

**Center for Civic Initiatives**

**Human Rights impacts of IFIs activities in Azerbaijan**

**Report submitted to the Global Transparency Initiative (GTI)**

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## Acronyms and Abbreviations

ADB	:	Asian Development Bank
BP	:	British Petroleum
BTC	:	Baku-Tbilisi-Ceyhan pipeline
CAS	:	Country Assistance Strategy
CBOs	:	Community-Based Organizations
CCIC	:	Consolidated Contractors International Company
CPIA	:	Country Performance Indicator Assessment
CS	:	Country Strategy
EBRD	:	European Bank for Reconstruction and Development
EI	:	Extractive Industry
EIA	:	Environmental Impact Assessment
EIR	:	Extractive Industry Review
EITI	:	Extractive Industry Transparency Initiatives
HGAs	:	Host Government Agreements
IBRD	:	International Bank for Reconstruction and Development
IDA	:	International Development Agency
IFC	:	International Financial Corporation
IFIs	:	International Financial Institutions
IGAs	:	Intergovernmental Agreements
ILO	:	International Labour Organization
IMF	:	International Monetary Fund
IP and CAO	:	Inspection Panel and Compliance Advisor Ombudsman
IRC	:	International Rescue Committee
MED	:	Ministry of Economical Development
MIGA	:	Multilateral Investment Guarantee Agency
MoE	:	Ministry of Ecology and Natural Resources
MoF	:	Ministry of Finance
NGOs	:	Non-Governmental Organizations
OSCE	:	Organization for Security and Cooperation in Europe
PID	:	Project Information Document
PRSC	:	Poverty Reduction Support Credit

PRSP	:	Poverty Reduction Strategy Paper
PSA	:	Production Sharing Agreement
SME	:	Small and Medium Enterprises
SPPRED	:	State Program on Poverty Reduction and Economical Development
SCP	:	South Caucasus Gas Pipeline
SOCAR	:	State Oil Company of Azerbaijan Republic
SPI	:	Summary of Project Information
UN	:	United Nations
WB	:	World Bank
WBG	:	World Bank Group

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## **Executive summary**

The essential purpose of the project was to study the human rights impact of the IFIs projects in Azerbaijan. The objects of the monitoring were essential policies and /or strategies of WB, EBRD, ADB institutions and concrete projects. Two concrete projects, the Baku-Tbilisi-Ceyhan Pipeline (EBRD) and the Poverty Reduction Support Credit (WB) were selected for investigation and monitoring between August and November 2005.

During the project monitoring, the following was conducted:

***1. An analysis of the WB, EBRD and ADB strategies on Azerbaijan regarding human rights including recommendations and comments to relevant policies;***

The following were analysed:

- EBRD Country Strategy on Azerbaijan
- EBRD Public Information Policy
- WB Country Assistance Strategy
- World Bank Policy on Disclosure of Information
- Poverty Reduction State Program and Economical Development of Azerbaijan

***2. Two sectoral projects; PRSC (WB) and BTC (EBRD and IFC) projects were monitored for their human rights impacts;***

In the process of monitoring, direct visits were taken to BTC pipeline affected territories, meetings were conducted with different groups of the population, and negotiations were held with project affected local population, government bodies and representatives of municipal administrations. Representatives of companies and contractors involved in the construction of BTC, including representatives of CCIC, Petrofac, AZfen-Tekfen companies, and persons, who worked or presently work in these companies, were also involved in such meetings. Meetings were also held with representatives of international non-governmental organizations IRC, Save the Children, Medical Groups, FINCA, which are executors of information centres and Social Investment Program organized by BP and BTC Co, and representatives of local non-governmental organizations involved in these programs. Within monitoring, it was defined that despite the fact that several local organizations, enterprises and entrepreneurs were involved in different works and services during construction of BTC, unemployment of main part of people

in regions, weak development and collapse of non-oil sector in several places inform of growing of sickness of negative impacts of oil economy.

During the process of monitoring, it was possible to observe implementation obligations of BP and BTC taken on maintenance of local resources and elimination of negative impacts in regions. In the process of monitoring, EIA document on HGA, IGA, Land Acquisition Program and BTC oil pipeline was taken as a base.

3. *A data bank was created* of IFIs projects' papers in Azerbaijan and translated into Azeri.

1. **Information about ADB projects** (Flood Mitigation, East-West Road Corridor Improvement Project, Micro and Rural Finance Development Project);
2. **Information about WB projects** (Rural Investment Project, IDP Economic Development Support Project, Pension and Social Assistance Project, Power Transmission Project, Rural Environment, Poverty Reduction Support Credit, Baki Urban Water Supply Rehabilitation Project, Irrigation Distribution System & Management Improvement Project, Education Sector Development Project
3. **Information about EBRD projects** (ADDY : Locomotive, AZDRES Power Plant Rehabilitation, Baku to Samur, Baku-Tbilisi-Ceyhan (BTC) Pipeline
4. Some parts of the EBRD Country Strategy on Azerbaijan, EBRD Public Information Policy, WB Country Assistance Strategy and WB Policy on Disclosure of Information
5. Some parts of Voluntary Principles;
6. EITI principles and criteria;
7. Some parts of new energy policy of EBRD;
8. Some parts of EIR of WBG

Some of the information was published in the monthly bulletin "Watchdog" and national newspapers.

4. *Two round tables were held.* At these round tables, policies and strategies of the WB Group and the EBRD and IFIs funded projects in Azerbaijan and impacts of these projects on poverty reduction, sustainable development and human rights were discussed.

5. *Four issues of the monthly bulletin "Watchdog" were published* which contained:

- History and structure of the IFIs (the WB Group and the EBRD)
- Essential policies (energy and environmental) of the the IFIs
- Common information about projects funded by the IFIs in Azerbaijan
- Complaint mechanisms of the the IFIs
- Impacts of IFIs funded projects on poverty reduction, sustainable development and human rights
- Experience of international non-profit organisations with the IFIs
- Useful links related to activities of the IFIs

## **1. Public participation**

According to EIR of WBG, borrowers and clients engaged in consent processes with indigenous peoples and local communities affected by EI projects and WBG should require independent, experienced, objective and trusted facilitators in participatory processes. All relevant project documents need to be translated into local languages and disseminated in a culturally appropriate and timely manner. Specifically, environmental and social monitoring reports need to be disclosed during project implementation. IFC and MIGA should require disclosure of environmental and social assessments prior to appraisal for all Category A and B projects and at least 120 days prior to project approval, in order to allow meaningful consultation and participation of the public. The WBG should enhance disclosure after project completion, especially evaluations of private-sector project operations. Unfortunately, in monitoring the PRSC, it was discovered that the process connected with this credit was not truly participatory. There is not enough information about the importance of the project for the Azerbaijan economy, especially for implementation PRSP. There is no list of the problems associated with carrying out the PRSP State Program and the role of the PRSC credit. According to information received from local NGOs who present a civil society group in the Ministry of Economical Development (MED) , they did not have enough information about PRSP participation, but small projects for concrete issues on PRSP were implemented by local NGOs.

In the monitoring process we did not find any information about PRSP participation on the web site of Ministry for Economical Development, even in the PRSP Secretariat. According to SPPRED Secretariat and WB representatives with whom we had meetings, there are no concrete mechanisms and any toolkits for community participation in WBG projects in Azerbaijan. According to information from the PRSP Secretariat of MED it is clear that no independent, experienced, objective and trusted facilitators were involved in disseminating information on PRSC. It is very interesting that information about the PRSC is not available in Azeri language. It is very difficult to obtain any concrete documentation or interim report with measured results about PRSP. The PRSP Secretariat and WB officials in Azerbaijan also did not want to give us any information about PRSC. No action programs for implementing PRSC were available.

According to EIR of WBG, the WBG will establish independent monitoring mechanisms in its largest projects, and encourage the development of capacity in communities to monitor projects

that affect them. However, such mechanisms will usually not be practical for smaller projects. The WBG has a responsibility to help to ensure that communities are well informed by requiring that investors, as part of ongoing consultation processes, make available meaningful information about the social, economic and environmental impacts of their projects.

According to our monitoring, there are no concrete monitoring systems of WB and EBRD projects in Azerbaijan where representatives of civil society were involved. But according to the statement of officials of the banks, these banks have internal monitoring groups. But accessing the reports of the monitoring groups was impossible. Our attempts to get any information about these monitoring reports from the PRSP Secretariat, WB and EBRD, and about the projects financed by them was unsuccessful. According to information from Secretariat of MED several NGOs were involved in the PRSP preparation process and the initial BTC Pipeline EIA process. But in implementation and monitoring, no NGOs are involved. There are some NGOs which have small projects on PRSP issues. Though in implementation process of PRSC no NGOs are involved.

- **Information Disclosure**

According to the WBG EIR, it is required to disclose the production-sharing agreements, host-country agreements, power purchase agreements, economic and financial assessments, environmental and social assessments, monitoring and evaluation results, and accident prevention and emergency response information, and company annual monitoring reports. EBRD policies are also requiring such a disclosure process. Unfortunately, for EBRD and IFC energy projects in Azerbaijan, e.g. BTC Pipeline Project, Azeri-Chirag-Guneshli, Shahdeniz and other energy projects these requirements had not been implemented. These documents were translated into Azeri only in the end of 2003 although these contracts were signed several years before 2003 and there is no possibility of changing anything in the agreements on this project.

In spite of that, EBRD, IFC and MIGA also require disclosure of environmental and social assessments at least 120 days prior to project approval, but there are difficulties involved in the EIA process in Azerbaijan. To date there is no special Law on EIA and public hearings. There is no legal framework on EIA. The current regulation about EIA has no legal power or interim document of MoE. The stages of the EIA and permission process are not clear and understandable. There is a big gap in informing people about the importance of the EIA process.

Hence the ecological expertise of EBRD and WBG projects, including PRSC and BTC pipeline were done without wide public hearing and without involving affected population to these process. Even the public hearing process for most of these projects was carried out quickly and without the informing affected population.

According to WBG EIR and EBRD relevant policies, affected communities should be informed of all human and environmental health risks. According to the information we received from relevant government bodies who are responsible for implementation of the projects, there are no concrete mechanisms of WB and EBRD local offices for public disclosure of relevant project information. There are no economical and financial assessments, environmental and social assessments, monitoring and evaluation results, accident prevention and emergency response information. There are also no poverty and impact analyses or Strategic Environmental Assessment.

On WB sites and on relevant government-MED web sites, there is not enough information about the PRSC project information. We can find some information about BTC project in BP web sites. But it is difficult to find any information connected with reaction of EBRD or BP as operator of the BTC project on complaints and negative impacts of this project, which was raised by local or international NGOs. We appreciate that after discussing with EBRD officials many times in Annual Meetings and several direct meetings and with officials of BTC Co and BP, some documentation was translated into Azeri and placed on web sites. But at the current stage of the construction of BTC pipeline, there is some necessary documentation that is difficult to get, e.g. the list of complaints and response to them, essential land maps according to which land acquisition program was implemented, etc.

Regarding the PRSC project, there is no text of the PRSC credit document publicly available and there is no other relevant project documentation in Azeri. As far as this project connected directly with PRSP state program, it was necessary to discuss publicly essential needs of this project and its social and environmental documents. Unfortunately, these documents also have not been done. According to information from the PRSP Secretariat and WB, any social and environmental documents had not been publicly disclosed in 120 days and after. Unfortunately, Azerbaijan Environmental Law does not demand from sponsors to ensure such a public disclosure. In the monitoring process there were several meetings in some districts and according

to collected information local affected communities were not appropriately consulted and informed about BTC pipeline project and PRSC projects, including all human and environmental health risks, and economic, social, and environmental impacts. According to our meetings with communities, local groups were not informed about the Inspection Panel and Compliance Advisor Ombudsman of WBG. WB have not done anything to inform local groups about IP and CAO. The situation like this is pertinent to EBRD projects, including BTC project. According to information distributed by EBRD or BP, there are strong mechanisms for statement about some negative impacts of these institutions and within a very short time the complaints can get a response from relevant departments. Unfortunately, to get any response from EBRD or BP about such statements is very difficult in reality.

- **Contract Transparency**

According to policy documentation of WBG and EBRD, they should promote disclosure of key documents, including production-sharing agreements, host-country agreements, power purchase agreements, economic and financial assessments, environmental and social assessments, monitoring and evaluation results, and accident prevention and emergency response information, and company annual monitoring reports. As we above mentioned the key documentations related to BTC pipeline project were translated and disclosed after 8-9 year after signature when it was very difficult to change anything. It was very important to promote open discussion of this documentation on TV or mass media. Unfortunately, BTC project and relevant project documentation related with this project, including Azeri-Chirag-Guneshli project (EBRD), Shahdeniz (EBRD) had not been discussed openly. Besides, a strong political environment against NGOs which tried to discuss the impacts of these projects was created. Last year, some of above mentioned documents were already disclosed, including all contracts, but there are some sections that are not disclosed. Those sections are important for understanding the flow of the revenues. Providing contract transparency is necessary from the Extractive Industry Transparency Initiative's (EITI) perspective. The gaps in contract transparency are the reasons for the lack of transparency in the government revenues or in transparency of transfers from companies to state budgets. Gaps in contract transparency will create further negative impacts to community development in the future. The EITI process in Azerbaijan has some gaps, including its aggregated variant. In spite of absence of any relevancy between EIR recommendations of WBG and aggregated variant of EITI process WB officials in Azerbaijan are endorsed for WB's support to the process which will support imitation of EITI in Azerbaijan. Through WB there

were supported two projects of NGOs which were currently propagated, reached and agreed with BP and Azerbaijan government variant on EITI.

- **Revenue Transparency**

According to WBG EIR recommendations, promoting transparency in extractive industry revenue is priority. Revenue and expenditure of information should be made publicly available during project implementation. Revenue transparency requirements are also an essential part of fighting against corruption in the economies of natural resource rich countries, including Azerbaijan.

Reforms carried out within the recent years were mainly referred to increasing and export of production industry, creation of a legal framework and formation of necessary international conditions. It is important to take into account that serious collapse of non-oil sector of Azerbaijan in this period has been finished. In this regard, activity of IFIs to support Azerbaijan government in this period to increase extractive industry cannot be considered successful in general. Today it needs to be regrettably noted that “Holland Syndrome” belonging to majority of oil countries already shows its negative impacts on economy of Azerbaijan. Even Oil Fund was established with the purpose to protect country’s economy from “Holland Syndrome” is not going to protect Azerbaijan from this disaster; vice-verse is going to ensure “balanced development in Caucasus.”

On the other hand, if we consider conjecture on today’s oil market of the world, revenues of Azerbaijan expected within all signed projects amount to more than USD 150 billion. However, one needs to consider that production will rapidly decrease after 2015. Therefore, the fast decrease and finish of “free monies” coming from oil fields in the result of inaccurate setting of management matters can drive the country to face huge problems:

1. Future of the investments put into the oil sector and future of the created potential in oil economy. This problem is not considered in IFIs investments, including EBRD and WB papers about Azerbaijan. This problem is connected not only with pollution of the Caspian Sea but also with the future of BTC pipeline after its exploitation during 30-35 years. In IFIs papers there are no requirements to compensate local population; the pipeline is stretched over their land and they will be affected by the pipeline even after exploitation.

2. IFIs did not consider the importance of their investments in diversifying the different fields of economy, i.e. development of non-oil sector. Providing oil sector by IFIs and fostering increasing revenues in unfriendly governmental conditions will create imbalance not only in the economy but also in the social life of society and will foster corrupt practices.

Investigation of PSA and other agreements signed by oil companies and Azerbaijan government are limiting the potential future perspective of the national oil industry of Azerbaijan. Lack of information about core terms of the contracts are creating a bleak situation connected with amount of revenues. To limit such information, transnational oil companies, especially BP, influences national mass media and political parties.

According to the EBRD Country Strategy on Azerbaijan or the WB Country Assistance Strategy, significant private projects supported by these financial institutions will work to ensure both mitigation of risks regarding inappropriate use of revenues and disclosure of payments to governments. Unfortunately, to carry out these requirements there are no concrete mechanisms. Regarding the projects monitored by us, there was no assessment of potential affects to local communities who are far from decision-making process connected with oil revenues. For example, at least there are two-direct and indirect effects to local communities, which were not considered by IFIs relevant departments to be mitigated in the future:

**1. Indirect impacts.** These are impacts on economical, political, social, demographic and other fields of Azerbaijan, its community and citizens. Every Azeri citizen living and working in the community is feeling these effects every time. Due to the development of the oil sector and the IFI support, year by year there has been a shortage of high quality specialists in the non-oil sector. On the other hand, a weak development of the non-oil sector is fostering increasing import of goods; especially agricultural goods the community needs. A very big share of oil revenues in state budget will foster artificial power of national currency and import and decrease export of agricultural goods in the future. This situation will decrease social live level of communities and will support democratic change in regions. Members of the community who do not have an opportunity to work in this community and have minimum social security leave their land and go elsewhere, mostly to Russia. According to information gathered during the monitoring process, 25%-30% of the local population had left their land and moved to work in Baku or in Russian regions. IFIs' projects which are focused on developing the oil sector are not

fostering community life but developing revenues of the transitional companies and their security. This current situation is indirectly fostering corruption in Azerbaijan. According to the report of Transparency International, Azerbaijan is in the group of 10 states with a very big corrupted governance. Financing by IFIs of some local commercial companies, which have good relationships with senior government officials also has negative impacts on the development of the health market actions in Azerbaijan. Especially supporting governmental bodies or government officials-owned commercial companies by IFIs and not supporting municipalities elected by community is negatively influencing their activity and creates a very serious obstacle to local democracy development.

**2. Direct impacts.** Direct negative impacts of IFIs projects to community development have been showing in the BTC and SCP examples. These impacts are connected not only with human rights, social and environmental impacts, but also with social investment programs. It is important to note that there are some subjects in Azerbaijan which are sensitive to discuss. One of them is BTC pipeline project. There is wide censorship not only from government side to create obstacles in discussion of IFIs energy projects, as well as, from opposition parties. According to the implemented monitoring, we found out that the meetings with community for decreasing negative impacts of BTC and SCP in districts were not carried out on time. Consulting companies invited by BP did not have clear information about the local context and did not take into account direct negative impacts to health of the population of the community, environment, heritage and historical monuments. They did not research the negative impacts to biological resources of the Caspian Sea. We can group the essential impacts to the community as following:

- Impacts to individual persons;
- Impacts to households;
- Impacts to villages or towns or community;

It is very important that the WBG is strengthening its support for transparency through the Extractive Industries Transparency Initiative (EITI), in its core diagnostic and analytic work and through country-level policy dialogue on public finances. The WBG and IMF provide assistance to governments with EI revenue management, macroeconomic policy, EI policy and regulatory frameworks and improving public consultation. But the agreed variant for EITI process in

Azerbaijan has not been satisfying EITI principles and criteria for the last two years. Unfortunately, IFIs, including WBG, EBRD and IMF officials do not want to evaluate this process in the light of new loan projects and take the results into account for decision making. On the contrary, WBG and EBRD supported aggregated reporting variant of EITI process in Azerbaijan which does not give any possibility to disclose government revenues and transfers of companies to state budget.

The Azerbaijan state budget is a public document, but it is not very transparent. WBG does not require that government expenditures stemming from revenue generated by the EI project should be publicly disclosed in concrete cases. Theoretically WBG publicly supports disclosure, but in fact there is no clear result. A former World Bank President, Mr. James Wolfensohn, stated that “Transparency is fundamental to good governance and an essential starting point but it does not do the trick alone. It reduces the potential for waste, mismanagement, and corruption; fosters democratic debate on the use of revenues; and enhances macroeconomic management. He also argued that World Bank is not going to make investments in countries where EITI is not part of the process”. But in fact government expenditures were not reported in enough details as to be able to understand direct contributions to specific government activities, including social, environmental, and poverty related services.

The expenditures stemming from revenue generated by the EI project used for PRSP implementation is not accessible and understandable to host country local communities. According to the notes of the local community representatives, they do not have any correct information about the expenditure. It is difficult to find any information on the internet as well. There is no correct, detailed information about government bodies and different ministers or committees’ expenditure on the internet. There is some information on the web site on the State Oil Fund. But this information does not have enough validity. WB’s relevant documentation on PRSP does not require project-related revenues to be reported in a format that is accessible and understandable to host country local communities, including translation when necessary. There is no detailed and translated report of expenditure for implementation PRSP.

According to the information gathered from WB local office and MED Secretariat on PRSP during the monitoring, there are no independent auditors for implementation of PRSP and PRSC. But according to EBRD office there is a monitoring group for EBRD projects. Every year this

monitoring group makes monitoring of projects. We had information about the existence of this group from AGM of EBRD in Belgrade 2005. Unfortunately, local civil society groups are not involved in these monitoring groups, hence there is no accurate information about the results of this monitoring.

Azerbaijan society hopes to increase its social and economical life in the near future, particularly after construction of BTC and SCP. Unfortunately, relevant project documents of the EBRD and IFC do not have a concrete account about economical benefits of these projects for Azerbaijan society. There is not enough information about all revenues and expenditure transparency requirements, issues, and concerns in the Summary of Project Information (SPI) document for IFC/MIGA loans and in the Project Information Document (PAD) for World Bank (IBRD/IDA) loans related with PRSC. Notwithstanding the fact that there are transparency requirements of WBG and EBRD for transparency in practice during this monitoring, we cannot find any mechanism to endorse some existing investigation examples of WBG to promote transparency of public finances at the country level. According to our monitoring process on the mass media, there has not been any public consultation or public hearing process for the last two years in regard to BTC or SCP since September, 2003. Similarly there has not been any public hearing or consultation or any discussing process of PRSC project. It is important to note that there is no practise for consultation of the IFIs projects in Azerbaijan. According to the monitoring, WBG did not carry out any adequate ex-ante core diagnostic and analytic work as to be able to fully understand and address the challenges of EI related to revenue management in the host country. We cannot find any similar information. WB local officials do not have enough information about it as well. Civil society groups, including NGO and CBOs are not allowed to participate in monitoring and implementation of the revenue transparency procedures in fact, including the revenues from oil which will be used for implementation of PRSP and PRSC.

- **Revenue/Benefit Sharing**

According to WBG documentation, IFC/MIGA should ensure an open, public planning process to distribute benefits to communities in any proposed EI project and the local community will have an equal access to information necessary for meaningful participation. Revenues should be shared equitably on local, regional and national levels. According to Bank Management EIR commitments, *the Bank will work with governments, sponsors, and communities to ensure that affected communities benefit from projects as broadly as possible, including continuing to encourage and assist SME (small and medium enterprises) linkages programs.* The economical researches confirm that after 5-6 years Azerbaijan oil revenues will be on its highest level. After the peak the revenues will go down and continue existing till 2028-2030. If we account oil revenues of Azerbaijan in base on 60\$/per barrel then we can find the approximate amount of the revenues. It will be about 200 billion US dollars. It is clear that if Azerbaijan society will be able to create good governance this amount will foster economical development and regional stability. There is another alternative: if Azerbaijan society is not able to create good governance, then this amount will support corruption, regional conflicts and poverty. In this process IFIs also have responsibility. IFIs should create clear loan mechanisms to foster good governance in Azerbaijan. The government institutions which are involved in IFIs projects as MED, SOCAR, MoF, MoE, etc. are not transparent today. There are no clear mechanisms for public participation in decision-making processes and accountability of these institutions. SOCAR, widely involved in EBRD loans, is one of the closed and corrupted companies in Azerbaijan. Last year disclosure process of the revenues within EITI showed that SOCAR which receives shares on behalf of government has not clear account and management system. Unfortunately, IFIs institutions continue to support SOCAR projects in spite of corruption facts in its management.

WBG advises governments to ensure that revenue goes to the regions in which EI projects are located, thereby compensating the regions for negative impacts and giving a sense of local benefit. It also advises governments to establish revenue-sharing mechanisms that are transparent and robust enough to deliver benefits in practice. When involved in projects WBG will aim to ensure that local government provisions for revenue distribution are met and will work with investors to ensure that communities benefit in some way from projects that affect them. When it

comes to the specifics of sharing tax revenues and royalties, this is often set by national law and government policy and varies widely among countries.

If we share the role of companies and communities in relation to EI revenues, the companies have an active role, but communities being affected by companies have a passive role and should be forced to act to mitigate negative impacts by companies. From this perspective, IFIs officials should have permanent relationship with communities to identify essential negative impacts. Monitoring process showed that there is no such relationship between communities and IFIs institutions. Direct meetings with EBRD and WBG local officials also confirmed that there are no concrete mechanisms for such relationships and feedback. Before, during and after construction of BTC pipeline EBRD and IFC monitoring groups did not raise problems connected with direct impacts to landowners related with losing quality of soil in private land parcels and connected with direct impacts to buildings in villages which were damaged. Even from EBRD and IFC officials' side, there were no concrete facts related with investigation of any landowners' complaints and settlement of their problems. This situation is existing related with impacts to communities, e.g. during construction in many villages roads and channels were destroyed, use community's pastures, energy and water was restricted. No institutions investigated the potential scope of impacts on the community or citizens by IFIs. Transparency of oil revenues and establishment of concrete share mechanisms of the revenues closely connected with human rights issues. Other stakeholders of EITI, e.g. SOFAR, National Bank, SACAR and other state-owned or local and foreign private companies, etc. are an *object* of transparency, civil society groups, including affected communities and CBOs are a *subject of* transparency. In such cases, IFIs should in fact foster transparency initiatives of civil society groups. Unfortunately, supporting EITI as a voluntary initiative and supporting EI companies as subject of transparency IFIs, especially WBG and EBRD created obstacles for implementation watchdog role of civil society groups over oil revenues in Azerbaijan. This situation will not give possibility to civil society groups, including communities or CBOs to demand respect for their rights in reality from government or companies.

It is very necessary to note that in Soviet times and after Azerbaijan communities were not involved in discussing the big projects which had serious direct affects on community life and

household. But WBG and EBRD country strategies and other papers demand such discussion and public hearings with communities.

Although the sharing of EI revenues on different levels of government and communities is a complex issue, the WBG agrees that where EI developments impose costs on communities, these should be fully compensated for, as a minimum response. The Constitution and other relevant laws do not give possibilities to share powers and benefits as well. According to Azerbaijan legislation, there are no real fiscal equalization mechanisms in Azerbaijan. Thus current governance structure does not give possibility for equitable distribution on different government levels (i.e., national, regional and municipal/local) benefits (i.e., royalties, taxes,). WB and current legislation do not require transparent reporting mechanisms to show how oil revenues are used to benefit people. (e.g., to locally affected communities and national, regional and municipal/local governments) for implementation of PRSP and PRSC.

## **6. Governance**

According to EIR Recommendations of WBG it is necessary to build capacity for meeting adequate governance conditions through technical assistance, specifically assess governance adequacy before investing in EI projects, explicit core and sectoral governance requirements should be met before a project qualifies for funding (i.e. sequencing), IFC/MIGA should ensure that there is an effective local complaints and dispute resolution system in place for communities affected by EI projects. These recommendations take into account a wide range of quantitative and qualitative indicators and information about governance and other risks (including the use of governance indicators, such as its own CPIA analysis). According to the recommendations project documents that will be published will include a review of this judgment. for example in the case of IFC, it will provide a review of relevant EI governance related to the issues in its SPI or equivalent document that will be released at least 30 days before investments are considered by its Board. In the case of significant private projects supported by WBG (including through IFC/MIGA finance/insurance, IBRD/IDA loans/credits and guarantees, as well as technical assistance to facilitate new investment), WBG will work to ensure and disclose the terms of key contracts with governments such as Intergovernmental Agreements (IGAs) and Host Government Agreements (HGAs). WBG has responsibility to evaluate governance capacity and

risks at the national, sector, and local levels and use the results in decisions on sequencing our activities in EI.

According to CAS of WB and Country Strategy of EBRD, poverty reduction is the main objective of these financial institutions' development policy. It is clear that it will be achieved sustainably only where there are functioning participatory democracies and accountable governments. Corrupt and autocratic governments generate conflicts and instability in their region.

These documents, based on international law and principles of OSCE, provide the means for co-operation on issues regarding the establishment and strengthening democratic institutions, supremacy of law, protection of human rights and basic liberties. Unfortunately, in order to achieve the priorities of IFIs strategy on Azerbaijan, this co-operation is carried out especially in energy sphere. Under CAS (WB) and CS on Azerbaijan the expectations for good governance and human rights are linked to specific programs and interpreted accordingly. The programme documents directly or indirectly put in front of governments to develop six important factors defining good governance, such as:

- Support of the democratisation process, including support to democratisation of election process and the process of observation of elections;
- Protection and promotion of human rights;
- Supremacy of law and independence of judicial governance;
- Raising the role of civil society in the community and increasing their skills;
- Reforms in state governance, management of social funds and in the areas of public service;
- Decentralisation and reforms in the areas of local governance, development of knowledge and skills in the regions.

But there are no concrete facts to use or any benchmarks by IFIs in the case of Azerbaijan, which has more problems connected with human rights, transparency and corruption during last ten years. Unfortunately, the new Country Strategy on Azerbaijan which was adopted in 2005 like the country strategy of 2002 does not show clearly concrete ways to consist development of extractive industry in Azerbaijan and respect for human rights. The policy and practice of EBRD in Azerbaijan in the last few years have demonstrated that it is not possible to provide sustainable development of society by financial support of extractive industry without democracy changes

and promotion of human rights. Unfortunately, the monitoring of EBRD projects in Azerbaijan indicates that there are very big differences between policy goals and the actual results of EBRD activities in Azerbaijan. That is why there is anxiety about inefficient use of EBRD's investment in Azerbaijan. The new country strategy currently does not foster democracy, promote protection of human rights or support poverty reduction as the main demands for investment in the future.

The new country strategy notes high level poverty and corruption in Azerbaijan. It is true but EBRD does not have a clear mechanism to protect EBRD's investment from this corruption system in Azerbaijan. There is anxiety about the inefficient use of EBRD's investment against corruption; however there should be greater concern that these investments can be used for fostering corruption. The last country strategy was not analyzed to assess any concrete results on poverty reduction. Monitoring of social impacts of EBRD projects indicates that there have not been serious positive results on the ground so far.

It is necessary to note that the level of unemployment in Azerbaijan is very high (25%). According to the last country strategy paper, EBRD investments have been concentrated in oil sector, which demands very big finance with few employees. The non-oil sector of Azerbaijan, especially rural economy, which was developed in Soviet period, has not been financed by EBRD and other IFIs and many unemployed people have left Azerbaijan. According to unofficial data more than 2 million Azerbaijani have left their land and now work in Russia. The high level of corruption in the government system and other fields of Azerbaijan society, violation of human rights and main freedom of citizens, absence of independent courts and democratic institutions, lack of constitutional separation of state powers, lack of transparency in extractive industry and other fields and state governance, they all create unfavorable terms to control less effective use of IFI investments, including investment of EBRD. On the contrary, the current situation in Azerbaijan gives wide opportunities to Azerbaijan government to use EBRD investments for their political targets and for maintaining a corrupt regime.

Financing BTC pipeline project by EBRD and social, economical and human right impacts on this project are demonstrating once again that EBRD should take into account not only energy safety of Western countries as well as sustainable development of Azerbaijan. We are sure that energy safety of Western countries and sustainable development of Azerbaijan can be consistent. That is why EBRD should take into account these factors and investigate relevant mechanisms

for carrying out these goals and clearly describe them in the new country strategy in Azerbaijan. Otherwise Azerbaijan state budget in the future will be dependent on oil and gas export and non-transparency of oil revenues will foster corruption, bad governance, regional conflicts and systematic violation of human rights.

There are no concrete mechanisms or any demands for analyzing EBRD credit contracts and concrete results and impacts of the EBRD-financed projects with civil society in the country strategy. As well as there are no demands in this country strategy for creating transparency mechanisms for implementation of projects in the future. EBRD could create a transparent mechanism for credit lines and for monitoring of impacts of financed projects, which can be an example for other IFIs and oil companies working in Azerbaijan and refuse to open their transfers to Azerbaijan budget. Azerbaijan community has right to know how much and why their children will owe EBRD. Azerbaijan society does not have clear information about benefits of EBRD projects and terms of EBRD contracts. In the country strategy of Azerbaijan, there are not clear mechanisms for consultation and monitoring of EBRD projects and involving civil society representatives and local population in these processes.

Taking into account the political and social-economical situation in Azerbaijan, Center for Civic Initiatives recommended to include in the country strategy demands: 1) political reforms that foster political activeness of people; 2) promotion of human rights protection; 3) changes in the election code to provide democratic elections; 4) analysis of PRSP program to make it directly address the main targets and provide concrete mechanisms for accomplishing these targets; 5) creating viable mechanisms to fight corruption; 6) creation of laws to support liberty of mass media. Unfortunately, these recommendations were not included in the Country Strategy on Azerbaijan. Even in CS there is not any prohibition of any credit line, which fosters increasing poverty or creates human risks.

Almost all of the interviewers with whom we met during the monitoring, directly or indirectly confirmed that in the current economic and political situation in Azerbaijan, the implementation of IFIs goals are far from reality. According to IFIs policies in Azerbaijan, the majority of IFIs projects have had an objective to support government in implementation of institutional, legal and administrative reforms by financing the energy and infrastructure fields. Main expectations and

interim targets of these projects reflect interim targets of the State Program on Poverty Reduction and Economical Development (SPPRED).

## **7. Environmental, Social and Health Impact Assessment**

According to EIR recommendations of WBG, EI projects should be classified as A category projects. According to EBRD Environmental Policy BTC Pipeline project has category A. Both WBG and EBRD policies require integrated environmental and social impact assessments. Such EIA paper was prepared for BTC Pipeline project. Public hearing of the paper was implemented twice in September, 2003. But the discussion of paper implementation during and after construction of BTC did not take place. The events planned by loaners to mitigate negative impacts to local area and local population according to EIA were not fulfilled in quality level and there have been big problems. Essential ecological problems which have direct affect on local population are losing quality of land parcels. EBRD and IFC loaners on BTC Project BP and Azerbaijan government have responsibility to give back these lands at the end of 2005 and on the high quality. Unfortunately, it has been found out within this monitoring that these parcels are not ready to be given back to landowners and have lost their quality. In Sangachal village near Sangachal terminal, where BTC pipeline begins, citizens live in a very bad ecological situation due to the terminal. According to WBG social and environmental assessments potential health issues is to be evaluated and taken into account in project design. The IFC review of safeguard policies also evaluates the utility of including comprehensive health assessments in the relevant section of environmental and social assessments. But in reality anything can be changed after applying to relevant bank officials about the current situation in Sangachal village. In this village there are facts confirming the negative impacts of the terminal to children and animal health. Many trees in this village became dry. Unfortunately, relevant government, BP or BTC departments do not hear their complaints.

There are big problems in the waste management system and protection of biodiversity in BTC construction. In many areas trees had been cut, pastures destroyed, nests of wild animals destroyed. In many districts water channels were damaged. Local population complained about dust in the villages through which BTC pipeline runs. Heavy lorries of CCIC, the subcontractor of BTC Co, which carried pipes caused dust in villages.

## **8. No-Go Zones**

According to EIR of the WBG, it should not finance any oil, gas, or mining projects or activities (including through policy lending and technical assistance) that might affect existing World Heritage properties, current official protected areas, or critical natural habitat (as described in its current Natural Habitat Policy) or areas planned in the future to be designated by national or local officials as protected. One definition of critical natural habitats are existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of the World Conservation Union classifications - see note on IUCN Categories), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for viability of these protected areas (as determined by the environmental assessment process).

The BTC pipeline project has negative impacts on Gobustan historical reserve which is important historical area not only for Azerbaijan to research condition of rocks. Until construction period of BTC around potential impacts on Gobustan area were not organised widely discussing. Gobustan as a unique historical source has had historical materials since the 8th millennium B.C. to the Middle Ages and is one of the richest historical areas which contain stone pictures and more than 4000 pictures of 750 rocks. Since 1966, Gobustan has been a National Reserve of the State of Azerbaijan. According to EIA the BTC pipeline has not negative impacts on National Reserve going cross around 1 km. It was very difficult to monitor these damages, because there was not any joint relevant commission of State, civil society and State Archaeology Committee during construction process. After construction period there is not as well any concrete information about damages. To monitor such damages after construction when pipes are under ground and roads are smoothed is difficult. But the facts related with the absence of any discussion about potential damages to Gobustan before and after construction, related with the absence of allowing to monitor this construction area during construction, related with absence of joint monitoring groups of EBRD, IFC and local NGOs confirmed violations of relevant requirements, including EIR recommendations and CAS and Country Strategy papers.

## 9. Poverty Impacts

According to EIR of WBG projects supported by WBG should give benefit to all affected local groups, including vulnerable ethnic minorities, women and the poor. WBG should require “direct” or “local and regional” poverty alleviation goals and IFC should require projects to identify “sustainability dimensions”. WBG needs to gather **baseline data on poverty and social indicators**, which should be monitored throughout the lifetime of the project. WBG should require **poverty impact assessments** and should institute a monitoring mechanism of macro-level **poverty, social and environmental management indicators** to complement the IMF’s macroeconomic monitoring. EBRD polices also require social impact assessment.

According to the gathered information during the monitoring from Secretariat and from WBG, PRSC and BTC project do not have direct negative impacts on local groups, including ethnic minorities, vulnerable groups, and women. About direct and indirect negative impacts of BTC on local communities and the people mentioned above. Related with PRSC project, if we take into account PRSC as a support to PRSP implementation in Azerbaijan and current problems of PRSP implementation, then any bad expenditure of oil revenues in the PRSP project will have negative impacts on local groups. In any documentation of PRSC there is no any evidence on how the project will contribute to local and regional poverty reduction goals. There is not concrete state program that describes detailed action program for poverty reduction. Local communities are not involved in PRSP and PRSC implementation. PRSP included the section with baseline data. According to the Secretariat information there is special location-appropriate baseline data on local poverty and social indicators, but we cannot have such baseline data. There is not any information about this baseline data on web sites. Also WB does not have any Ministry baseline data.

PRSC Project documents do not demonstrate a “strong economic case” that is balanced with all environmental and social considerations. This project is not A, B, C environmental project. Thus it does not require any EIA and other environmental permission according to Azerbaijan Law. But this project has economical sense, so it can provide value-added benefits to the local economy over other sector/investment alternatives. Unfortunately, there is no concrete action

plan for this and it will not help to diversify the economy if WBG and Azerbaijan Government do not keep under control the project implementation.

PRSC can provide indirect significant long-term employment opportunities for local individuals, including women if it fosters PRSP implementation in reality. PRSC can create forward and backward linkages to other sectors of the economy, especially non-oil sector, including agriculture. This project can foster to develop local economy, including local SME. PRSC is supporting PRSP implementation which has goals to increase access to energy/electricity services. According to our monitoring process in districts we can note that there is not positive changing to increase the access to energy, especially in rural area. Local people working in rural cultures need energy for reasonable price. Many people do not have any possibility to use energy for developing their SME or agriculture. PRSC cannot have successful results, as far as there is not concrete action plan to implement PRSP. This project has not concrete mechanisms to transfer technology and skills.

## **10. Human Rights**

According to WB and EBRD projects policies supported by these financial institutions should respect human rights. WBG should systematically engage experienced, independent, and reputable third parties to verify the status of human rights in all relevant projects. Adoption of demonstrated compliance with human rights principles should be a prerequisite for companies seeking WBG support for extractive industries. In addition, for new projects WBG will implement the specific recommendation in the Review on the use of security forces to protect extractive industry project sites— in line with the US/UK Voluntary Principles on Security and Human Rights.

Unfortunately, monitoring of the BTC pipeline project that is supported by IFC and EBRD identified many facts of human right violation. Essential human right violation took place during compensation process. In many districts and villages this happened via same scheme: after receiving necessary information representatives of local authorities tried to change land documentation where it was possible. It is evidenced with two variants of land maps existing in many districts. These maps are not the same. First map was used before signature of Memorandum of Understanding. Second map was created after this process and was used during

compensation process. In monitoring process we tried to ask for both variants of the maps where it was possible. Unfortunately, in many districts two existing maps was hidden from monitoring group.

Our monitoring group supervised this process in the following districts: Hacigabul (Mugan and Garasu villages), Ugar (Garabork), Samuch (Hacialli village), Shamkir (Zayam, Morul villages), Tovuz (Ashagiayibli village), Agstafa (Girli and Ashagi Kesemenli villages). In Mugan and Garasu villages nobody has true information about land acquisition program and they do not have information about people whose land affected pipeline. The pipeline goes 3-4 km far from this village, but local people have not certification for these lands. But many people surmise that this land belongs to municipality and municipality got compensation. We tried to make this information more accurate but unfortunately nobody from the municipality wanted to answer our questions.

In Hacalli village of Samuch district, more than 15 families (in every family there are three, four landowners) have land certification and they know where their land is. They have been using these lands for several years. According to their certification they were given these lands after land reform. It is a very interesting fact that the pipeline goes through their land and they have been working around the pipeline until now, but cannot prove that they have right to receive compensation. Zahid Salmanov, Rashid Mamedov and other landowners in our meeting said that after compensation representatives of local authorities tried to change their land and give them another parcels of land. But they do not agree and are demanding their land and respective compensation. Zahid Salmanov has certification for 1,88ha parcels, 0,27ha of which is under pipeline. He signed memorandum with Joint Land Acquisition Group in 2001, but the copy of the memorandum was not given to him. Copies of this memorandum were not given to other landowners as well. Unfortunately, other people whose land is far from safety corridor received compensations.

In Zayam village of Shamkir district there are more than 41 landowners who disagree with compensation process. In monitoring process we drew very strong attention to this district, because these landowners had many complaints to Financial Groups, which financed BTC, including EBRD, WB and many governmental bodies in Azerbaijan, including former president and current president, to the Ministry of Internal Affairs, Ombudsman, General Prosecutor, local

courts, etc. Unfortunately, none of them gave answer to these people. First of all monitoring group had several meetings with landowners in Zayam village. We tried to understand the process before the signature of the memorandum for understanding. According to them there was not any distribution information about the pipeline till this memorandum. For clarification of these cases we had several meetings with the chairman of Zayam municipality. In his opinion he was not responsible for the land acquisition process in these villages and for these cases sent many letters to BTC Co. and other bodies. According to the chairman of the municipality, after signature of the memorandum municipality chairman outraged Azerbaijan Constitution and other law, including Civil Code of Azerbaijan and decided to change the lands, without any agreement of landowners. He showed us joint decision with Sabirkend municipality for implementation of such changes. We tried to have the map of the lands till this decision and after changing to have been able to check the lands of these landowners, who had complained. Unfortunately, it was impossible. But most of the landowners have both certifications, first and second-after municipality decision. According to the maps the lands had been changed during this "operation". In the first meeting with RAP department of BTC Co responsible people, especially Mr. S. Rzayev and Mr. Ch. Safichanov did not have any information about the decision of municipalities. They explained these cases because of the change of safety corridor's width. But after our explanation they promised to compare both maps used before memorandum and during reception of compensation. According to statement of landowners nobody from Joint Land Acquisition Group gave them explanation about the reasons connected with changing safety corridor's width; neither did they receive any clear official answers to their letters.

We met another situation in Morul village of Shamkir district. In this village land reform is officially finished, but many people cannot get respective land certification. According to the opinion of the local people in this village some people had such certifications, but like Zayam village, after signature of the memorandum for understanding local authorities collected these certifications. In this village a few people know about BTC. Meetings with local people were imitation, especially with landowners. In this village we met Mrs. Humbatova Nayella and her family. Mrs. Humbatova has land certification. She got this in 2000. In 2001 she signed the memorandum and agreed to give some parcel of land for construction of BTC. Unfortunately, she did not receive any compensation.

The monitoring group was in the village Girli of Agstafa district. We tried to investigate the case of Gasim Gasimov about his complaint. Mr. Gasimov and his family have used this land since 1997 and part of his land lies under the pipeline. They have also had the agreement with the municipality. But the copy of this agreement was not in the office of municipality. We monitored the documentation of Gasimov. It is true that he has paid taxes since 1997 till now separately. Unfortunately, he did not receive any compensation.

There is no obvious displeasure of local people with regards to PRSC project, because this project does not have direct impacts on citizens. But it is important to note that there are not any open reports where WBG gives detailed assessments of the country's obligations under international human rights laws on the web sites of WBG. But theoretically this project can promote social human right and is consistent with obligation. But in reality concrete implementation of PRSP and PRSC show that there is not concrete change in human rights respects field. On the contrary, during PRSP implementation period there have been indirect upgrade trends in human rights violations.

Azerbaijan has a long track of record on violation of human rights, where PRSP was carried out. PRSC is not taken into account in any third party involved in the verification of human rights, e.g. NGOs.

Azerbaijan signed the US/UK Voluntary Principles for BTC projects. But these principles have not been taken into account as priority protection local population rights quite the contrary, property and employees of companies. These standards are included together with the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.

According to the report of Consortium officials many actions have been carried up to now to align Human Rights with security BTC. E.g. In February 2004 BP entered the partnership with Equity International to support the conduction of Human Right based for training the state security forces that are responsible for the security of pipeline. The aim of the training programme is to promote the respect for Human Rights in law enforcement bodies and integrate essential principles of Human Rights into the training program of public security organizations that are responsible for safeguarding BTC.

Unfortunately, the essential emphasis in these voluntary principles is putting the obligations for safeguarding the integrity of companies' assets, facilities and personals, but not the communities. The security of companies' personals and property is aligned with the Voluntary Principles. There are anxieties to emphasize the protection of BTC's personal and assets that will create dangerous situation for the security of the communities. If we are taking into account the present situation connected with the human rights in districts and acknowledgments of people about their rights, treatment of public security forces and government officials with local people is not difficult to understand the level of SSPS persons in the nearest future. Even current security stuffs of BTC and BP have more than necessary rights in the districts. According to the voluntary principles security risks can result from political, economic, civil or social factors. However, in order to create respective actions for risk prevention, particularly economic, and social ones, connected with companies' activity, they are trying to develop security systems for limiting the local people rights. Company did not take any measures to minimize the risk of support to solve the social problems of local people. According to the principles there is potential for violence and depending on the environment, violence can be widespread or limited to particular regions. It means that Azerbaijani people in these districts should be ready for the violence and severe limitation of their rights in the future. Risk assessment identified by voluntary principles considers many possible sources of security risk except the sources connected with the activity of BTC Co itself.

The fact is that the local community will have a great interest in the project security and will take part in the security action very seriously if they have or expect any benefit from it. During construction process of BTC pipeline many people did not have any benefit and have lost their land or public territory for their animals or are seeing every day destroyed roads or destroyed houses. If after construction and in exploitation process of BTC, SSPS and local forces threat with any punishment of local people then they will not have any interest in security of BTC. According to the principles BP and Azerbaijan government should consider identification of understanding the root causes and nature of local conflicts, as well as the level of adherence to human rights and international humanitarian law standards by key actors. Unfortunately, general human rights violation in districts is committed by government powers. According to the principles BP should develop strategies for managing relations between the Company and

employees and their unions. Unfortunately, in structures of BP and BTC there are no trade unions and there is not any permission for creating them.

Analysis of other sites of voluntary principles show that in particular cases, e.g. BTC pipeline cases, these principles do not ensure respect for human rights, on the contrary, they foster violation of local people rights in Azerbaijan districts in the future.

## 11. Core Labour Standards

According to IFC and MIGA policies they should adopt all four of the Core Labour Standards as part of their Safeguard Policies, and not just two, as the case currently is. Furthermore, IFC and MIGA should improve the monitoring and reporting mechanisms for these policies to ensure that they are complied in the projects in which they invest, and should ensure that project sponsors subject themselves to independent and impartial third-party verification. The WBG should work with governments, trade unions, industry groups, and other organizations, as well as with ILO to promote the implementation and enforcement of the standards.

The core labour standards of the International Labour Organization (ILO) include:

- 1) No labour market discrimination including discrimination by race, religion, ethnicity, gender, or political opinion.
- 2) No forced or compulsory labour, with limited exceptions for military service and national emergencies.
- 3) No exploitive child labour – the baseline minimum working age is set at fifteen, although if a country is insufficiently developed or only light work is involved, the age can be lower. For hazardous occupations the minimum working age is raised to eighteen
- 4) The right of freedom of association, which gives workers the right to form and join organizations choosing on their own, including unions. Governments may not dictate the form, affiliations, or internal operations of these organizations.
- 5) The right of workers to engage in collective bargaining with employers who cannot discriminate against workers who join trade unions. Governments must encourage voluntary collective bargaining.

According to state 5 of Azerbaijan Labour Code this Code is valid for foreign companies, which work in Azerbaijan, including BTC Co and CCIC, Petrofac, etc. if there are not other special conditions in HGA and others agreements between Azerbaijan and Consortium. According to HGA *“Subject to requirement that no Project Participant shall be required to follow any employment practices or standards that (i) exceed those international labour standards or practices which are customary in international Petroleum transportation projects or (ii) are*

*contrary to the goal of promoting an efficient and motivated workforce, all employment programmes and practices applicable to citizens of the State working on the Project on the Territory, including hours of work, leave, remuneration, fringe benefits and occupational health and safety standards, shall not be less beneficial than is provided by the Azerbaijan labour legislation generally applicable to its citizens".* HGA and other contracts do not put any new conditions, which are less strong than Azerbaijan Labour Code. Essential labour rights violations that were investigated during monitoring process were classified as following:

Azerbaijan Labour Code fixes working time. According to Labour code, everyday normal working time is not more than 8 hours (state 89). Normal weekly working time does not exceed 40 hours (state 89). According to the Code nobody has right to demand to work more than this time (state 9). There are many cases that the workers are compelled to work. According to the Code nobody can be involved in work more than 4 hours after normal work time and more than 2 following days (state 100).

The monitoring group had a meeting with workers in the construction place of CCIC near to Yevlach. As far as the contracts between Azerbaijan workers and CCIC were signed for 3 months, workers have not possibility to demand their rights and they are afraid of being out of work. Azerbaijan workers are not able to demand compensation for damages to their property or their health, which is stipulated according to Labour Code (state 9). There are big problems connected with insurance of workers of BTC Co subcontractors. But such obligatory insurance is stipulated by labour Code (state 9).

Many problems connected with labour rights can be solved if there are trade unions in these companies. Unfortunately, in BP, BTC Co and in their subcontractors and other foreign companies the workers are not allowed to found trade unions or public organisations in spite of the fact that such right is stipulated by Azerbaijan labour Code (state 9). In the monitoring process, we found out very big differences and inequalities in the labour relations in respect to nationality, despite of the fact that such differences and inequalities are infeasible according to Azerbaijan Labour Code (state 16).

Unclearness of labour conditions, especially identification of labour assessing norms compel to silence and to agreement with any demanding direction. According to the Labour Code of Azerbaijan the companies have responsibility to provide labour assessing norms and other conditions, including the responsibility of companies to insure workers (state 54).

In BTC Co, CCIC and Pertofak the workers are compelled to work more than 40 hours a week. According to Labour Code in turn works the time of work does not exceed 12 hours a day. But in such cases the amount of work time is not more than amount of time that is identified in this Code, i.e. 40 hours a week (state 96). Unfortunately, in these companies in turn works the amount of time is more than 65-70 hours every week. Even the time of work is 9-10 hours and time for holidays is 15 days in signed contracts between Azeri workers and CCIC. It means that Azerbaijan Labour Code has been infringed even in signed contracts. According to Labour Code nobody has right to involve in works to work on official national holidays, festivals and national mourning days, except exceptional cases (state 107). These exceptions are related to the permanent productions, traffic, social services and etc. The construction works in districts are not exceptional cases. According to the Labour Code workers have right to have anniversary of holiday, irrespective of their contracts' duration and work conditions (state 110).

Several letters were sent to EBRD and IFC about labour rights violations in BTC project during construction work. Violations of labour rights are continuing in other foreign companies. Several months ago the Azerbaijan workers in the MacDermott Company stopped to work and demanded to be allowed to establish the trade union in this company and sign collective labour agreement.

## **Recommendations**

- A broad publicity campaign should be conducted with regards to the IFIs strategies on Azerbaijan, the objectives of IFIs projects, as well as the mechanisms for implementing the projects and what they are expected to achieve;
- The concrete project objectives, in particular, the impact that the projects have on human rights, democracy and good governance, the progress of the projects and the expected results should be discussed with community leaders, and especially with NGOs and municipal agencies;
- Open debates should be conducted in the mass media concerning IFIs project progress and the impact that the projects have on human rights, democracy and governance. It is also a good idea to involve NGO representatives and the opposition parties in such discussions;
- Involving members of the community and national NGOs in monitoring activities of the IFIs could be an important step in public transparency. Conducting this type of monitoring would greatly increase the public faith in IFIs strategy on Azerbaijan;
- There is a great need to establish a Public Oversight Committee that includes local NGOs, opposition parties and municipal agencies. The Public Oversight Committee should be given the oversight authority for ensuring projects implemented in Azerbaijan conforming to IFIs strategy;
- The Public Oversight Committee could also be tasked with studying the impact that those IFIs financed projects have on human rights, democracy and governance;
- The Public Oversight Committee's recommendations should be taken into account when IFIs finance any projects;

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