



Center for Analysis of  
Economic Reforms  
and Communication

April 2017

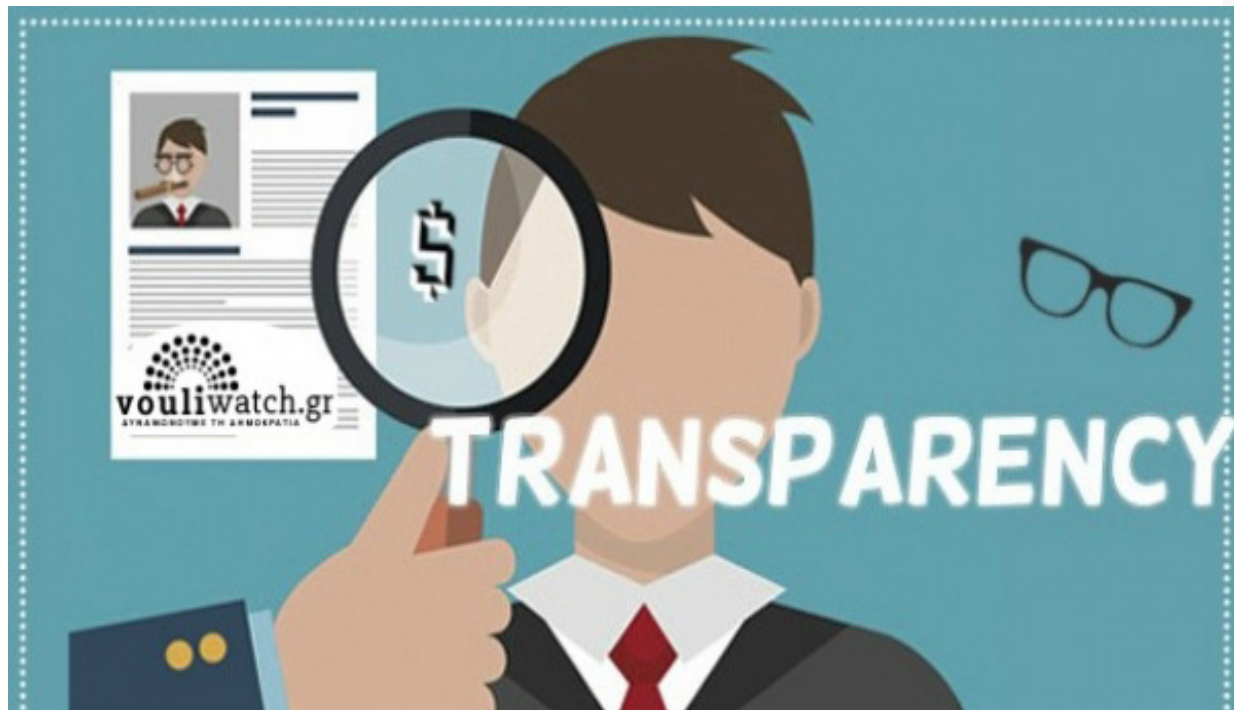
# AZERBAIJAN ECONOMIC REFORMS REVIEW



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## ADDITIONAL MEASURES ON INCREASING TRANSPARENCY AND ACCOUNTABILITY IN EXTRACTIVE INDUSTRY



Increase of transparency and accountability are important aspects to which the Republic of Azerbaijan attaches a high value to ensure sustainable development of the state-of-the-art government system in the country. Aside from achieving notable results, Azerbaijan continues its efforts to expand introduction of information-communication technologies in public administration, ensure broader transparency in access to information and increase public participation, while also strengthening cooperation with civil society organizations. As a follow up to government's measures, the President of the Republic of Azerbaijan, Ilham Aliyev signed a relevant Decree, dated 5 April 2017, on additional measures to increase transparency and accountability in extractive industry.

As part of the government policy, Azerbaijan attaches greater value to enhanced transparency and accountability, as well as the internationally accepted principles in the fight against corruption and closer cooperation with specialized international organizations.

In addition, as part of the government's efforts to ensure promotion of higher transparency in extractive industry, Azerbaijan joined the Extractive Industries Transparency Initiative, which became the first ever country with full membership status. As the full member, Azerbaijan published all related reports periodically. Transparency in extractive industry and measures for improvement of public services in the country received high international appreciation, and Azerbaijan was awarded the UN Public Services Award and Extractive Industries Transparency Initiative Award in 2009.

It is also worth to note that Azerbaijan supports all international efforts to ensure transparency and accountability in extractive industries regardless of its membership in any international initiatives, as it is dedicated to implementation of international standards.

To further emphasize Azerbaijan's commitment to international transparency and accountability principles in extractive industries and to follow up measures for use of natural resources for welfare of country population, the President of the Republic of Azerbaijan Ilham Aliyev signed a relevant Decree.

According to the Decree, transparency and accountability standards in extractive industry will be further introduced based on the following international principles:

- Use of revenues generated from natural resources for increased welfare of country population and national interests shall be the sovereign power of state;
- Introduction of lean practices for use of revenues generated from natural resources is a key enabler for poverty reduction and sustainable economic development;
- Transparency and accountability standards should be promoted in the performance of government bodies, private sector and social relations;
- The state should be accountable to citizens for management of revenues generated from extractive industries;
- Increase of transparency should be achieved with strict compliance with contracts and laws;
- All efforts should be taken to strengthen transparency, as well as public finance management and accountability in public and private institutions involved in extractive industry;
- Financial transparency standards of the country should be applicable to all companies operating in extractive industry;
- All stakeholders including public bodies, companies operating in extractive industry, international organizations, financial institutions, investors and non-government organizations should participate in introduction of transparency.

Furthermore, in order to ensure transparency and accountability in extractive industries, the establishment of "Commission for Transparency in Extractive Industries" (hereinafter referred to as "Commission") of the Republic of Azerbaijan and appointment of Shahmar Movsumov, the executive director of the State Oil Fund of the

Republic of Azerbaijan as the chairman of the Commission was among the decisions set by the Decree.

The Commission also includes the following government officials as members: Natig Abbasov, Deputy Minister of Energy of the Republic of Azerbaijan, Sahib Alakbarov, Deputy Minister of Taxes of the Republic of Azerbaijan, Emin Huseynov, Deputy Minister of Finance of the Republic of Azerbaijan, Sahil Babayev, Deputy Minister of Economy of the Republic of Azerbaijan, Rauf Hajiyev, Deputy Minister of Ecology and Natural Resources of the Republic of Azerbaijan, Yusif Yusifov, Deputy Chairman of the State Statistical Committee of the Republic of Azerbaijan.

To arrange daily activities of the Commission, creation of the Secretariat of the Commission was proposed. The State Oil Fund of the Republic of Azerbaijan was assigned to carry out Secretariat function.

According to the aforementioned Decree, the Commission was tasked to carry out the following activities:

- Exercise supervision of compliance with international principles provided in the Decree;
- In order to ensure transparency in the extractive industries in the Republic of Azerbaijan, coordinate activities among government agencies and other institutions participating in the process of forming respective government policies;
- Specify the form and term of submission of reports based on international standards on revenues of government generated from utilization of natural resources, as well as on

payments made to public budget by local and foreign companies operating in the extractive industry of the Republic of Azerbaijan;

- Ensure appointment of independent and specialized audit companies for collection and inspection of reports;
- Design summary report based on collected information as per the report template and ensure their disclosure to public on a periodical basis;
- Cooperate with non-governmental organizations, private sector representatives and independent experts in all phases of the process of building transparency;
- Provide proposals on improvement of normative-legal acts on building transparency in the extractive industry of the Republic of Azerbaijan.
- The Decree tasked the Cabinet of Ministers of the Republic of Azerbaijan to approve Statute of the Commission agreed by the President of the Republic of Azerbaijan within two months, prepare proposals on harmonization of normative legal acts of the Cabinet of Ministers and other central executive authorities with this Decree and resolve other issues arisen from the Decree.



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