



TO President ADB

CC all board members

December 5, 2016

Re: **URGENT - December 7th board discussion on Shah Deniz gas field expansion project, Azerbaijan**

Dear President Nakao,

We are writing you because we learned that the ADB board will discuss for approval the Shah Deniz gas expansion project in Azerbaijan, at its next board meeting scheduled on December 7th. We urgently ask you to postpone such a decision and align the ADB to the practice of other IFIs involved in financing of the same and related gas projects.

As independent and civil organizations have been subject to the Azerbaijani government's repression, financing of the Shah Deniz expansion would undermine the credibility of Asian Development Bank's shareholders, as well as forfeiting the principles – accountability, transparency and public participation – that your Bank promotes as essential for achieving its laudable goal of eradicating poverty in Asia.

We have been opposing the financing of the Shah Deniz gas project and its connection to the Southern Caucasus Pipeline (Azerbaijan-Georgia) which is part of the mega-gas pipeline known as "Southern Gas Corridor" (SGC) and consisting of the TANAP project in Turkey and the TAP pipeline in Greece, Albania and Italy. Contrary to what often stated by project proponents and biased media, the Azeri gas set to be exported through this corridor to Europe is not actually needed according to the EU gas consumption scenario and will not ease EU energy dependence from Russia – actually TAP and TANAP are keen to transport Russian gas too. Furthermore, gas reserve of Azerbaijan are not sufficient to feed this pipeline for its lifetime and more gas has to be imported either from Russia or Turkmenistan.

In all affected countries local communities are concerned about project implementation and its environmental, social and human rights impacts and tens of complaints have already been filed to the EIB, the EBRD and the World Bank who are also assessing different parts of the SGC. By agreeing to finance the project, it will set a risky precedence that undermines the ongoing investigations of other IFIs.

Even more concerns exist about the current status of Azerbaijan within the Extractive Industry Transparency Initiative and the overall human rights situation in the country. We understand that these concerns have already been raised by some shareholders of your bank and think that due attention should be given to them.

In particular, we welcomed the decision of last October by the Board of the Extractive Industries Transparency Initiative (EITI) not to restore Azerbaijan's status in the Initiative. The Board set Azerbaijan a four-month deadline to reform restrictive legislation that paralyses the operations of civil society in the country. Failure to comply with the corrective actions set out by the EITI Board will lead to the country's suspension from the organisation. Several IFIs, such as the EIB, the EBRD and the World Bank Group have de facto made approval of financing for Azerbaijan gas projects and related pipelines conditional to the implementation by the Azeri government of these corrective measures.

We are still concerned that the EITI decision not to suspend Azerbaijan outright fails to recognise the severity of the crackdown against civil society in the country, enabling Azerbaijan to continue its harassment of all government critics while whitewashing its image to secure lucrative foreign investment. In this regard, stringent legislation governing the operation of non-governmental organisations, criminal proceedings against numerous NGOs, and intimidation tactics targeting critical voices, make it excessively difficult for civil society to operate in the country.

The four-month deadline given by the EITI Board to remedy issues afflicting civil society is unlikely to compel Azerbaijan to renounce its repressive practices and instead rewards the government for superficial reforms made during the past few months.

Last October Azerbaijan narrowly avoided suspension through a series of a last moment improvements aimed at appeasing the EITI Board, including unfreezing bank accounts, lifting travel restrictions and dropping criminal proceedings against members of the Azerbaijan EITI Coalition.

However, these changes should not be regarded as a meaningful sign of progress with respect to the overall situation for civil society in Azerbaijan. Numerous other NGOs and their leaders continue to face criminal charges and restrictions on their ability to operate, and several civil society representatives remain in jail on trumped up charges. Indeed, on the day of the EITI decision, a Baku court sentenced a 22-year-old pro-democracy activist Giyas Ibrahimov to 10 years in jail on false narcotics charges, further to his involvement in an act of political graffiti.

In addition, a recent Presidential decree allegedly aimed at facilitating grants by foreign donors has been dismissed by experts¹ as a mere cosmetic reform.

Azerbaijan has received multiple recommendations from international human rights and transparency bodies, including the EITI on the need to reform legislation and practices governing civil society, to bring these in line with international human rights standards.

In April 2015, during the height of governmental persecution of civil society in Azerbaijan, the EITI downgraded Azerbaijan's status, outlining a corrective action plan that Azerbaijan

¹ <http://contact.az/docs/2016/Social/102100172523en.htm?89#.WBEspmXbvIU>

was meant to implement in order to reinstate its position within the Initiative. Over the 18 months since the last EITI Board decision on Azerbaijan, the government has had ample opportunities to amend restrictive legislation and create an enabling environment for civil society in the country. The Azerbaijani government's total disregard of the recommendations and its failure to undertake the required reforms in due time is a clear sign that it perceives a free and independent civil society as a threat to its interests.

We take this opportunity also to share our deep concerns for the human rights and democracy situation in Turkey after the failed coup of last July. As widely reported on international press, tens of thousands of public officials, journalists and activists have been laid off, detained or arrested in an arbitrary manner and under questionable and often ungrounded charges. Leading economies in the world expressed their serious concerns about the situation in Turkey. Our partner organisations in the country have been reporting us a climate of fear and intimidation which obstruct their work. The future of Turkey's democracy is at stake. We do believe that this regrettable situation should be taken into account as well when the ADB considers financing a project whose ultimate aim is to export gas through a major pipeline crossing the Turkish territory for more than one thousand kilometers. Furthermore SOCAR, the Azeri State-owned energy company, has a significant share in the TANAP pipeline project.

To conclude, given the current economic downturn in Azerbaijan and Turkey it is evident that without IFIs' public support the Shah Deniz project and the SGC as a whole will not move ahead. Private investors see very high risks in getting exposed through the financing of these deals. Political and technical uncertainty further reduce private finance interest in them. Subsidising a mega-gas infrastructure which would lock-in the entire region in a fossil fuel dependant and climate-harming future is the wrong choice to do. Public resources could and should be used for better and more sustainable purposes, once a climate of restored democracy and human rights respect is in force in the two countries.

We hope that you and the board will share our concerns and as a minimum post-pone your decision on the project.

We look forward to hearing from you and trust that the ADB will raise the flag of democracy and human rights promotion through its acts.

Sincerely,

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