

EITI: Azerbaijani experience

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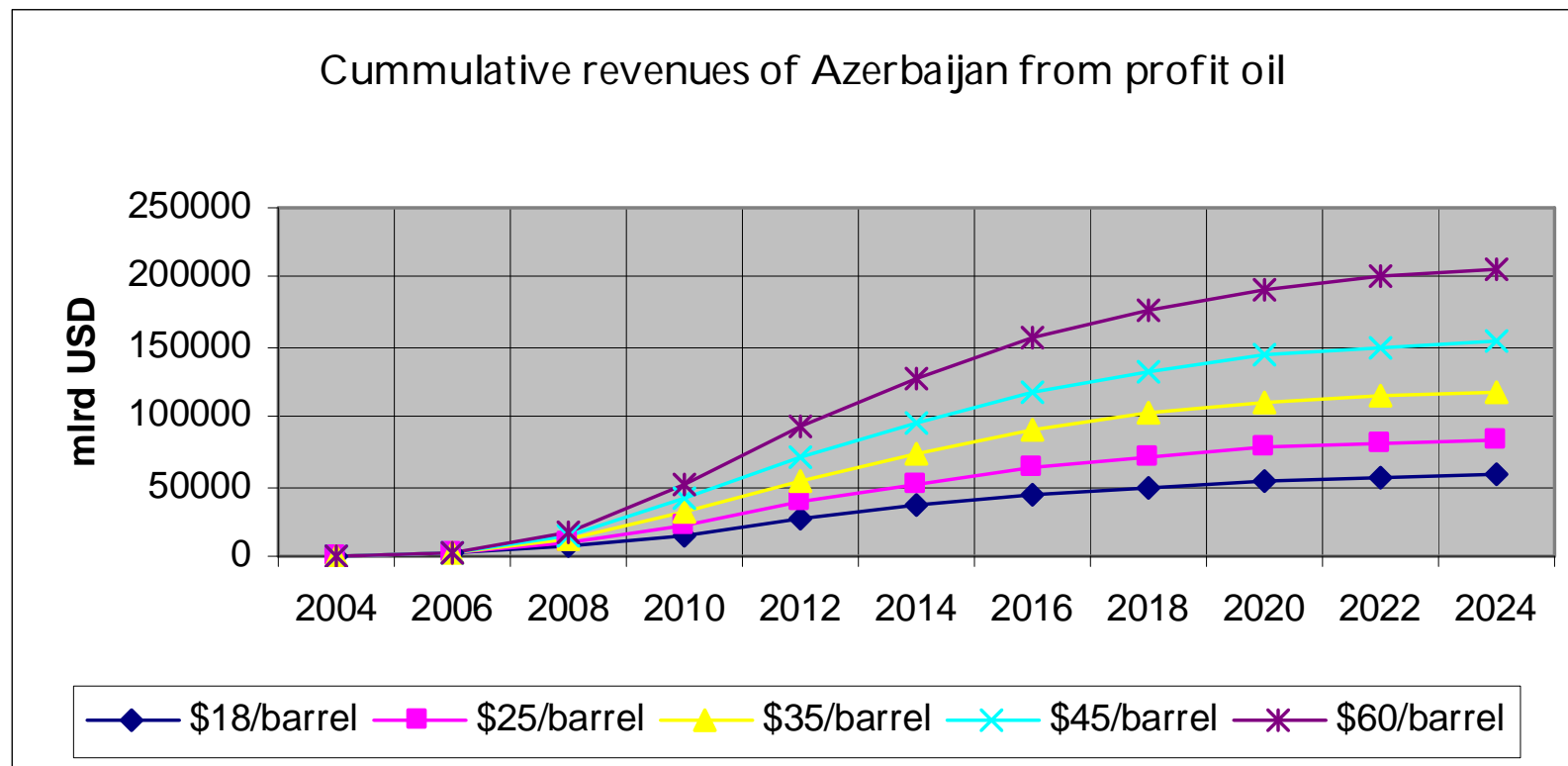


Why is the EITI important in Azerbaijan?

There is a risk that part of the revenues might be lost. This risk is due to:

- The lack of experience in managing large financial resources;
- Problems of good governance (insufficient transparency and accountability from the government and companies);
- The weakness of state and private institutions of opposition;
- Shortcomings in legislation;
- Conflict of interests in SOCAR's participation in PSA;

ACG: Forecast of oil revenues





The history of the EITI in Azerbaijan

- Joining the EITI – June, 2003 ;
- Setting up a government commission – November, 2003;
- Drawing up forms of accountability for companies and the government – March, 2004 ;
- Involving civil society in the process – May, 2004;
- The signing of the Memorandum – November, 2004.



What the EITI is in Azerbaijan

- The accountability of the government and companies which discloses the countries' revenues from the development of oil and gas reserves (there is no accountability for other types of natural reserves yet);
- Verification of the government's and companies' accountability by an internationally-recognized audit company;
- Regular accountability: twice a year.
- The involvement of civil society representatives;



The coalition of non-government organizations – a representative of civil society in the EITI

The coalition was established on 13 May 2004.

Members: Public associations and private individuals

The number of members was 32 at the moment it was set up. On 1 June 2007, the number of members was 107 (94 public associations and 13 private individuals);



The aims of the coalition of public associations

- Public monitoring of oil revenues;
- Enlightenment;
- The development of Society;
- The representation of Civil Society in the EITI



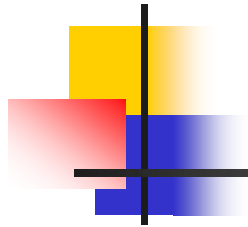
The coalition's participation in the EITI:

- Participation in preparing for the introduction of the Azerbaijani version of the EITI (completed in 2004);
- The improvement of the Azerbaijani version of the EITI (in progress);
- Participation in the selection of an auditor (once in six months);
- Preparation of responses to the auditor's report (once in six months).



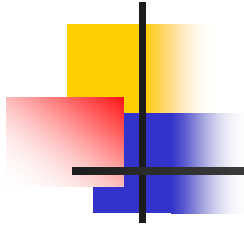
The main directions of the coalition's activities:

- Work on the memorandum (dated 24 November 2004);
- Advocacy;
- Monitoring;
- Enlightenment;
- Analysis;
- Increasing the strength and skills of the coalition;
- International cooperation;



The coalition of public associations

www.eiti-az.org



- Information interests of civil society and the EITI.
- Is there a need to improve the EITI?



The issues that concern civil society in connection with the oil revenues:

- What revenues did the country have in a certain period?
- What types of revenues is the country getting and how much has the country made on each of these types?
- Is the country getting the full volume of revenues stipulated by the terms of the contract?
- What is the contribution of companies separately to the country's overall revenues?
- Where are the revenues being channeled into?
- What are the oil revenues being spent on, why and how much?
- How effectively are the oil revenues being spent?
- Is part of the revenues misappropriated?
- Do the revenues make up for the damage inflicted on the environment?
- What are the revenues from each contract separately?

The EITI answers these questions only partially.



Types of oil revenues:

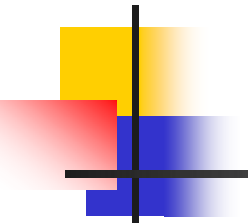
The reflection of information
in EITI reports:

- Profit oil +
- Accompanying gas +
- Bonuses +
- Per acre payments +
- Taxes paid by the contractor..... +
- Taxes pay by subcontractors -
- Rent -
- Social taxes -
- Income tax on staff -
- Transit tariffs..... +



Questions of interest to the expert community:

There are much more questions!



How do you get answers to the questions that are not covered by the EITI?

- By improving the national version of the EITI;
- Through queries to government agencies and companies (the new law “On access to information” makes this possible)



Do EITI principles allow the national versions to be improved?

YES

The fifth principle of the EITI allows this:

We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability

However, on condition that the sixth principle is observed:

We recognize that achievement of greater transparency must be set in the context of respect for contracts and laws



Other inspiring principles of the EITI:

- 11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country*

- 12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations*



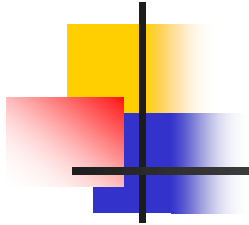
Some proposals from civil associations in connection with oil revenues:

- It is necessary to adopt a new law on the management of oil revenues;
- Civil society should be represented in the observation council of the Oil Fund;
- Accountability on the EITI should be expanded;
- It is necessary to create a system of accountability on the spending of oil revenues;



Conclusion

Azerbaijan has considerable achievements in the EITI. However, it is necessary to move forward. There are possibilities for that.



Thanks a lot for your attention!