



Jailing of Ilgar Mammadov, journalists and anti-corruption activists

 Southern Gas Corridor

 Azerbaijan

 Oil and gas

 EBRD, WB, EIB, ADB, AIIB

Lawyer and activist Ilgar Mammadov has worked for years to expose corruption scandals involving the ruling Aliyev family of Azerbaijan, particularly the family's use of external funding for political oppression.¹ His efforts landed him in jail in 2013. Oppression of journalists and human rights activists like Mammadov is endemic in Azerbaijan. In 2016, dozens of human rights defenders were behind bars on trumped up or wholly fabricated charges (some Azerbaijani human rights groups put the number closer to 150).² But nothing has triggered a fiercer crackdown than the questioning of the government's oil and gas aspirations.



Ilgar Mammadov

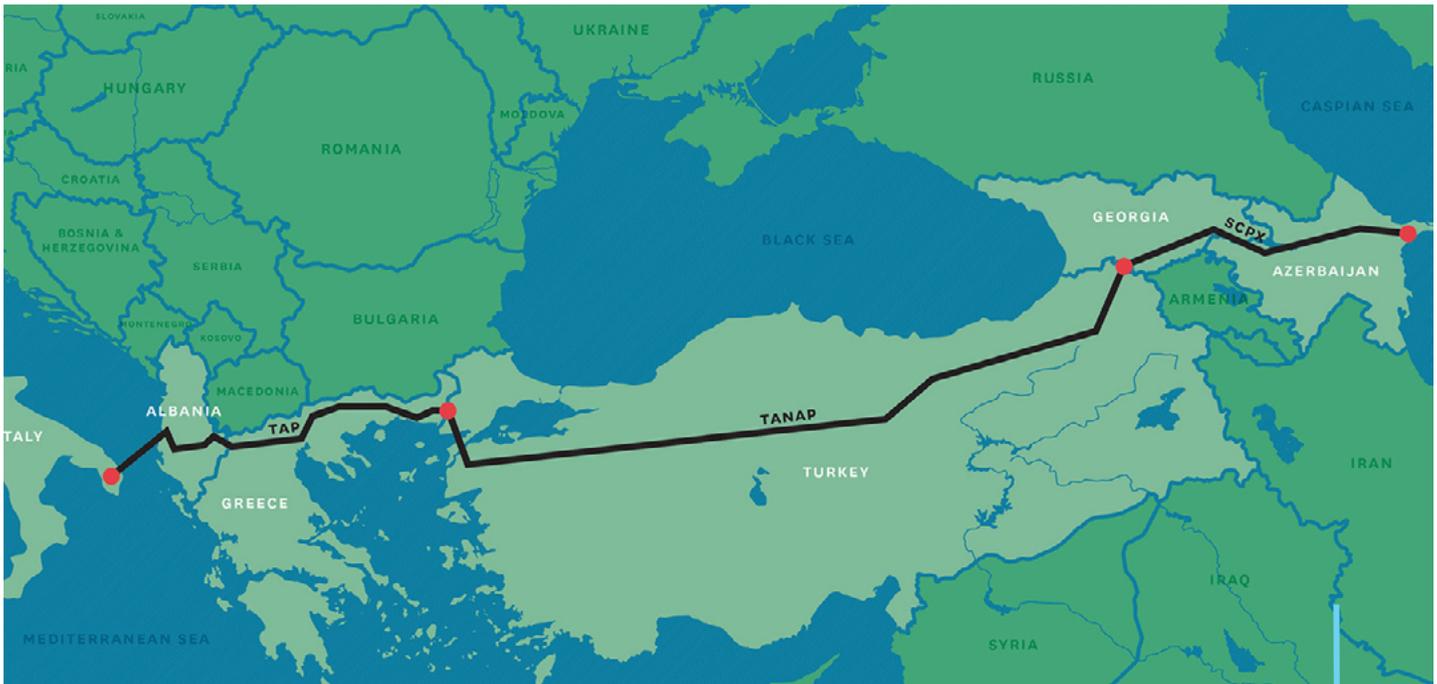
Before being imprisoned in February 2013, Mammadov was chairman of the political opposition group REAL (Republican Alternative) and a civil society member of the Extractives Industry Transparency Initiative (EITI).³ As he reported just days after being arrested, one of the main reasons for his detention was his rejection of the government's proposed legislative amendments aimed at eliminating transparency of corporate ownership. Mammadov said the bill would create "a more clandestine environment for stealing the oil money."⁴ Another was the fact that he was planning to run for president.

By opposing legislation that would embolden corrupt actors, and building a public presence to contest the presidency, Mammadov became a critical threat to

Aliyev. Four years later in January 2017, still behind bars, Mammadov penned an "Open Letter from an Inmate of the Southern Gas Corridor"⁵ stating that "[i]nternational investment in fossil fuel extraction is making me and other Azerbaijani political prisoners hostages to the Aliyev regime." Mammadov does not oppose the pipeline project itself. What he has criticized is the ability of the government to use the importance of the project for Western governments and donors to successfully neutralize criticism of the country's crackdown on domestic opposition.

Between 2013 and 2014, the government of Azerbaijan began consolidating financial control of gas projects in the country. The ambitious series of projects and pipelines designed to deliver natural gas from the Caspian Sea to Europe, started with the Shah Deniz Gas field, funded with US\$700 million in loans from the European Bank for Reconstruction and Development and US\$250 million from the Asian Development Bank.⁶ It eventually grew to include the Trans-Anatolian Natural Gas Pipeline (TANAP), and the Trans Adriatic Pipeline (TAP). The banks have publicly supported this infrastructure as components of "sustainable, inclusive and private sector-led growth," theorizing that democratic transition could be facilitated through stronger ties to Europe, which might weaken Azerbaijan's growing ties to Russia.⁷ Each segment of what is known as the Southern Gas Corridor (SGC) pipeline is partially owned by the government of Azerbaijan, either directly or through the State Oil Company of the Azerbaijan Republic (SOCAR) or a subsidiary. For this reason, it is a lightning rod for anti-corruption and transparency advocates.

While the government of Azerbaijan began soliciting foreign finance for the SGC projects in 2012, the currency crisis of 2015 triggered a borrowing spree, which multilateral development banks were happy to support, seeing lending as a way to drive a wedge between Russia and Azerbaijan. In March of 2016, the European Investment Bank (EIB) approved a EUR932 million loan for the Turkey portion of TANAP.⁸



CEE Bankwatch

The route of the Southern Gas Corridor.

Development financiers have placed a strong emphasis on the importance of transparency in the extractive industries as a requisite for development. The Asian Development Bank, the World Bank, the European Investment Bank, and the European Bank for Reconstruction and Development, have all endorsed the EITI and cited it as a critical factor in investment decisions in the extractive industries. In September 2016, Riccardo Puliti, director on energy and natural resources at the EBRD, expressed concern over the tenuous status of Azerbaijan in EITI. Puliti noted that *“if there is no progress [on Azerbaijan’s transparency performance], it will be quite difficult to justify a large amount of finance [for the SGC].”*⁹

With the government’s increasing attacks on civil society, Azerbaijan’s membership in EITI came under further doubt, and in October 2016, EITI asked Azerbaijan to take corrective measures.¹⁰ Civil society groups urged the banks to abstain from financing extractive industries projects in Azerbaijan until the EITI’s recommendations regarding civil society engagement were implemented.¹¹ Instead, as the crackdowns intensified, so did foreign investment in the government’s pipeline.

In December 2016 the World Bank approved a US\$400 million loan to Turkey and a US\$400 million loan to Azerbaijan for TANAP as well as a US\$950 million credit guarantee.¹² That same month the Asian Infrastructure Investment Bank invested US\$600 million in TANAP,¹³ while the ADB approved a US\$500 million investment in Shah Deniz alongside a US\$500 million sovereign loan directly to the government.¹⁴

Three months later, in March 2017, EITI suspended Azerbaijan, and Azerbaijan announced its withdrawal from the initiative the following day.¹⁵ Civil society groups again urged EBRD to honor its mandate enshrined in Article 1 of its founding agreement to fund only those countries committed to the principles of multi-party democracy and pluralism, and to ensure progress on the EITI conditions and release of Mammadov before granting any additional funding. In response, EBRD stated that it remained committed to its Article 1 mandate, “as part of which we closely follow the situation with regards to human rights and developments in the operational environment for civil society.”¹⁶

On June 19, 2017, the EBRD approved an additional US\$100 million loan for Shah Deniz, followed by a US\$500 million loan for SGC.¹⁷ The following July, the World Bank’s guarantee agency, MIGA, guaranteed an additional US\$1.1 billion syndicated loan to SGC, held by seven private banks.¹⁸ A few days after the fifth anniversary of Ilgar Mammadov’s detention, and despite further objections raised by civil society, on February 6, 2018, the European Investment Bank (EIB) approved a US\$1.5 billion loan for the TAP.¹⁹ In July the EBRD approved a US\$583 million loan for TAP.²⁰

Mammadov was finally released from detention in August 2018. He remains on probation for the remaining two years of his wrongfully-issued sentences, so he is not free to travel, speak out, or engage in political activism.²¹

Endnotes

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