

The Coalition to Increase Transparency in Extractive Industries

The program for 2007

Adopted at the general meeting held on 22 December 2006

1. Current situation

The Coalition to Increase Transparency in Extractive Industries, which was set up by public associations that represent the civil society in the implementation of the international Extractive Industries Transparency Initiative in Azerbaijan, has been operating for three years in order to achieve the goals stipulated by its statute within the framework of the principles and criteria of the initiative.

During this period, the coalition has expanded its ranks and turned into a well-known organization in society. The coalition, which promotes the transparency of oil revenues, has been a useful experience on the path of establishing a civil society in Azerbaijan. The coalition has expanded threefold in the last few years mainly owing to new organizations – NGOs that do not directly specialize in oil revenues, work on a wider range and cover many regions of Azerbaijan. Owing to the new members which have a multiple and diverse range of activities, the coalition held a campaign called “Oil revenues belong to all of us” this year and directed its educational activities to the regions of the country for the first time.

Along with that, during this period the coalition has also been in the center of attention internationally. It is exactly the Coalition to Increase Transparency in Extractive Industries that emerged as the first well-established organization in the transparency of oil revenues, which is why it played its role as an important experience for many countries.

With the financial support of the Open Society Institute Assistance Foundation, the World Bank, the Ebert Foundation, NOWIB Oxfam and Counterpart, in 2006 the coalition successfully implemented its annual action plan that covers 2006 and 2007. During this period, the coalition –

- Assessed the opinions of relevant audit companies that compared the reports disclosed by the Azerbaijani government on revenues and the reports of oil companies and disclosed its views to the public;
- Participated on an equal basis with other companies in the selection of the audit company;
- Organized a three-day international conference in Baku (6-8 April);
- Carried out four projects to increase the awareness of representatives of the civil society, students, representatives of local government bodies in regions of the country and citizens, and conducted various opinion polls among oil companies, government agencies, media, NGOs and independent experts on the media and on the causes of delays in applying modern management methods in SOCAR and carried out various projects to organize chat shows on television and radio dialogues on radio;
- Carried out nine projects within the framework of the public awareness campaign “Oil revenues belong to all of us”, which lasted one month, and organized a big conference in Baku;
- Prepared and disseminated a lot of print materials;
- Established good relations and cooperation with its local, regional and international partners.

The coalition's website (www.eiti-az.org) contains detailed information about projects implemented in 2006.

Despite all this success, it is difficult to describe the work of the coalition in the past period as completely systemic and consistent. In a number of cases, the coalition's work was based not on "what is important", but on "what can be financed". In this case, the coalition's energy and potential misses the main targets facing it. In order to avoid any problems in the future, the council of the coalition has selected five main priority spheres and is determined to focus its activities on these spheres. These spheres are described below.

2. The priority spheres of the coalition

The first priority sphere: To increase transparency in the work of local and foreign oil companies

In this direction, our main duty should be to hold regular meetings with oil companies and to show both to them and to society our ability to disclose the fact that some of them are less transparent. Just like the position of the PWYP is important for transnational companies (TNC) working in the oil and gas industries on the international scale, our position should also be important to oil companies working in Azerbaijan so that they hear the demands of civil society representatives for transparency and effectiveness and base their activities on these demands. International NGOs can be used in order to achieve this goal. We have to strengthen and develop our relations with them.

In Azerbaijan the Extractive Industries Transparency Initiative covers only revenues from the exploitation of oil and gas reserves. The council of the coalition believes that it is high time to expand this framework and gradually involve other natural resources in this process.

Thus, the coalition thinks it expedient to work on the following in the first priority sphere in 2007:

- To monitor the switch of local companies to international accounting standards;
- To determine the classification of the revenues of local companies working in extractive industries and to monitor these revenues;
- To analyze and monitor the process of extracting, selling and consuming oil;
- To analyze and monitor the process of extracting, selling and consuming gas;
- To monitor and involve revenues from the exploitation of other natural resources (apart from oil and gas) in the EITI process;
- To monitor the impact of the exploitation of natural resources on the environment;
- To monitor the use of local resources by companies;
- To monitor companies' treatment of their staff;
- To protect the rights of people living near facilities that belong to companies.

The second priority sphere: The monitoring of projects financed from the Oil Fund and analysis of their effectiveness

The 2006 budget of the Oil Fund has started financing a number of projects. However, most of these expenses have been left beyond public control. The Oil Fund is expected to finance several more projects in 2007. The monitoring of the projects financed in 2006 and 2007 should be one of the main priorities of the coalition. Of course, in order to carry out such monitoring, civil society representatives should have specific knowledge and skills in relevant projects. To this end, it will be necessary to provide special training for representatives of the coalition and invite experts to participate in the monitoring.

The coalition thinks it expedient to work on the following in this direction in 2007:

- To monitor money allocated by the Oil Fund in 2006 and 2007 for the financing of projects and for management;
- To monitor the budget of the Oil Fund;
- To hold an international conference on the effective use of oil and gas revenues;
- To assess the risk of the partial loss of oil revenues and draw up proposals to reduce it;
- To improve legislation in order to increase transparency in the extractive industries and ensure effective use of revenues

The third priority sphere: The publicization of information on the transparency of oil revenues and education. The strengthening of cooperation between the coalition and civil society institutions

Sufficient experience has already been accumulated in this sphere. This work should continue next year. The following are the main projects that will be implemented in 2007:

- To increase the strength and capability of civil society institutions;
- To mobilize the possibilities of the civil society;
- To increase the strength and capability of the media. To cooperate with the media;
- To carry out campaigns to increase citizens' awareness and their interest in effective use of oil revenues.

The fourth priority sphere: To implement the duties placed on the coalition by the EITI memorandum and to increase its institutional possibilities, knowledge and skills

In terms of consistency, work on this sphere should have started much earlier. Only in this case, would it have been possible to improve the general effectiveness of our work in 2007. To this end, in order to ensure the activities of the coalition in 2007 without wasting time, it is first of all necessary to ensure proper financing of projects in this sphere.

The following work is important in the fourth priority sphere:

- To analyze the results of the audit on the EITI and disclose them to the public;
- To increase the strength and capability of the coalition and ensure its activities.

The fifth priority sphere: International and regional cooperation

In this priority sphere, cooperation with the following public and financial organizations is regarded as important:

- The EITI secretariat;
- The PWYP coalition;
- The national NGO coalitions on the EITI;
- The World Bank group and other international financial institutions that support the EITI.

3. Possible types of activity on the priorities

The list of specific types of activity on priority spheres is approved by the council of the coalition on the basis of the parties' commitments stipulated by the EITI memorandum, the new format of the coalition's priorities, previous experience, the EITI directions of development in the international sphere and the ideas and proposals from members of the coalition.

4. The resources and principles of supporting the activities of the coalition

The human resources that ensure the activities of the coalition will consist of members of the coalition and specialists employed from outside.

The success and scale of activities will depend on the obtention of required finances. To this end, work will be carried out with international donor organizations (Open Society Institute, NOWIB Oxfam, the Friedrich Ebert Foundation and so on), the World Bank and other financial institutions, as well as with the special Trust Foundation set up by donor states for the development of the EITI. The possibility of obtaining financial resources from Azerbaijan's state budget will also be considered. The general project and the list of types of activity will be submitted to potential donors for consideration. If a donor makes a decision to finance these or other types of activities, he will be provided with a specific grant project on those types of activity and introduced to a responsible executing organization and a person who is a member of the coalition.

Activities will be based on the following principles:

- To reflect the types of activities in the general grant project;
- To involve as many members of the coalition as possible in the implementation of the general project;
- To observe the copyright law. The author of a proposal included on the list of types of activity has the right to become a project manager in that type of activity. If there is more than one author, the council of the coalition will try to implement a joint project by the authors;
- The new ideas proposed by members of the coalition in 2007 will be supported by the council and become a project of the coalition only if they correspond to the aforesaid priorities;
- As a rule, a member of the coalition can manage only one project (exceptional cases should be substantiated and approved by the council).