higher production margins as a result of use of modern technologies

- 470 Subsidized agro loans are provided to the pipeline farmers
- 20% increase is achieved in target household income



Project Specific examples of summarized outcomes include:

Strengthen institutional capacity in the community, CBO activities

Community infrastructure projects

First round of the infrastructure grant competition announced among the target CBOs in the West regions. 8 CBOs expressed interest and potential to participate in the competition. 3 CBOs have already submitted the applications.



Social Enterprise

As a result of public outreach, CDI 4 West attracted 10 potential applicants who expressed interest to participate in the competition. The ideas and Priorities proposed by the CBOs fully respond the problems identified by the villagers.

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



Agriculture

CDI West selected two demonstration farms with the main focus of wheat cultivation. Despite the wheat cultivation was very popular in the region; the last couple of decades were not productive to support wheat productivity. The seeds used by the farmers were rather wild-rye, than the wheat seeds. Lack of knowledge and poor technologies cause the failure of the wheat yields in the region, always famous with grain cultivation.

CDI west is planning to support the farmers to revive wheat cultivation via introducing quality seedling material and continuous consultation on new technologies.

2 more On- Farm demonstration was arranged in Akhaltsikhe District. Project supported frames to get 9,700 seedlings of tomato, pepper and cucumber and arrange the farms to attract the other villagers to get familiar to the new technologies offered within the project.

CDI West conducted 22 consulting sessions for 320 interested farmers about usage of mineral and organic fertilizers/herbicides to respond the interest of the farmers due to seasonality of these activities.

Business start-up

In the West regions 47 business starts -up applications were submitted by the 75 people. 45 % of the total applicants are the women. Project started to evaluate the submitted ideas to tailor the relevant trainings before the business proposals are prepared by the applicants.



Service Group

The concept of the Financial and legal Service Group (FLSG) was introduced to CDI4 West pipeline communities within the framework of public meetings and other outreach activities. More interest was drawn to the component in urban settlements. Two preliminary applications were submitted for FLSG grants from towns of Borjomi and Akhaltsikhe.

Next Quarter

CDI 4 East

- Starts information meetings in the villages
- Starts infrastructure rehabilitation grants, social enterprise grants and business start-up grants competition
- Launches infrastructure rehabilitation projects
- Selected the demonstration farms
- Signs the contract with sub-partner to implement subsidized loan component

CDI West

- Finalizes the selection of rehabilitation projects. Agreements are signed, projects are launched
- Provides capacity building training to the CBOs and farmers association “Samtskhe”
- Finalizes selection of Social enterprises
- Selects the proposal of FLSG
- Signs the contract with sub-partner to implement subsidized loan component

- Provides relevant trainings to the business start- up applicants to prepare the business proposals. Final winner are discovered, grants are awarded.
- Finalizes selection of demonstration farms
- Cross visits started

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. Georgia organization of Scouts Movement co-operating with local NGO Center for Training and Consultancy as with sub-partners within the project framework.

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.

During the implementation of the project additional 55,500 USD was allocated for the additional activities, which included establishment of the second summer camp, and civic education training course for the teachers in target schools. All mentioned activities were included into the project scope based of the need assessment of the target schools and youth group members. To fulfill the new activities, project was extended till the end of June 2012. The project ended within the reporting period.

A new RfP will be announced in the 3Q 2012 to identify the IP for the new CDI along the WREP.

Description of the Key objectives and main themes of above mentioned programs are represented in below paragraphs/chapters.

“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 Program equipping them with the practical understanding, knowledge and tools of environmental issues.
- Summer camp promoting peer-learning, networking and summarizing the achievements throughout the length of the project.
- **Key competencies of the target youth groups enabling lifelong 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.

Project Specific examples of summarized outcomes include:

The Youth Capacity Building Projects addressed the development challenges for the youth neighboring the pipeline. The environment created by the project had a significant contribution to smooth implementation of the project via conducting several trainings, implementing small scale and bigger environmental projects, as well as establishing summer camp for more than 170 pupils.

Investing in youth development uncovered, that the huge potential of the young people to learn, to do and to improve is translated into trusting and respectful environment, that makes visible people's desire to become the part of company activities whether it is co-operation with community projects or taking care of secure operation of the company assets. "Now we know what does it take to protect the environment; our group has chosen the slogan - "We care about environment, join us" and we will always stand for the environment around us including pipeline surroundings" – says Ana Bogveradze, member of the Youth Group from the village Zovreti school

Environmental programs appeared to be relevant and effective tools – students expressed great interest to join the project and instead of planned 880, more than 1200 students joined the youth groups and conducted more than 500 environmental protection activities.

Micro grant projects cultivated development opportunities and established the safety culture: School administration considered the small environmental projects as other opportunities for school development since project supported developing the school infrastructure, as well as via providing safety culture helped to change the behavior not only among the youth but among the adults as well.

"We have scrutinized the "BP Golden Rules" and extracted all measures necessary for the safety of our activities. When implementing our activities, we used gloves, eye glasses and hats. We wore sport shoes and sun hat and use sun screen during the hiking. Due to this

project, we have become more prudent and have started to perceive our and other's health with greater care.” – says Ana Sivsivadze, camp participant from Marneuli

Summer camps became the examples of best practices and good tool for non-formal education - camps brought youth from different districts together for experience sharing, couching on key life skills, competencies promoted within the scouts, and strengthening the network among the youth groups from different regions.



The main outputs are provided below

- 45 rooms in 44 schools have been rehabilitated and prepared for the youth group activities;
- Leadership and World Scout Environment Programme trainings have provided 174 students with the leadership skills;
- 45 Youth Groups were created in all 44 schools;
- 1212 students have joined the youth groups over the project implementation period;
- 544 small scale environmental actions were organized by the youth groups;
- 44 Personal Development trainings were held for 512 students;
- 60 micro-grant projects have been implemented by the youth groups;
- 2 Summer Camps drew the examples of best practices, lessons learned and action plans for sustainability held for 173 participants;
- 88 youth took part in the trainings on planning and implementing small or medium size activities, particularly games, organized in Tbilisi, Gori, Kutaisi and Batumi
- YCBP has cooperated with two other projects also funded by BP: Energy Bus and “Sustainable Energy Week”;
- About 140 students took part in the outdoor activities organized by Scout Leaders in 14 YCBP schools in Mtskheta-Mtianeti, Gardabani districts and in Shida Kartli region;
- 40 teachers of the YCBP schools took part in Civic Education training course;



Community development Initiative Management and Coordination

The CDI programs are managed by the Social Responsibility team in Tbilisi. Community Development Initiative Adviser is dedicated full time to monitoring and evaluating the work of the NGOs through regular participation in field activities and review of monthly, quarterly, annual and final reports, ensure that implementing partners' practices and procedures are aligned with those of BP, that, those partners adhere to the principles of company Code of Conduct, including a contractual requirement to act consistently with the code when working on company behalf.

The CDI Adviser 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. Final report provides achievement and their resulting impacts, program overview and impact assessment, strength and weaknesses, lessons learned

List of acronyms

BTC/SCP	Baku Tbilisi Ceyhan/South Caucasus Pipeline
WREP	Western Rout Export Pipeline
CDI	Community Development Initiative
CIP	Community Investment Program
FtM	Farmers to Market
NGO	Non-Governmental Organization
RDA	Regional Development Association
CTC	Center for Training and Consultancy
RFP	Request for Proposal
CBO	Community Based Organization
FLSG	Financial and Legal Service Group

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