



21 July 2015

Dear President Chakrabarti, Dear Executive Directors,

On behalf of Publish What You Pay (PWYP) we are writing ahead of the upcoming EBRD's Board of Directors' meeting on 22 July during which you will decide whether to arrange a loan of up to US\$500,000,000 to Russia's Lukoil for the Shah Deniz II offshore gas project in Azerbaijan.

PWYP is a global civil society movement committed to an open and accountable extractive industry to ensure that revenues are used to improve the standards of living for women, men and youth in resource-rich countries. Our coalition –now over 800 members strong- is greatly engaged in the Extractive Industries Transparency Initiative (EITI) both at international board and country level, including in Azerbaijan.

As PWYP we urge you to reject the loan for failing to meet the basic requirements of the Agreement Establishing the European Bank for Reconstruction and Development and in particular the Bank's own Energy Policy pertaining to EITI.

I am sure you are aware that in April 2015 Azerbaijan was downgraded from 'compliant' to 'candidate' status by the EITI international board. In my capacity as PWYP's International Director I serve on the EITI board on behalf of global civil society. The EITI International Board unanimously decided that the downgrade was necessary to express our "deep concern for the ability of civil society to engage critically in the EITI process in Azerbaijan".¹ The Financial Times reported on the sanctions in their article "[Azerbaijan admonished by resources watchdog.](#)"

It is important to mention that the board's sanction was accompanied by a series of recommendations that the government of Azerbaijan needed to meet (so-called '*corrective actions*'). These are listed on page 25 of the EITI Board Minutes² but for easy reference we have copied them here:

The EITI Board called on the government of Azerbaijan to reaffirm its commitment to work with civil society and ensure an enabling environment for civil society participation in the EITI. The EITI Board further requested that the government and the EITI multi-stakeholder group in Azerbaijan take steps to ensure that civil society could resume its role in the EITI process and carry out the tasks foreseen in the EITI work plan, including by ensuring that civil society representatives substantively involved in the EITI process are able to:

- (i) *Freely access and use funding to carry out their activities, including those of the EITI Coalition. Specifically, the government should ensure that the EITI Coalition and its members and employees are able to access their*

¹ Citation taken from a press release by EITI available via <https://eiti.org/news/azerbaijan-downgraded-candidate-country>

² https://eiti.org/files/BP/Minutes-from-the-28th-EITI-Board-meeting-Myanmar_Final_0.pdf

bank accounts and register new grants for the purpose of activities related to the EITI process and natural resource governance, and any further restrictions on NGO operations in natural resource governance should be avoided.

- (ii) Speak freely about the EITI process and express views on natural resource governance without fear or threat of reprisal or harassment of civil society members substantively involved in the EITI process. Specifically, the government should ensure that the Coalition is able to freely access space for public events related to the EITI and facilitate public awareness campaigns and debates related to the EITI process and natural resource governance.*
- (iii) Organise training, meetings and events related to the EITI process and natural resource governance.*

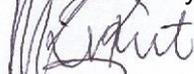
If Azerbaijan fails to implement the above corrective actions by April 2016 it will be suspended from the EITI.

Unfortunately, despite numerous attempts to engage the Government of Azerbaijan in developing a timeline to materialise the above recommendations, nothing has happened thus far. On the contrary, the Azerbaijani government continues to prosecute civil society activists and journalists for arbitrary reasons. On top of this several accusatory articles³ have been published against fellow EITI CSO board member Gubad Ibadoglu from Azerbaijan and his organisation⁴ as a result of the EITI's board decision.

The downgrading of Azerbaijan by the EITI and the lack of commitment by the Government of Azerbaijan to the EITI should be key sources of alarm for all stakeholders involved but especially for the EBRD. The approval of the proposed loan would fundamentally conflict with the EBRD's standards. The EBRD's Energy Policy states that "The Bank is committed to adhere to best governance, transparency and revenue management standards by requiring its clients to implement the principles and requirements of the EITI." Moreover, the importance of adequate stakeholder engagement in the EITI process is specifically noted in the EBRD's Energy Policy. It states "One key component of transparency in the extractive industries is stakeholder engagement...The Bank has an opportunity to play an important role in conducting meaningful consultations with stakeholders." We would therefore strongly recommend that consultations are held by wider and independent civil society stakeholders in the country.

The above information should provide you with sufficient evidence as to why a rejection of the loan is the only appropriate way forward. We are therefore looking forward to a fair and rationale decision by the EBRD board.

Yours sincerely,



Marinke van Riet
International Director
Publish What You Pay

³ <http://haqqin.az/news/43350>, <http://haqqin.az/news/42757> and <http://haqqin.az/news/49353>

⁴ <http://www.publishwhatyoupay.org/pwyp-news/azerbaijan-authorities-raid-civil-society-offices-in-continued-crackdown-on-ngos/>