

COALITION INCREASING TRANSPARENCY IN EXTRACTIVE INDUSTRY

Project: Outlook for opportunities for the implementation of the 2007 action plan of the Coalition of civil society institutions *INCREASING TRANSPARENCY IN EXTRACTIVE INDUSTRY*

Organization acting in the capacity of a financial agent: Centre for Economic and Political Studies

On the organization acting in the capacity of a financial agent:

Head: Sabit Bagirov
Address: Baku, 3 Rashid Behbudov St.
Telephone: 498-12-66
Fax: 493-14-38
E-mail: bagirov.sabit@gmail.com

Project Manager: Qubad Ibadoglu
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Project Budget: \$218.788
Amount asked from OSI-AF: \$138.788

PROJECT DESCRIPTION

1. Introduction:

The Coalition of NGOs Increasing Transparency in the Extractive Industry has been acting since three years in the capacity of the group representing Azerbaijan's civil society institutions in the implementation of the international Extractive Industries Transparency Initiative, in the framework of the principles and criteria of the Initiative and with the purpose of securing objectives which have been set out in its Regulations. In particular, in 2006, The Coalition successfully implemented the first phase of its 2006-2007 action plan, through financial support from the Open Society Institute/Assistance Foundation, the World Bank, the Ebert Foundation, NOWIB Oxfam, and Counterpart. The list of the corresponding activities is described below:

- The announcement by the Coalition following the assessment of the audit opinion by the audit companies who have verified the respective statement by the Government of Azerbaijan on the incomes of the State against the corresponding reports by oil companies;
- Equitable involvement, along with other stakeholders, in the selection of the audit company;
- Organization of a three-day international conference in Baku, April 6th through 8th;

- The implementation of four projects on raising the awareness of civil society representatives, students, members of the staff of institutions of local governing, and ordinary citizens, as well as a project dealing with media, a project on in-depth study of the reasons for delays in the introduction of advanced management approaches in the State Oil Company of Azerbaijan, and the conducting of a poll involving oil companies, state agencies, media, NGO and independent experts, and the organization of TV talk shows, radio-dialogue broadcasts, etc.;
- Implementation of 9 projects and the organization of a broad conference in Baku as part of a monthly public campaign *Oil Incomes are Ours All*;
- Production and distribution of various print materials;
- Establishment of close relations and co-operation with local, regional and international partners.

The Coalition has planned to furthermore continue the corresponding activities in 2007 as a response to the following urgent issues:

- Lack of the experience of the Government in the management of substantial amount of money;
- Use of petrodollars in larger amounts for different purposes (budget, the building up of the social infrastructure, etc.);
- Dependence of the legislative and judicial powers on the executive power;
- Widespread corruption in the country;
- Weakness of independent media;
- Lack – or absence – of public awareness of petrodollars which are received, managed and spent in the country;
- Non-compliance of SOCAR's management and accountability practices with international standards;
- Conflict of interests involving SOCAR, on the one hand, and production-sharing agreements (PSAs), on the other hand;
- A sharp increase in initially announced amounts of major contract operations.

These factors yet augment the risks linked to mismanagement – even partial – of petrodollars. To abate the negative ends, the Coalition holds firm to developing its activities in 2007 in the following priority fields:

1. *Increasing transparency in the activities of local and foreign oil companies;*
2. *Monitoring and analysis of the efficiency of the projects funded out of the Oil Fund;*
3. *Making information on oil incomes accessible to the masses, and carrying out the corresponding enlightenment activities. Strengthening of co-operation involving the Coalition and other civil society institutions;*
4. *Development of institutional and expertise capacity in order to honour the commitments of the Coalitions as per the memorandum on EITI;*
5. *International and regional co-operation.*

These priority areas have been outlined in the Coalition's 2007 PROGRAMME PAPER. The document (attached) met with approval at the General Assemble of the Coalition on December 22nd, 2006. Certain parts of the types of activities, which are indicted in the document, are of institutional nature, and, therefore, are described in the present project.

2. Aim of the Project

The aim to implement the project is to keep the Coalition running its activities and to ensure the required working environment in the office of the Coalition in order to realize the actions – programme, monitoring, advocacy and institutional activities – that have been outlined in the **2007 PROGRAMME PAPER**, as well as to make arrangements for the conducting of general meetings and conferences, including the meetings at the level of the Board and working groups, and roundtables, seminars and training courses on various subjects, the publication of the issues of the magazine of the Coalition, and a number of other things.

3. Upcoming Activities

The activities, to take place in the framework of the project, have been categorized into four groups – programme, advocacy, monitoring and institutional. The following items have been included in the agenda:

- 1) Conducting of two general meetings of the Coalition;
- 2) Conducting of two press-conferences of the Coalition;
- 3) Conducting of 30 meetings of the Board and working groups of the Coalition;
- 4) Conducting of a total of 34 roundtables, seminars and conferences of the Coalition;
- 5) Conducting of a regional conference of the Coalition in Ganja;
- 6) Organisation of three talk-shows on the transparency of oil incomes;
- 7) Analysis of the statements and auditor's conclusions in the framework of the Initiative, to be followed by the issue of the corresponding statements of the Coalition;
- 8) To have the minerals and gas reserves covered by the Initiative, the corresponding package of proposals will be drawn up, then be submitted for consideration to the public, and afterwards, be co-ordinated with parties to the Memorandum;
- 9) Throughout the proposed period, the web site of the Coalition will provide information support in two languages (Azeri and English);
- 10) A quarterly magazine of the Coalition will be published;
- 11) Seeking opportunities for the involvement of youth and females in EITI. Conducting roundtables on the topic of oil incomes and the effective of them, in three biggest youth organizations. The corresponding handouts will be distributed among participants. A conference on the effective use of oil incomes will be implemented with the purpose of the establishment and operation of an advisory council involving members of female and youth organizations;
- 12) Continuation of international relations with the EITI Secretariat, PWYP Coalition, Regional Group, and other organizations;
- 13) The companies, operating in the extractive industry, will be analysed against their compliance with the current transparency requirements, and the corresponding Policies will be drawn up for the Coalition – and promulgated – with the purpose of increasing transparency in this field of activity;
- 14) A tracing eye will be kept on, an analysis will be carried into and the corresponding report will be prepared to disclose the findings in the policies of the Oil Fund

towards the placement and investing of the assets the body has been trusted to manage;

- 15) Financial channels of the State Oil Company of the Azerbaijan Republic will be tracked down, and the corresponding annual report will be prepared to disclose respectful findings of the analysis and evaluation, to be done on this topic;
- 16) With the purpose of increasing transparency in the extractive industry and the effective use of oil incomes, the corresponding package of proposals will be drawn up to pave the way for a draft law “On the management of oil incomes” and for the refinement of appropriate legislative acts;
- 17) The required working environment will be set up in the central and regional offices of the Coalition, including the financial support to cover rental, communication and office (stationery) expenses, as well as to pay salaries to five staff members in the central office, and a staff member in charge of the regional office;
- 18) Establishment of the press office of the Coalition;
- 19) To assess the projects, to be submitted, a monitoring group will be set up.

4. Assessment

The Board and the Monitoring Group, to be approved at the general meeting of the Coalition, will exercise the control of and assess the implementation of the project. The Board and the Monitoring Group will come up with respectful proposals and recommendations on how to increase the efficiency of the project. The information on ongoing implementation and outcomes of the project will be posted on the web site of the Coalition.

5. Calendar Schedule:

Type of Activity		1	2	3	4	5	6	7	8	9	10
1.	Conducting of a general assembly of the Coalition										
2.	Conducting of press conferences										
3.	Conducting of meetings of the Board and Working Groups of the Coalition										
4.	Action on EITI reports, including: - Selection of an audit company - Preparation of the respectful statement by the Coalition and organization of public hearings										
5.	Organization of the work of the Monitoring Group										
6.	To have the minerals and gas reserves covered by the Initiative, the corresponding package of proposals will be drawn up, then be submitted for consideration to the public, and afterwards, be co-ordinated with parties to the Memorandum										

7.	Maintenance and enrichment of the web site of the Coalition																			
8.	Publication of the magazine of the Coalition																			
9.	Involvement of youth in EITI processes																			
10.	Continuation of international relations																			
11.	The companies, operating in the extractive industry, will be analysed against their compliance with the current transparency requirements, and the corresponding Policies will be drawn up for the Coalition – and promulgated – with the purpose of increasing transparency in this field of activity																			
12.	A tracing eye will be kept on, an analysis will be carried into and the corresponding report will be prepared to disclose the findings in the policies of the Oil Fund towards the placement and investing of the assets the body has been trusted to manage																			
13.	Assessment of and the preparation of the corresponding proposals on the minimization of the risks of partial loss of oil incomes																			
14.	With the purpose of increasing transparency in the extractive industry and the effective use of oil incomes, the corresponding package of proposals will be drawn up to pave the way for a draft law “On the management of oil incomes” and for the refinement of appropriate legislative acts																			
15.	The required working environment will be set up in the office of the Coalition, including the financial support to cover rental, communication, office (stationery) expenses and utilities bills, as well as to pay salaries to five staff members																			
16.	The required working environment will be set up in the regional office of the Coalition, including the financial support to cover rental, communication, office (stationery) expenses and utilities bills, as well as to pay the salary to a staff member																			
17.	Arrangement and implementation of a regional conference																			
18.	Delivery of training courses to the people living nearby oil-contaminated areas and conducting of monitoring in order to raise																			

	the awareness of competent agencies of the existing situation									
19.	Preparation of respectful proposals on the assessment of the companies, operating in the extractive industry, against their compliance with international environmental standards and bringing the existing levels to conformity with the current standards									
20.	Campaigning for the raise of public awareness of and interest for the effective use of oil incomes									
21.	Organization of TV talk shows									
22.	Functioning of the press service									
23.	Work on the involvement of youth in EITI activities									
24.	Work on the involvement of females in EITI activities									
25.	Educational activities in secondary schools									

6. Principles of approval of participants

In accordance with the decision by the Board of the Coalition of February 2nd, 2007:

- a) Competitions will be held to sort out the best proposals out of the corresponding blueprints, to be submitted as separate parts of this combined project;
- b) A Selection Group will be set up to announce and hold competitions;
- c) The Selection Group will be composed of the members of the Board of the Coalition;
- d) An applicant member of the Board won't have the voting right during the consideration of his/her project submitted to the Board.

Items of Expenses	OSI-AF	World Bank	Other donors
Programme Activities			
1. Conducting of public discussions over the realisation of the Strategic Plan (7 x \$600) 1..1. Greater accountability of companies in the framework of EITI 1..2. Openness of the information about tax and other payments by companies 1..3. Expansion of transparency initiatives in the field of minerals/gas extraction 1..4. Matching the activities of extractive businesses to international environmental standards 1..5. Analysis of the applicable budget with the purpose of raising the awareness of the state of expenses at the Oil Fund 1..6. Oil incomes and gender issues 1..7. Assessment of the impact of the transition of SOCAR accounting and reporting systems to international standards on transparency	\$4200		
2. Organisation of press conferences (2 x 150) 2..1. On half-year results 2..2. On the results of the year	\$300		
3. Organisation of a regional conference 3..1. Organizational expenses 3..2. Travel allowance	\$2500		
4. Analysis of EITI reports (twice a year) and the issue of the subsequent statements <ul style="list-style-type: none"> • Fees of the specialists to be involved in carrying out the analysis and preparing the corresponding conclusions (2 x \$1000 = \$2000) 	\$2000		
5. The drawing up and promulgation of the respectful Policy in order to analyse the companies, operating in the extractive industry, against their compliance with the current transparency requirements, and with the purpose of increasing transparency in this field of activity - Fees of the specialists to be involved in carrying out the analysis and preparing the corresponding proposals (6 x \$500 = \$3000)	\$3000		
6. Keeping a tracing eye on, as well as the carrying out of an analysis of and preparation of the corresponding report on the policies of the Oil Fund towards the placement and investing of the assets the body has been trusted to manage - Team leader (6 x \$200 = \$1200)	\$3604		

<ul style="list-style-type: none"> - Contributions to the Social Protection Fund ($\\$1200 \times 0.22 = \\264) - Advisory fees ($\\$1000$) - Appliances (6 months $\times \\$20 = \\120) - Communication, Internet (6 months $\times \\$20 = \\120) - Conducting of roundtables (2 $\times \\$300 = \\600) - Presentation of the Package of Recommendations - $\\$300$ 			
7. Tracking down, analysis and the assessment of the transparency of the financial channels of SOCAR <ul style="list-style-type: none"> - Team leader (8 $\times \\$200 = \\1600) - Contributions to the Social Protection Fund ($\\$1600 \times 0.22 = \\352) - Advisory Fees ($\\$1000$) - Appliances (8 months $\times \\$20 = \\160) - Conducting of roundtables (2 $\times \\$300 = \\600) - Communication, Internet (8 months $\times \\$20 = \\160) - Presentation of the Package of Recommendations - $\\$300$ 	\$4172		
8. Preparation of a package of proposals on the drawing up of a draft law “On the management of oil incomes” and the refinement of appropriate legislative acts, in order to increase transparency in the extractive industry and with the purpose of the effective use of oil incomes <ul style="list-style-type: none"> - Team leader (6 $\times \\$200 = \\1200) - Contributions to the Social Protection Fund ($\\$1200 \times 0.22 = \\264) - Advisory Fees ($\\$1000$) - Appliances (6 months $\times \\$20 = \\120) - Conducting of roundtables (2 $\times \\$300 = \\600) - Communication, Internet (6 months $\times \\$20 = \\120) - Presentation of the Package of Recommendations - $\\$300$ 	\$3604		
9. Preparation of respectful proposals on the assessment of the companies, operating in the extractive industry, against their compliance with international environmental standards and bringing the existing levels to the conformity with the current standards <ul style="list-style-type: none"> - Team leader (6 $\times \\$200 = \\1200) - Contributions to the Social Protection Fund ($\\$1200 \times 0.22 = \\264) - Advisory Fees ($\\$1000$) - Appliances (6 months $\times \\$20 = \\120) - Conducting of roundtables (2 $\times \\$300 = \\600) - Communication, Internet (6 months $\times \\$20 = \\120) - Presentation of the Package of Recommendations - $\\$300$ 	\$3604		
Total for Programme Activities	26.984		
Monitoring Activities			
10. Training courses to the people living nearby oil-contaminated areas and conducting of monitoring in order to raise the awareness of competent agencies of the existing situation <ul style="list-style-type: none"> - Team leader (6 $\times \\$200 = \\1200) - Contributions to the Social Protection Fund ($\\$1200 \times 0.22 = \\264) - Fees for the monitoring group - $\\$2000$ - Appliances (6 months $\times \\$20 = \\120) - Conducting of roundtables (3 $\times \\$300 = \\900) - Communication, Internet (6 months $\times \\$20 = \\120) - Transport costs - $\\$150$ 	\$5064		

- Presentation of the Package of Recommendations - \$300			
11. Monitoring of the projects funded out of the Oil Fund - Monitoring of a project on the laying of a major water pipe from Oguz-Qabala region to Baku			\$40.000
Total for Monitoring Activities	\$5.064		\$40.000
Advocacy			
12. Campaigning for the raise of public awareness of and interest for the effective use of oil incomes: - Conducting of discussions over the following topics in 12 districts: Azerbaijan's oil agreements; International Transparency Initiatives; EITI. Coalition experts will address roundtables and answer the questions to follow. Participants will be distributed the corresponding handouts; - Conducting of roundtables on oil incomes and the effective use of them, in 10 universities based in Baku and regions. Coalition experts will address roundtables and answer the questions to follow. Participants will be distributed the corresponding handouts; - Broadcasting of two documentaries, which were approved as the best productions for the corresponding competition announced by the Open Society Institute in 2005, featuring oil incomes on regional TVs; - Broadcasting of two commercials, jointly produced by the Coalition and Internews in 2006, featuring oil incomes on the Public Television (ITV) throughout a year; - Conducting of radio dialogues. Experts from the Coalition and representatives from the Government will be invited to these dialogues.		\$33000	
13. Organizations of talk shows on TV - Salary of a responsible person (3 x \$200 = \$600) - Contributions to the Social Protection Fund (\$600 x 0.22 = \$132) - Communication (3 months x \$30 = \$90) - Payment for the time of broadcasting – 3 x \$1800 = \$5400	\$6222		
14. Organization of discussions with parties to the Memorandum over the refinement of the paper and over the strengthening of accountability 14.1. Working with the State Commission - Salary of a responsible person (9 x \$200 = \$1800) - Contributions to the Social Protection Fund (\$1800 x 0.22 = \$396) - Communication, Internet (9 months x \$20 = \$180) 14.2. Working with companies - Salary of a responsible person (9 x \$200 = \$1800) - Contributions to the Social Protection Fund (\$1800 x 0.22 = \$396) - Communication, Internet (9 months x \$20 = \$180)	\$2376 \$2376		
15. Organisation of international relations - Salary of a responsible person (9 x \$200 = \$1800) - Contributions to the Social Protection Fund (\$1800 x 0.22 = \$396) - Communication, Internet (9 months x \$20 = \$180)	\$2376		
16. Work of press service - Salary of a responsible person (9 x \$200 = \$1800) - Contributions to the Social Protection Fund (\$1800 x 0.22 = \$396) - Appliances (9 months x \$20 = \$180) - Communication, Internet (9 months x \$30 = \$270) - Subscription to newspapers (9 months x 100 = \$900)	\$4546		

- Organization of roundtables – (4 x \$250) = \$1000			
17. Involvement of youth in EITI processes - Team leader (9 months x \$200 = \$1800) - Contributions to the Social Protection Fund (\$1800 x 0.22 = \$396) - Conducting of roundtables (3 x \$300 = \$900) - Appliances (9 ay x \$20 = \$180) - Conducting of seminars - \$500 - Communication, Internet (9 months x \$20 = \$180) - Travel costs - \$1000 - Conducting of a conference - \$1000	\$5956		
18. Involvement of females in EITI - Team leader (9 months x \$200 = \$1800) - Contributions to the Social Protection Fund (\$1800 x 0.22 = \$396) - Conducting of roundtables (3 x \$300 = \$900) - Appliances (9 months x \$30 = \$270) - Conducting of seminars - \$500 - Communication, Internet (9 months x \$30 = \$270) - Travel costs - \$1000 - Conducting of a conference - \$1000	\$5956		
19. Educational activities in 10 secondary schools - Team leader (9 months x \$200 = \$1800) - Contributions to the Social Protection Fund (\$1800 x 0.22 = \$396) - Appliances (9 months x \$20 = \$180) - Conducting of seminars - \$1500 - Communication, Internet (9 months x \$20 = \$180) - Conducting of a conference - \$1000	\$5056		
Total for Advocacy	\$34.864		\$33.000

Institutional Activity

20. The required working environment will be set up in the office of the Coalition, including the financial support to cover rental, communication, office (stationery) expenses and utilities bills, as well as to pay salaries to five staff members - Salary of a project manager – the co-ordinator for the Coalition (10 x \$300 = \$3000) - Office manager (10 x \$400 = \$4000) - assistant (10 x \$200 = \$2000) - Translator/Interpreter (10 x \$200 = \$2000) - Financial manager and accountant (10 x \$250 = \$2500) - Contributions to the Social Protection Fund (\$13500 x 0.22 = \$2970) - Office rent expenses (10 x \$900 = \$9000) - Withholding tax - \$9000 x 14%= \$1260 - Utilities bills - (10 x \$70 = \$700) - Internet (10 x 100\$ = \$1000) - Manuals and textbooks to organize the library - \$1000 - Stationery and cartridge (10 x \$100 = \$1000) - Office computer (3 x \$600) = \$1800 - Computer for the web operator (1 x \$900) = \$900 - Expenses linked to the conducting of the meetings of the Board (30 meetings x \$15 = \$450) - Table and chairs for a computer set (4 x \$200) = \$800 - Bookcases - (2 x \$200) = \$400	\$37580	\$7000	
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<ul style="list-style-type: none"> - Copier – \$800 - Video cam – \$ 1000 - Postal expenses - \$1000 			
21. Conducting of general meetings of the Coalition (2 x \$1500)	\$3000		
22. Institutional assistance to regional organisations <ul style="list-style-type: none"> - Office manager - (10 x \$200 = \$2000) - Contributions to the Social Protection Fund (\$2000 x 0.22 = \$440) - Rental fees for Ganja office (10 x \$100 = \$1000) - Withholding tax (\$1000 x 14%)= \$140 - Utilities bills (10 x 30\$ = \$300) - Communication and Internet (10 x 50\$ = \$500) - Stationery and cartridge (10 x \$40 = \$400) - Travel allowance for regional co-ordinator - \$1200 - Travel allowances for regional representatives to support their participation in meetings of the Coalition (7 persons per year x \$50 x 2 = \$700) 	\$6680		
23. Maintenance and enrichment of the web site of the coalition <ul style="list-style-type: none"> - Web master, designer for the magazine and bulletin (10 x \$300 = \$3000) - Contributions to the Social Protection Fund (\$3000 x 0.22 = \$660) 	\$3660		
24. Publication of the bulletin of the Coalition <ul style="list-style-type: none"> - Salary of the editor (10 x \$200 = \$2000) - Assistant (10 x \$150 = \$1500) - Contributions to the Social Protection Fund (\$3500 x 0.22 = \$770) - Communication expenses (10 x \$20 = \$200) - Stationery (10 x \$20 = \$200) - Printing expenses (0,8 x 10 x 300 = \$2400) 	\$7070		
25. Publication of the magazine of the Coalition <ul style="list-style-type: none"> - Salary of the editor (9 x \$200 = \$1800) - Proof reader (4 x \$100 = \$400) - Contributions to the Social Protection Fund (\$2200 x 0.22 = \$484) - Communication expenses (9 x \$20 = \$180) - Stationery (9 x \$20 = \$180) - Author's emoluments (4 x \$500 = \$2000) - Printing expenses (\$1.25 x 4 x 300 = \$1500) 	\$6544		
26. Organization of the activity of the Monitoring Group (internal audit) <ul style="list-style-type: none"> - Salary of the rotating chairman of the group (10 x \$300 = \$3000) - Contributions to the Social Protection Fund (\$2000 x 0.22 = \$440) - Appliances (10 ay x \$20 = \$200) - Communication, Internet (10 ay x \$20 = \$200) - Travel costs – \$500 - Costs of assessment of the project and preparation of reports –\$200 per project (15 x \$200) = \$3000 	\$7340		
Total:	\$71.874	\$7.000	
Sum Total:	\$138.788	\$40.000	\$40.000