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Introduction

The Azerbaijan Social Review Commission, (ASRC), met for the first time in April 2007. This was the first time its 9 members had all met together. The ASRC is an independent commission put together by BP to provide challenge, advice and assurance to BP’s Azerbaijan Strategic Performance Unit (SPU) in connection with its social performance, reporting to the SPU Leader. The Commission is funded by BP. Its independence rests on the independence, reputations and credibility of its members. The structure of this first meeting was a site visit, spent visiting two communities close to Baku, and the Sangachal oil terminal, followed by a day of presentations by BP to the Commission, followed by a day of discussion and deliberation by the Commission alone. The Commission members are listed in the Appendix.

The ASRC is a new concept for BP and as such its scope and processes are likely to evolve as it learns by doing. Much of the first meeting was spent discussing the role of the Commission. Out of that discussion have come views and recommendations of how the ASRC might be most efficient and valuable in fulfilling BP’s requested aims, as well as views and recommendations in a number of other areas.

This report has been structured to cover 6 areas which emerged from discussions over three days and which are proposed as a standing agenda for future ASRC meetings and reporting. The areas are as follows:

The work of the commission
BP’s boundaries
BP’s macro-economic and broad societal impact
BP’s operational impact
BP’s community programs
BP’s engagement with Azerbaijan society

A great deal of information was presented to the Commission, in preparatory reading and over the three days that it met. Drawing conclusions from such a large amount of data in such a relatively short time is inevitably a selective process which will include some gaps and misunderstandings. This ASRC report represents best efforts made within those limitations. For any resulting errors contained in this report we apologise in advance.
The Work of the Commission

As BP’s activities in Azerbaijan have moved from construction to operations, the formal BP-sponsored monitoring by Non-Governmental Organisations, (NGOs), of pipeline construction has come to an end. The Caspian Development Advisory Panel, (CDAP), a body reporting directly to the Chief Executive Officer of BP, has produced its fourth and final public report.

The ASRC is a continuation of BP’s efforts to engage external views of its impacts in Azerbaijan.

The ASRC however cannot be a substitute for NGO monitoring, nor can it replace CDAP. Neither is the ASRC an auditing body. The Commission does not have the resources or presence on the ground to do any of these things. What the Commission can do is bring a variety of external views and give practical recommendations. We hope the Commission is a valuable and helpful body in this, and we welcome comments on our own performance.

There is a need for continuity at this time of transition from construction to operation, in monitoring, in auditing and in engagement. BP should avoid being seen to be withdrawing as construction ends. Suggestions contained in this report have been made with this aim in mind.

Many of the recommendations of the final CDAP report are endorsed by ASRC members and will not be repeated directly in this report, except for emphasis on specific items of special interest to the Commission. The work of CDAP was very important and forms a basis for the work of the ASRC which we hope to take forward. BP has responded to the final CDAP report and made commitments with regard to several recommendations. BP has also made commitments with regard to recommendations from previous CDAP reports and, for example, the Social Resettlement Action Plan. The ASRC asks that BP Azerbaijan produce a Commitments Register of all commitments made in response to external challenges, in order for the ASRC to monitor progress against commitments already made with respect to Azerbaijan.

The Commission felt that its first session would have benefited from some time spent together before meeting BP, to discuss agenda items in advance. As a result, the Commission proposes that the broad principles for each ASRC meeting in future comprise having time together at the start, some element of site visit, a day of BP presentation and discussion with the ASRC, and a day for the ASRC to deliberate.

As part of the first meeting, the ASRC requested the site visit. The aim of that visit was primarily for members to spend time together outside of an office environment, to get to know each other, and to see a sample of the scale of the oil and gas operation and of BP’s community work. The visit was an experiment
with only loosely defined objectives. It turned out to be valuable for a number of reasons. Firstly it did mean the Commission's work was not simply a desk-top exercise, the community visits bringing reality to the review. Some members were already familiar with the sites visited, or similar sites, and for them it was less useful, but for others it helped connect theory and practice. Secondly, the individual community projects did initiate broader discussions on a number of important issues, by example. Although as a sample of BP’s community projects it was very small, the site visit did throw up bigger questions. And thirdly, the educational resources displayed in the Caspian Energy Centre, (CEC), at the Terminal showed what BP is capable of in terms of innovative educational projects. This led to a specific suggestion detailed later in this report.

There were however a lot of us visiting the communities (eleven people with our interpreter and guide). It seemed like a delegation, and felt overly-intrusive. Site visits should be offered as part of future ASRC meetings for those Commissioners who wish to join them, but perhaps broken into smaller groups of 2 or 3 so as to be less invasive. The Commission will set itself clear objectives ahead of any such visits, based on the principle of making general observations by example, not auditing a specific project. Visits of the Commission as a whole to BP operational sites or educational projects such as the CEC are welcome if BP wishes to show the Commission specific activities.

The Commission was given a great deal of data to read before the meeting, and a day of presentations by BP staff. Much of this was needed, and was appreciated, because this was the first meeting and a baseline had to be established. For future meetings the Commission would like to conduct its work as follows:

Firstly, we propose that BP develop a set of indicators and impact areas that can be consistently monitored over time so as to help identify trends. These indicators and impact areas will help monitor long-term performance for BP and also help the ASRC in focusing discussions. Some indicators and impact areas are proposed in this report. A number of others need to be developed, and the ASRC sees a role for itself in helping BP develop those indicators. This will provide clarity in reviewing social impact, reduce the amount of data collection and reading, and provide focus for descriptive reporting and presentations. Secondly, the Commission proposes that it meets alone, probably for half a day, before any site visits or BP meetings, to prepare together. Thirdly, the BP presentation slides should be available to Commissioners to read a reasonable time before the BP day, allowing the ASRC to request agenda items for the BP day and for the day to be spent largely on questions and discussions.

Finally, the Commission was established to address the social impact of BP in Azerbaijan. We have taken that term to cover those things that are felt by people. We have not looked at environmental impacts except where they directly affect people, such as flaring at Sangachal terminal. BP should assure itself that its
environmental performance is subject to external challenge. And the ASRC of course is concerned with Azerbaijan, not Georgia or Turkey which are also traversed by the Baku-Tbilisi-Ceyhan (BTC) pipeline that exports oil from Azerbaijan to the Mediterranean. BP may wish to consider how it incorporates external challenge in its operations in those countries too.
BP’s Boundaries

The actions BP takes in any country in the world are limited by the boundaries of what is appropriate or achievable for a commercial UK-based foreign investor. Defining those boundaries is very difficult. BP manages risks on behalf of its shareholders. Managing those risks is a major component of setting boundaries. For example, BP has embarked on anti-corruption actions and policies with its employees and contractors. BP has developed, supported and adopted principles for managing security around installations aimed at protecting human rights. It has helped build capacity in NGOs. All of these actions address risks to its business as perceived by BP. Those risks may be to reputation, or of increasing costs, or of legal actions such as Alien Tort Claims Act cases in United States’ courts.

A company such as BP can find itself in conflict with state authorities when it appears to enter the realm of public policy. It also is subject to expectations by many that it will make a positive contribution to civil society development. Without definitions of where boundaries are, BP risks aggravating all sides.

The ASRC is aware that BP has conducted and solicited interesting research work in trying to understand boundaries to its actions, and commends BP for addressing this issue. The Commission is willing to assist BP in thinking about and managing boundaries by bringing external views and suggestions.

Primarily the Commission encourages BP to continue to explore where the boundaries of its actions properly sit, and to develop and communicate a strategic approach - internally and externally - in order to manage expectations. The boundary issues that have been raised in ASRC discussions include the widespread development of commercial business culture, the development and reform of institutions, promotion of good governance and transparency generally, including promotion of BP’s anti-corruption policies to contractors and suppliers, and of engagement and dialogue generally. In institutional reform, for example, BP might look at the approach made by the Soros Foundation to provide matched funding for children’s homes on the condition that the homes are de-institutionalised. Such social programs would be ones that the company does not manage directly but that are generally supportive of the company’s position in the country.

Discussions in the Commission also raised two particularly sensitive areas. Firstly, the Nagorno Karabagh dispute is a recognised risk to BP’s business in Azerbaijan, particularly as oil and gas revenue increases. The sensitivity of the subject is such that despite its potential impact on the company as a risk factor, it seems a long way beyond BP’s boundaries. However unreasonable it may seem, some external observers in Azerbaijan do look to BP to see if there are any research or think-tank activities that BP might support aimed at helping resolve the conflict. Secondly, BP has expressed support for the Universal Declaration of
Human Rights, and applies the Voluntary Principles on Security and Human Rights in its operations. There are likely to be mounting expectations on BP to support human rights more widely, particularly with respect to the Rule of Law, as revenue increases and its impacts are observed. The implementation and enforcement of the Rule of Law is of course a responsibility of the State, but BP’s boundaries will be pressed hard.
BP’s macro-economic and broad societal impact

There have been many studies that have shown that high levels of natural resource revenue as a proportion of Gross Domestic Product (GDP) have negative effects on a country’s development. As revenues rise from oil and gas in Azerbaijan, there will be pressure on many aspects of Azerbaijan’s development which will have impacts on people. These pressures can be viewed as being on economic development, on human development, and on governance and conflict.

The negative economic effects of sudden high income flows from natural resources are often referred to as symptoms of ‘Dutch disease’. Azerbaijan economic data can currently be interpreted as showing early signs of Dutch disease, in a rising inflation rate and an appreciating currency. This is in the context of a significant growth in GDP and may be expected at this stage.

In order to help monitor effects and trends over time in economic development, human development, and governance, the ASRC would like to see a concise set of key indicators and impact areas used by BP to assess development impacts in Azerbaijan, and also to provide focus and a framework for regular discussion between the ASRC and BP. We do not wish to become formulaic in our approach but a focus on a set of data will help discussion and analysis.

In the economic area, the key indicators suggested are GDP/capita, inflation, and exchange rate. For human development, a health measure such as under-5 mortality rate, an education measure such as female enrolment in secondary education, and measures of poverty incidence and inequality are possible indicators. These are mainly long-term indicators and useful for observing over a number of years, possibly longer than the existence of the ASRC. They will however be useful for framing ASRC discussions. BP might consider sponsoring an organisation to develop and measure development indicators in Azerbaijan. For example, in Colombia in the 1990s an independent academic institution collated development indicators to demonstrate the effects of the new oil industry on development in the Casanare region where BP operated. For governance, a measure of Rule of Law by an external observer such as the US Department of State Country Reports, or the Freedom House Country Ratings might be appropriate, as well as a measure of institutional development such as contained in the IMF Article IV report.

It is also important to assess the relative impacts on Baku and the rural areas, because of the possible tensions between the two that might emerge if benefits to rural areas are relatively low. Comparison of the percentage of households living below the poverty line for rural and urban populations might be one possible approach. The ASRC welcomes suggestions from BP on how to gather and present such information.
The ASRC is willing to assist BP in discussing and choosing indicators to monitor macro-economic and broad societal development. The levels and trends in the indicator data should then form the basis for portions of ASRC reviews.

BP is commended for its efforts with regard to the Extractive Industries Transparency Initiative, (EITI), and in helping to build capacity in economic modelling and management with the Government of Azerbaijan. The ASRC encourages BP to continue with its efforts. The Commission also urges BP to find ways to encourage other companies to follow its lead in the EITI, and also to build economic capacity more widely in civil society, for example by using the Oxford modelling project results with civil society groups.

BP is recognised by Commission members for its leadership in fostering transparency. Within appropriate boundaries BP is encouraged to expand its good influence more widely, to suppliers, other businesses, civil society and state authorities. Malpractices by suppliers could be a reputational issue for BP.

BP also has influence through its own practices and behaviours. Advertising BP’s meritocratic work culture through publications etc. can have a permeating effect. Stories of how young Azerbaijani managers are progressing through BP can influence public and government opinions. The company should publicise these stories and approaches where opportunities occur.

Finally, as the construction phase has come to a close, it should now be possible to evaluate the costs and benefits of the investments to date. BP will have a good estimate of costs so far. The ASRC is not aware of an estimate of full economic benefits yet. Such benefits include distribution and multiplier effects such as trickle-down spending, new job creation, increased demand for goods and services, etc. In a mature economy multiplier effects are typically said to be of the order of four times. BP has made such estimates in the past for the impacts of the North Sea oil and gas industry on Scotland for example. In a transition economy the multiplier may be higher. Such an analysis could demonstrate the economic benefits of BP’s activities in Azerbaijan to date, and any distortions that have occurred, provide justification to a range of interested parties for future investments, and establish a model for more sophisticated analysis of social impacts in the future.
**BP’s operational impact**

This report has already highlighted the need for continuity as the construction phase ends. Monitoring of social impacts should continue. For example, in the settlement of land claims, there should be no reduced process, dilution of standards or loss of urgency as a result of BP team changes. The Open Society Institute, (OSI), intends to continue with monitoring of social impacts by civil society. BP will be asked to work with that program, (but not to fund it), for example by providing information and access at times. The results of such monitoring will help the ASRC in its work since the Commission has no on-the-ground presence.

BP is aware that there are concerns about flaring at Sangachal terminal, and claims of health impacts. If it has not already done so, BP should investigate legacy health issues in the local communities near Sangachal, and communicate openly and widely on the relationship of health and emissions, and on long-term strategy with respect to flaring.

A significant social impact of BP’s activities has been the employment of labour during construction and the laying-off of that labour as construction drops off. BP’s program to deal with de-manning in the construction yards is commended. The ASRC encourages BP to continue making its best efforts in helping workers to find new jobs, and in re-training. It is recognised that the workers are the responsibility of contractors but BP will be seen by many as having responsibility, and if BP can go even further in connecting laid-off workers with potential employers it should do so. BP’s handling of this situation has the potential to be a world-class case study which should be shared with others for use elsewhere.

With respect to future possible activities, the ASRC would like to see a projection of possible future works associated with BTC and the company’s operational footprint in Azerbaijan and a consideration of the impacts associated with them.

BP is commended for trying to increase in-country spend in procurement, helping to develop Small and Medium Enterprises, (SMEs), and place local contracts. This is seen by some as a key accomplishment of BP in Azerbaijan. The data presented to the Commission on third party spend however did not communicate clearly enough BP’s progress against targets and forecasts. The Commission would like to see a simple set of indicators for monitoring local spend and procurement, such as in-country spend, number of contracts, and number of SMEs with contracts, in each case divided into businesses with state involvement and those which are private, with targets and forecasts. Using these indicators, the Commission will be able to review local economic impact of BP operations.

BP’s efforts in managing security with respect for human rights are recognised by members of the Commission. It is important that some third party monitoring of security arrangements with respect to the Voluntary Principles on Security and
Human Rights carries on and also that the excellent training done so far is from time to time reinforced. The Commission heard that security forces patrol the BTC and SCP (Shah Denis/South Caucasus) pipelines using vehicles, which was not envisaged by the ESIA (Environmental and Social Impact Assessment) and RAP (Resettlement Action Plan) for the pipeline projects. If this is the case it is important that BP conducts additional social and environmental impact assessments, and compensates affected land owners and users for any further restriction of use or loss of livelihood that they may experience. It is also important that there is consistency in the agreements with security forces for the different pipeline routes.

BP is urged to do all it can to conclude the bi-lateral Security Protocol, as also recommended by CDAP.

It is important that BP has in place plans to deal with potential protests such that all care is taken to avoid harm to people, including at construction yards where de-manning may lead to demonstrations. Procedures should be in place and communicated to relevant staff, and Community Liaison Officers, (CLOs), and Field Security Officers, (FSOs), should be trained in reducing tensions and liaising with security forces as appropriate. The CLOs and FSOs also have an important role to play in identifying and monitoring grievances that may emerge from activities of the security forces during operations.

The Commission discussed an operational area that may be viewed as not directly part of BP’s operation but is felt to be very important. If oil from Kazakhstan is to be brought to the Sangachal AIOC Terminal or the BP-operated pipeline for transit to the Mediterranean, BP will be expected to apply due diligence to the environmental standards associated with at least the transportation of that oil, and the standards BP applies in the Caspian, such as the safety of ships. BP is urged to conduct a risk assessment of what standards are involved and how BP might help ensure its own high Caspian standards are applied.

Finally, the Commission would like to be able to monitor at a high level the number and nature of community grievances, in a concise manner, as part of the set of indicators of social impact, to see trends over time following the end of the construction phase. It is important that BP puts appropriate effort into reviewing, analysing and resolving grievances in order to avoid a build-up of discontent.
BP’s Community Programs

The ASRC discussion following the site visits and presentations by BP fell broadly into these areas presented below: the strategic approach to community investment, some observations of good practices in community projects, the importance of community representation, some comments on microfinance and training, and some specific individual ideas on possible community projects. Finally, the Commission looked at its future work in reviewing BP community investment.

In these comments that follow, the CIP (Community Investment Program) work (which targets BP-affected communities) and the work in Azerbaijan of the Regional Development Initiative, (RDI), (which also spans Georgia and Turkey), are considered together unless stated otherwise. Members of the Commission feel that they have learnt a lot about BP’s community activities as a result of the reading material provided and the presentations made by BP but need a greater understanding in order to comment with confidence on the strategic thinking and be able to critically review the programs. The Commission would like to spend time learning more about BP’s community programs at a future meeting, perhaps with a presentation by an implementing partner or a visit to a participating village. Within these constraints of limited knowledge, the ASRC offers the following comments at this time.

Strategic approach

The overall objective of the CIP and RDI work in promoting sustainable social and economic development is endorsed and BP is encouraged to emphasise, wherever possible, sustainable development as the strategic drive of the programs. It would assist the Commission to see more on the strategic thinking underlying both the CIP and RDI, and the targeted outcomes for the programs. The Commission would like to learn more about how community needs are identified and how the special needs of sub-groups such as women and children are addressed. The ASRC did not feel able, from the information presented, to comment on whether the right groups or needs are being addressed. The Commission would also like to hear more about themes that underlie the types of community investment supported. Themes that members of the Commission expressed interest in included gender issues, promotion of employment, and changing attitudes. Members are also interested in how BP relates its activities to national poverty reduction or national development strategies.

In general, members of the Commission support the priority themes for RDI and the company’s early efforts to execute against these objectives. In this regard, the access to energy focus of the RDI is supported by the ASRC but there is a question as to how much BP might be able to achieve. Access to energy is a very important issue for communities in Azerbaijan, and for an energy company such as BP may be a natural element to explore, but as a strategic thread it
should be achievable and an effective use of BP’s resources. The most obvious
focus comprises communities along the pipeline route and near BP operations.
The Commission does not wish to deter BP from pursuing access to energy but
would like to see more on plans and projects and what is achievable. Working
with government in planning might be a productive approach, but BP needs to
remain mindful of possible external perceptions of conflict of interest.

**Good Practice**

Before reporting comments that arose out of the visit to two community
programs, it is important to say something about making general comments from
specific limited examples. The Commission does not wish to generalise about BP
programs as a whole on the basis of such a small sample, or report on specifics
of the two projects it saw. But it is valid to recognise good and bad practice,
which is what we have tried to do.

The visit to the glove-making Community Based Organization (CBO) at Umid
was very rewarding. The CBO is an excellent example of sustainability, self-
management, addressing gender issues, and transparency. The Commission
encourages BP to spread the learning from this project to other communities and
to help the project grow if possible. It was also noted by one observer that BP’s
involvement in the project is important not so much for the funds provided but for
BP’s general support and the association with BP’s name. This may be a general
lesson. From a brief visit, the project seems to be an example of very good
strategic fit and a success.

The visit of the ASRC to a community near Sangachal terminal led to a
discussion of good governance in community projects. It is important that good
governance is applied and demonstrated in BP’s community projects. There
should be clear and transparent documentation of aims at the outset, and of
performance and accounts in meeting those aims, for each project. It is the
Commission’s understanding that project management and leadership training
have been major components of BP’s community investment projects in general.
Members of the Commission emphasised the importance of such training and the
assessment of its effectiveness, and would welcome more information on these
items at future meetings.

Audits of projects should take place from time to time by third parties, and overall
assessment of impact made at an appropriate stage of a project. The ASRC
would find such information useful in its work.

**Community Representation**

The Commission spent some time discussing community representation, and felt
it to be a very important component of project success and also of the
development of Azerbaijani society in general. BP (through its NGO partners)
effectively creates new community organisations in setting up its community projects. These organisations can be very effective. However sometimes they may be unrepresentative of the wider community and subject to abuse and misdirection of funds and projects.

As a result of Council of Europe requirements, Azerbaijan has created elected ‘municipalities’ to represent communities. While the role, responsibilities and revenue raising powers of municipalities are yet to be fully defined, they do represent fledgling democratic local government institutions. To some extent, the initiative (Izma) groups, elected in each village to realise BP community projects, overlap with the role of the municipalities. The initiative groups are typically better resourced than the municipality and thus have greater capacity to deliver projects. The Commission’s understanding is that initiative groups are not generally legal entities, whereas municipalities are. BP’s current approach seems to have three drawbacks: Firstly where community groups lack legal status they are unable to own assets or grant permissions; secondly it is hard to assess how whole communities are benefiting since the groups are subsets; and thirdly the new democratic structures are not being supported. The Commission understands some of the reasons why BP has taken this approach, and that there are difficulties involved in working through municipalities. However, given our current understanding, some members of the Commission would like BP to consider supporting, building capacity, and working through municipalities where possible. And where community groups are the owners of projects, perhaps BP could investigate getting legal status for those groups.

As a general rule, BP is encouraged to identify and work with younger community representatives and more liberal-minded leaders, who are seen to be less constrained by soviet-era attitudes and approaches. BP is also encouraged to work with NGOs with local knowledge where possible. One idea that was offered was that community project leaders might be paid a salary to motivate and generate new projects. The ‘Star-Nascent’ approach of transferring learning from one community by its leaders to another community was felt to be interesting and potentially very effective.

**Microfinance and training**

Members of the Commission value BP’s contribution to the development of SMEs, and training. An assessment of which micro-credit programs and procurement activities are successful and which fail is of interest to the ASRC and should help define the factors, (possibly level of business experience, training received, timing of interventions, gender involvement, etc.), leading to success or failure. The ASRC might benefit from a presentation on the implementation of the microfinance program.

BP’s targeted interventions through the Enterprise Centre to help raise the technical capacity of potential vendors and suppliers seem to have been
effective. BP could potentially do even more on a broad-based scale, working with knowledgeable NGOs where possible, to raise awareness and training in communities in topics such as health and safety, child labour and the value of education. It is also important as construction ends that training needs are aligned with potential employment, for example moving from training to be a fitter to being a tailor or caterer. The importance of having defined training outcomes and systematic evaluation of the achievement of those outcomes was emphasised in ASRC discussion.

Some specific comments on possible community projects

In the course of ASRC discussions, a number of specific items were raised and are reported here. Some of these items are boundary-type activities. Some may not clearly fit a strategic framework. They are recorded here because they came up in discussions and as such should be of interest to BP.

In terms of managed infrastructure rehabilitation projects, there is a broad range of needs in Azerbaijan, including the construction and reconstruction of clinics, hospitals and schools; provision of school equipment; reconstruction and repair of public libraries and provision of stock; and the establishment or repair of cultural centres and clubs in rural areas. While recognising these needs, the Commission is also aware that addressing them is a primary role of government. This is a boundary issue for BP; infrastructure projects have to be considered openly within that complex debate.

BP is involved in agricultural community investments, which is also welcomed by members of the ASRC. Commission discussions raised a gender issue to do with agriculture. Gender issues are commonly assumed to be about employment of women, but men also experience gender issues in employment. For example, agricultural work has traditionally been done by women, which presents barriers to men taking on some agricultural work. BP is encouraged to have gender issues taken into account generally in its community programs, including issues around men in its agricultural projects.

Some members raised a specific proposal in discussions on gender issues, offered here as an idea: BP might consider helping to set up a network of cafes for women for education. Cafes could be in back-yards or rooms, organised around tea and sweets, and incorporate awareness sessions on issues such as immunisation as well as crafts such as needlework. The network could be coordinated from a central Baku location which also helped design the curriculum. The system should be self-sustainable.

A specific idea from some members emerged from the visit to the Caspian Energy Centre. The Centre is very impressive, more so for finding out that the Centre is visited by school parties on most days. BP has brought to Azerbaijan an educational resource that is exceptional. BP is urged by some members to
use its demonstrated skills in this area, of the display of knowledge in an engaging and novel way, to contribute to Azerbaijan’s museum sector. The kind of techniques used in the CEC are not currently employed elsewhere in Azerbaijan. Something similar to the CEC in Baku would be a significant contribution to Azerbaijan cultural life, perhaps in a Museum of Oil or Heritage.

**ASRC future reviewing of community projects**

As stated in other parts of this report, the ASRC would like to base its work on discussions prompted by a set of indicators and impact areas to monitor levels and trends over time. Overall spend on CIP and RDI projects in Azerbaijan is the highest basic measure of community programs but of course does not address effectiveness. Number and outcomes of training programs might be useful. The Commission would like to monitor the number of Community Liaison Officers, (CLOs), employed by BP, as their role is seen to be very important in working with communities, getting early warnings of potential issues, measuring satisfaction, etc. Maintaining the number of CLOs after construction is supported, as is ensuring that their skills and training are appropriate for the difficult liaison roles they fulfil. The outcomes of project audits will form a useful basis for general discussions, as will the results of satisfaction surveys.

It was mentioned earlier that the ASRC would welcome a discussion at a future meeting on the strategic and operational aspects of community investment to increase our understanding, with possibly a presentation by one or more implementing partners. We would aim to help develop future indicators, possibly criteria for successful projects, and impact areas from that discussion.

Finally, BP’s investments in CIP projects and the RDI are noted and supported by the ASRC. The Commission understands that the effectiveness of spend is most important and would not divert BP from measuring and improving this. The Commission also understands that there is only so much absorptive capacity to receive funding, but members urge BP, as CDAP did, to seek productive ways to increase spending if possible on the basis that these budgets are small by comparison with capital and operating costs of the oil and gas projects as a whole, and in Azerbaijan their impact is valued and beneficial to both communities and BP.
BP’s Engagement with Azerbaijan Society

BP has promoted dialogue with civil society and good relations with government bodies. That engagement is welcomed by members of the Commission. BP is encouraged to continue interactions with civil society and government. The ASRC would welcome a plan for BP’s engagement with civil society in the future now that the construction phase has ended.

Members of the Commission also put forward two requests to BP.

The first is that BP supports the bringing together of business, civil society and government in regular ongoing dialogue. This could take the form of seminars on important issues such as avoiding Dutch disease.

The second is that BP participates in a regional civil society event to share learning on civil society monitoring and development across Azerbaijan, Georgia and Turkey.

The Commission would like to monitor BP’s engagement in future by looking at what engagement events and activities have taken place and are planned.
Conclusion

BP’s activities make an important contribution to the economy of Azerbaijan. BP’s efforts in helping Azerbaijan reduce the effects of a rapid rise in resource income, its efforts to develop small businesses and suppliers, its engagement with government and civil society, and its work with communities are all supported by the ASRC.

This new Commission is not a substitute for external monitoring or audit but it has the potential to be a valuable continuation of BP’s engagement with external observers and its openness in doing so. The ASRC encourages BP to continue and go further in its efforts. Azerbaijan is at great risk of negative impacts as oil and gas incomes rise. The ASRC urges BP to carry on working with government and civil society in understanding and managing economic impacts and promoting good governance, in developing clear indicators and targets for its own performance and contributions, in improving the governance and management of community projects, and in further developing a strategic vision for BP’s contribution to the sustainable development of Azerbaijan, including exploring the appropriate boundaries of its role as a corporate citizen of Azerbaijan. The ASRC sees its future work program including reviewing progress against commitments made, the development and monitoring of indicators of social performance, reviewing the strategic fit and performance of community programs, and commenting on specific impact areas.

BP has used the phrases ‘licence to operate’ and ‘licence to grow’. These are useful concepts. In a transitional society such as Azerbaijan’s there will be high expectations of a company such as BP. How BP manages its place in the economic and social development of Azerbaijan will be fundamentally important to the success of both BP and Azerbaijan.

The ASRC hopes this report is a useful contribution to that process.
### Appendix – ASRC Membership

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<tr>
<td>David Rice</td>
<td>Chair, Independent Adviser and Senior Associate, University of Cambridge Program for Industry</td>
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<td>Farda Asadov</td>
<td>Executive Director, OSI-Azerbaijan</td>
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<td>Robert Barclay</td>
<td>Independent Social Consultant</td>
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<td>Peter Flanagan</td>
<td>Independent Social Consultant</td>
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<tr>
<td>Sadagat Gambarova</td>
<td>Director ASK Labour Relations Department</td>
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<td>Rashad Hassanov</td>
<td>Student, Azerbaijan State Economic University</td>
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<td>Fikret Jafarov</td>
<td>Director and Chairman, Sustainable Development Society</td>
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<td>Rena Safaraliyeva</td>
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