Extractive Industries Transparency in Azerbaijan

Presented by
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Azerbaijan and EITI

• Transparency principle:
  “Publish what you pay, publish what you receive”

• “Firsts” in EITI:
  • The First country to join the EITI, 2003
  • The First country to publish the EITI Report, 2005
  • The First EITI compliant country, 2009

• Achievements:
  • 20 EITI reports reconciled and disclosed (years 2003-2015)
  • Winner of the 2007 UN Public Service Award for successful implementation of EITI
  • UN GA resolution on EITI 2008
  • “EITI Award 2009”
REPORTING SCOPE

• Overview & Methodology

• Extractive Industry, Legal and Fiscal regime
  • The Legal&Fiscal regime, Contracts disclosure, Beneficial Ownership, State participation, SOEs

• Mining Industry (energy balance, Export & Production volume, etc.)

• Taxes and Revenues to be covered in the EIT Report

• Distribution of Revenues & Expenses

• Contribution of the Extractive Industry to the economy of Azerbaijan (social expenditures, employment info, etc.)

• Reconciliation

• Recommendations by Auditor and CSOs
In 2017, a Decree “On additional measures to increase accountability and transparency in the extractive industries” was signed by the President of the Republic of Azerbaijan:

- The government was committed to provide transparency;
- Extractive Industries Transparency (EIT) Commission was established;
- The Secretariat function was assigned to the State Oil Fund of the Republic of Azerbaijan - provides technical and organizational support to EITC;
- All information on extractive industries of the country shall be disclosed to its full extent in line with international standards;
- All stakeholders, including CSOs shall be involved.
Key players: Civil Society engagement

- Engagement of CSOs along with other stakeholders - of the priorities
- Open public registration of all interested civil society representatives to participate in EIT - 45 representatives have been registered
- Most of them are actively engaging and participating in EIT meetings and events
- CSO representatives are participating in the Working Group formed to improve EIT Reports during each reporting process
EIT Commission’s activities

• Commission holds regular meetings with the participation of CSOs, extractive companies and international organizations (10 meetings were already held);

• Companies operating in Azerbaijan are reporting according to the Agreement on Cooperation between Commission and extractive companies signed in 2017

• 2 EIT reports have been reconciled and disclosed (covering 2016 and 2017)

• 2018 EIT reporting cycle has been launched
Cooperation with ADB and Beneficial Ownership Disclosure

• The Government of Azerbaijan has remained committed to implementing the Roadmap for Beneficial Ownership Disclosure (RBOD) for the extractive industries designed when it was still an EITI implementing country.

• ADB accommodated the Government’s request to provide technical assistance (TA) resources for the RBOD implementation.

• ADB has contracted with the Consultants, BDO Azerbaijan, and three British consultants to assist the EITC with the RBOD implementation.
Objectives of BO Disclosure:

- Attract additional investments in the country’s extractive and other sectors;
- Prevent undesired activities decreasing public sector and private sector;
- And aims to foster further transparency in Azerbaijan’s extractive industries and to avoid corruption and tax evasion by unaccountable corporate entities

The project focuses on the mining, upstream and midstream activities, as well as attracting convenient contractors to these activities.
Beneficial Ownership Disclosure

• The project will deliver a range of options and guide stakeholders to an agreed position regarding:
  • BO definition that meets international good practice;
  • Agreed mechanisms for data collection and periodic updating, verification, reporting, access and usage;
  • Draft legislation.
Following step: EIT Mainstreaming in Azerbaijan

EIT Mainstreaming – embedding EIT data into reporting mechanism of the government and making transparency an integral and routine feature of the governance and management systems;

WHY mainstreaming?

Big online data
Efficient use of resources
No more outdated data
Easier transition to e-reporting
Feasibility and flexibility
Increased public awareness
Transparency and accountability
Sustainability and openness

2018-2019

Feasibility study and Terms of Reference

Technical and financial support of EBRD
• By providing transparency in extractive industries:
  • Building multi stakeholder dialogue;
  • Eliminating doubts about revenues;
  • Increasing trust in government;
  • Improving investment climate.