

EITI Coalition Information Bulletin N8

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Announcemen (EITI Coalition Information Bulletin N8)

Kazakhstan hosts a conference on EITI

An EITI conference took place in Almaty, Kazakhstan, on March 26th through 27th, 2007. Participating in the event were NGO representatives from five countries – Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, and Russia. The Azerbaijani delegation was composed of two members of the Board of the EITI Coalition, Mr Ingilab Ahmadov, Ms Mehriban Vazir, and Mr Galib Afandiyev from the Baku office of the Open Society Institute.

The two-day meeting had the following issues on agenda for discussion:

- Problems and obstacles challenging to regional NGOs;
- Strengthening of the public interest in EITI in the regions in which the Initiative is being implemented;
- Discrediting of the corresponding activities of donor and international organizations by governments;
- Close and deep involvement of broad NGO network in EITI processes;
- Irrelevant relations between the governments and NGOs.

Extensive information and in-depth analysis were provided on the discussed issues, thereby disclosing one by one the existing obstacles in the way of implementation of EITI, examining their nature and structure, and providing would-be solutions to them. Conferees considered separately both the problems which were characteristic of

particular countries those which were common to the region in general.

Meanwhile, it was noted that clearing the existing hurdles was not enough – greater attention should have been devoted to new initiatives as well.

It emerged in the course of the conference that the countries which have joined EITI are at different stages of implementation of the Initiative. There are countries which have relatively advanced on or are behindhand in the realization of the corresponding action plan. Therefore, information was delivered on sharing the new practices of the advanced nations.

It should be noted that the conferees were enthusiastic about the campaign Oil Revenues are Ours All which had been advocated in Azerbaijan. NGOs from Kazakhstan and Kyrgyzstan became interested in the details of the campaign and highlighted the importance of the introduction of such experience in the respective field in their countries.

A special emphasis was made on the study of Azerbaijan's experience as part of the action plan on the co-operation in the field of the exchange of experience. With that end in view, representatives from the United States supported a visit to Baku by a delegation of NGOs from Kyrgyzstan.

Representatives from regional NGOs and the U.S. office acknowledged the importance of conducting regional conferences on a regular basis and more effective mobilization of the corresponding means of communication. For their part, a delegation from Mongolia offered to take on the work of organization of the next event. The proposal met with approval from the participants of the conference; so the next conference was scheduled in Ulan Bator, in September 2007.

The two-day regional conference in Almaty was practical, full of new initiatives.

Addressing the conference on behalf of Azerbaijan representation were Mr Ingilab Ahmadov and Mr Galib Afandiyev, with Ms Mehriban Vazir answering the questions on the advocacy campaign Oil Revenues are Ours All.

Mr Ingilab Ahmadov served as moderator and one of the key facilitators of the conference.

Baku to host an EITI conference

An EITI conference takes place in Baku on June 7th. On agenda for discussion are the ongoing status of the Extractive Industries Transparency Initiative, the upcoming milestones in the implementation of the Initiative, and the regional outlook for the development of the Initiative, etc.

Participation in the conference is expected at the level of local and foreign delegates, including representatives from diplomatic corps in Azerbaijan.

Mr **Sabit Baghirov**, a member of the Board of the Increasing Transparency in Extractive Industries, a coalition of local NGOs, will address the gathering.

New Membership Composition Approved for the SOFAR Supervisory Board

National Academy of Sciences takes a seat on behalf of NGOs

A new membership composition has been approved for the Supervisory Board of the State Oil Fund of Azerbaijan (SOFAR) following the corresponding presidential decree by President Ilham Aliyev on May 16th. In accordance with the document, the Board has been approved as being composed of Prime Minister, Mr Artur Rasizada; deputy speaker of the Milli Maclis (parliament), Mr Valeh Alasgarov; state counsellor for economic policy, Mr Vahid Akhundov; finance minister, Mr Samir Sharifov; minister for economic development, Mr Heydar Babayev; the chairman of the Board of Milli Bank (the central bank), Mr Elman Rustamov; deputy chairman of the standing parliamentary

commission on economic policy, Mr Azar Amiraslanov; the chairman of the State Committee on Securities, Mr Gunduz Mammadov; president of the National Academy of Sciences, Mr Mahmud Karimov.

The coalition of local NGOs Increasing Transparency in Extractive Industries earlier appealed to the President for the appointment of their own candidate to have a seat on the Supervisory Board of the State Oil Fund of Azerbaijan. However, the latest presidential decree named the president of the National Academy of Sciences as a board member on behalf of civil society institutions.

Citizens' awareness of oil revenues should be created at a proper level

Three years elapse since the establishment of the Coalition Increasing Transparency in Extractive Industries

Three years ago, on May 13th, 2004, representatives from a number of civil society institutions, operating in Azerbaijan, founded the Coalition Increasing Transparency in Extractive Industries in order to establish and exercise civilian oversight of the revenues from the exploitation of mineral wealth of the country, and the management of those revenues. At a press conference, dedicated to the 3rd year since the establishment of the Coalition, Mr Qubad Ibadoglu, a co-ordinator for the Board of the Coalition, provided information on the work which had been done so far and said that citizens' awareness should have been created at a proper level in order to get a clearer picture of the total revenues from the exploitation of natural wealth and those falling to the share of Azerbaijan, and the effective management of the revenue in general. According to Mr Ibadoglu, so far the Coalition had done different projects in this respect. Several more have been designed for the current year. "At the time of establishment, the Coalition united 29 NGOs and three individuals, while now its ranks involve 93 NGOs and 13 individuals. Our Coalition has announced its conclusions on five statements, which had been made so far by the government commission on the Extractive Industries Transparency Initiative."

Making the focus on the last, fifth report, Mr Ibadoglu said that the commencement of the full production stage since the very outset of the year had contributed heavily to an increase in the volume of profit oil and, consequently, the amount of petrodollars and compared to the corresponding performance in the previous year. Briefly, the figures doubled since 2005. Mr Ibadoglu believes that the growth could have been even higher. "In accordance with the terms of the Contract of the Century (ACG PSA), in the first place operating expenses for the period of settlement are deducted from the cost of oil extracted during the same timeframe. After that, half of the remaining oil is spent to covering capital expenses. The rest is the profit oil, which is shared between the Government of Azerbaijan, on the one hand, and multinational oil companies, acting in the capacity of project contractors, on the other side. However, in Azerbaijan 30 percent of the profit oil is retained by the Government of Azerbaijan, while the remaining 70 percent fall to the share of contractors." According to Mr Ibadoglu, The Coalition is concerned over a sharp growth of capital expenses and the extension of the corresponding period of reimbursement. The total investment in the implementation of the Azeri – Chirag – deepwater Gunashli oil fields has exceeded the figure of 14 billion U.S. dollars – this is almost twice the original forecast of 8 billion U.S. dollars. "So the outcomes show that a vigil eye needs to be kept on capital expenses. The State Oil Company of the Azerbaijan Republic (SOCAR) is primarily responsible for that supervision as described in the provisions of the ACG PSA. However, in accordance with the language of the ACG PSA, SOCAR acts both on behalf of the Government of Azerbaijan and in the capacity of a contractor. The logical conclusion is that the

company has a dual status.”

Addressing the press conference, Mr Ingilab Ahmadov, a member of the Board of the Coalition, provided an insight into the history of establishment of the Extractive Industries Transparency Initiative, and said that despite its author, UK Prime Minister Tony Blair was stepping out from the government, the Initiative itself retained its topicality and importance, thereby seemingly expanding on an international scale. Mr Ahmadov highlighted Azerbaijan’s role of a pilot country implementing the Initiative and having acquired profound experience in this field of activity.

Another member of the Coalition, Mr Oqtay Gulaliyev spoke about the activities of the Coalition so far, including the projects which had been implemented, the campaign Oil Revenues are Ours All which was carried out last year, relations with the media, and the action plan designed for the current year.

Mr Telman Zeynalov, a member of the Board of the Coalition and the head of the Independent Environmental Forecasting Centre, noted that transparency in the petroleum development sector was not confined to the accurate accounting of revenues and expenses, as a serious attention should have been paid to the extent of and solutions to reduce the environmental impact following the implementation of oil & gas projects.

At the end, representatives of the Coalition answered the questions asked by journalists.

SOFAR executive congratulates EITI Coalition on its three-year anniversary

The executive director of the State Oil Fund of Azerbaijan, Mr Shahmar Husseinov has sent his greetings to members of the Coalition Increasing Transparency in Extractive Industries on the occasion of the three years since the establishment of the alliance. The message of congratulation says: “Three years are passing since the establishment of the Coalition Increasing Transparency in Extractive Industries which currently unites more than 100 members. I congratulate members of the Coalition on this occasion. For about four years which had passed since Azerbaijan’s joining the Extractive Industries Transparency Initiative (EITI) and throughout the three-year activity of the Coalition, the government has attained successful achievements in the implementation of the Initiative following our co-operation with the Coalition, one of the major partners of us in this respect. Azerbaijan today is considered to be in the vanguard of the implementing countries worldwide; so far five reports on EITI have been issued by the country. In Coalition we have the involvement of the civil society in this process, thereby confirming once more the implementation of the Initiative in Azerbaijan.

Again, I congratulate you and wish success in your activity.”

Work starts on implementation of a united projects of the Coalition

In accordance with the program paper which the Coalition Increasing Transparency in Extractive Industries has approved for 2007, work has started on the implementation of the united project of the alliance. The Selection Group within the Coalition has assessed the scheme, which is being funded by the World Bank and the Open Society Institute – Assistance Foundation. The Group has appointed responsible persons in charge of corresponding areas of activity in the framework of the project. For their part, the Board of the Coalition gave final go-ahead to the project at a meeting on May 11th. The project

itself consists of two major components: the tracking and analysis of the use – including investment – of the assets under the management of the Oil Fund, and the preparation of the consequent report at the end, and the tracking, analysis and the assessment of the finances of the State Oil Company of the Azerbaijan Republic (SOCAR) against transparency criteria, and the crafting of proposals and recommendations on the refinement of the draft law “On the management of oil revenues” and relevant legislative acts, in order to increase the status of transparency in the extractive industry and ensure the effective management of petrodollars.

At the same time, two more objectives of the project are to analyse the companies, operating in the extractive industry, against their compliance with advanced transparency requirements, and to draft the corresponding Policy Paper in order to strengthen transparency in the sector. Also, for the current year it has been planned to carry out public awareness campaign and another series intended to evoke greater interest for the effective use of oil revenues. To the same point, the following activities have been planned:

Holding discussions in 12 district towns;

- Roundtables on the topic of oil revenues and the effective use of them, to be conducted at 10 universities in Baku and regions;
- Broadcasting of two documentaries on oil revenues through regional TV channels; these productions are the winners of the open competitions which was announced by the Open Society Institute in 2005;
- Broadcasting of two trailers about oil revenues on the Public Television; the films are a joint production between the Coalition and Internews, a U.S. media NGO, in 2006;
- Broadcasting of radio dialogues;
- Organization of media forums and talk shows on TV channels.

Among other upcoming activities, which have been set out in the united project, are the publication of the bulletin and magazine of the Coalition, presentations of the results of the analysis of and statement on biannual EITI reports, involvement of the youth in EITI processes, etc.

Coalition’s regional branches get approved regulations

Ganca branch starts official activity

At the General Assembly of the Coalition Increasing Transparency in Extractive Industries in March this year, a working group was set up to determine the objectives coming from the decision on granting the regional status to the Ganca branch, and to draft the required legal documents. The group is composed of the three members of the Board of the Coalition – Mr Sabit Baghirov, Mr Aslan Valiyev, and Mr Nariman Aghayev.

In accordance with the Statute of the Coalition and the decision which was approved at the General Assembly, the working group prepared the Regulations on the activity of regional branches of the Coalition, and submitted the document for consideration to the Board. At the board meeting on Mar 4th, the paper was approved following discussions and with the introduction of certain amendments and alterations. The Regulations will govern the activity of other regional branches to be established by the Coalition in the near future.

As the Ganca branch was given the regional status at the last, third General Assembly of the EITI Coalition, Mr Aslan Valiyev, a branch representative was approved – as described in the Statute of the Coalition – in the capacity of a member of the Board of

the Coalition. Meanwhile, in the framework of the united project of the Coalition, certain amount of money has been planned for institutional development of the Ganca regional branch to ensure its normal activity.

Information policy of the Oil Fund laid open to the public

The State Oil Fund of the Azerbaijan Republic (SOFAR) has announced its information policy. According to the press office of the Fund, the corresponding document, which had been approved by SOFAR executive director Shahmar Movsumov, has been worked out in compliance with the law on “Access to Information” in order to foster the accurate co-ordination and effective management of relations between the Fund and the public, to make the Fund meet the information needs of the public, to preserve and promote the image of the Fund as a transparent state agency.

The paper contains major principles of the information policy, as well as key objectives of the Fund consequent with those values, and the classification of the data to be accessible to the public. It has been set out in the document that the aim of the information policy is to compile necessary information, thereby ensuring the delivery of information on solutions to the tasks commissioned to the Fund. The following have been described as major principles of the approved framework:

- Adherence to the legislative requirements, standards and rules governing the freedom of information in Azerbaijan Republic;
- Security of the interests in ensuring the transparency of the Fund;
- Delivery of the information to the public on a regular basis and to the media in accordance with the principle of equity;
- Guarantee of the accuracy of the disclosed information;
- Maintenance of confidentiality of the information which is not in the domain of the Fund.

In accordance with the paper, the State oil fund has to provide the public with the following information:

- quarterly data on revenues and expenses;
- annual reports;
- reports on the implementation of the Extractive Industries Transparency Initiative (EITI);
- auditor’s reports;
- statements on the meetings of the Supervisory Board;
- organizational chart;
- status of the budget of the Fund;
- receipt , terms and use of grants;
- legal and normative texts governing the activity of the Fund;
- background on the projects which are being financed;
- non-confidential data about the investment portfolio of the Fund;
- data about foreign business trips of Fund executives; and
- vacancies.

In accordance with the current legislation and its statute, the Fund has to ensure that:

- every single interested party gets access to the information, which the agency considers as being laid open to the public and delivers to the public in order to secure the transparency of its activity;
- the corresponding reports are delivered to international organizations and diplomatic corps in Azerbaijan;
- data about its financial activity are stated on a quarter basis, and at the beginning of

every year.

Another point of interest in the document is the provision for the announcement of legally non-binding information by the State oil fund on the basis of its own judgement.

Note: The document is available in the Azeri and English languages at the website of the State oil fund (www.oilfund.az).

Audit of statement on Transparency Initiative put to tender

The Selection Group, involving representatives from the Governmental Commission on EITI, local and foreign companies involved in extractive industry in Azerbaijan, and NGOs - signatories to the memorandum on the introduction of the Extractive Industries Transparency Initiative (EITI) in the country – held its meeting on April 19th, to give the final go-ahead to the process of choosing an audit company to be in charge of auditing the six statement covering the implementation of the Initiative throughout 2006.

With that end in view, members of the Selection Group voted in favour of the decision on sending the corresponding invitations to tender to international recognized audit companies with operations in Azerbaijan. Representatives from the NGO Coalition, who were attending the meeting, raised the question on higher expediency of hiring a different company as compared to those who were approved to audit the previous, 5th statement. That auditor's report was done by Deloitte & Touche.

Oil Fund allocations for refugees miss purposes

An investigation by a Coalition member elicits serious facts

Investigating journalist Hicran Hamidova, a member of the Coalition, has investigated, through the financial support from the Open Society Institute – Assistance Foundation, an issue on the purpose use of the allocations from the State Oil Fund of the Azerbaijan Republic (SOFAR) for the bettering of accommodation conditions of refugees and internally displaced persons. The investigation has covered the work worth 86 million manats (93.5 million U.S. dollars).

Ms Hamidova has revealed the facts of embezzlement and violations of law in the building of 1,011 houses at Alibayli-1 settlement, 340 houses at Tazakand settlement, 390 houses at Banovshalar settlement, and 192 houses at Dordyol-1 settlement, through the funding which had been provided by the oil fund. Ms Hamidova has personally visited the above-mentioned settlements and recorded the corresponding facts in the place.

Soon the results of the investigation will be posted on the website of the Coalition.

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Moore Stephens to collate next EITI reports

Extractive Industries Transparency Initiative (EITI) reports for the year 2006 will be collated by Moore Stephens Azerbaijan Limited following the decision of the Selection Group, which was established in accordance with the Memorandum of Understanding signed to implement EITI in Azerbaijan between the governmental Committee on EITI, foreign and local extractive industry (oil and gas) companies and the NGOs' Coalition for Increasing Transparency in Extractive Industries. Tender has been announced by bp, as the foreign and local companies are to pay audit company's fees for collation of the next (sixth) cycle reports as per MOU.

The Selection Group assessed the financial and technical proposals of the bidders on May 21, 2007. Five internationally recognized audit companies- Deloitte, PriceWaterHouseCoopers, Ernst & Young, Moore Stephens and KPMG - operating in the Republic of Azerbaijan were invited to bid.

Moore Stephens was founded in London in 1907. Working in 93 countries worldwide the Moore Stephens International network is now one of the leading international accounting and consulting networks.

'Rhetoric exceeds action', says Transparency International report on G8 promises

Report calls for G8 to report on their progress in fighting corruption in 2008

Berlin, 5 June 2007 - Transparency International's (TI) 'G8 Progress Report'

[http://www.transparency.org/publications/publications/g8_progress_report], issued today in Berlin, a day ahead of the Group of Eight (G8) Summit in Germany, concludes that although many laudable commitments have been made towards fighting corruption and improving governance, follow-through on them has been meagre.

The report, compiled by Transparency International chapters in G8 countries, looks at several different issues, from cracking down on bribery abroad by G8-based companies, to better tracking of illicit funds in the global financial system, and the strengthening of a global legal framework against corruption.

The report also calls on the G8 provide a rigorous self-assessment on implementing their past pledges when they convene in 2008 in Japan.

"We see that the governments of the G8 are well aware of what is needed in the fight against corruption," said Huguette Labelle, TI's Chair. "They use the right language. But four and five years down the road, political will has not been sufficient to turn these commitments into action. We would not deny that criminalising foreign bribery or ratifying a global anti-corruption convention are easy tasks, but they are achievable, and the resources are there."

Enforcing Anti-Bribery Laws: Drawing from an in-depth report to be issued in July, the G8 Progress Report concludes that Canada, Japan and the UK are failing to enforce the OECD Anti-Bribery Convention, undermining their credibility in calling for better governance in the developing world. Foreign bribery will continue to undermine reform in developing countries unless all parties vigorously enforce their laws.

Leveraging Export Credit Agency Financing to Reduce Corruption: The Report concludes that each of the G8 export credit agencies (ECAs) except for the EXIM Bank of Russia appear to have taken some steps to encourage customers to comply with anti-bribery laws; however, all G8 ECAs must do more to turn commitments into action.

Ratifying and Implementing the UN Convention against Corruption: The Report calls on Canada, Germany, Italy and Japan to ratify the UN Convention immediately. It also calls on all G8 countries to move forward with full implementation and monitoring of commitments. The UN Convention establishes global benchmarks on anti-corruption legislation and commits parties to mutual legal assistance when investigating corruption.

Promoting Revenue Transparency through the Extractive Industries Transparency Initiative: The Report calls on those G8 countries -- with substantial energy resources -- Canada, Russia, the UK and the US -- to implement the EITI in their own countries. It also calls on Italy, Japan and Russia to join the ranks of G8 countries that give financial support to the EITI. In addition, it calls on all G8 countries to provide financial support and safeguards for civil society organisations engaged in advocating for transparency, and monitoring implementation and progress.

Looking to the Future: Increase Transparency of Financial Institutions and Markets: The Report calls for prompt implementation of G8 commitments to prevent the misuse of

financial markets and institutions for illicit purposes by increasing transparency and strengthening oversight.

The bottom line, the report concludes, is that, "As the world's leading economies, G8 countries have a special responsibility to promote accountability, starting at home." Commenting on the relevance of these findings to this year's summit, Cobus de Swardt, TI's Managing Director, noted, "Corruption control and better governance are inextricable from the overarching goal of this year's summit, which is 'Growth and Responsibility'. Whether it is regulating hedge funds, stemming climate change, or ensuring that no further generation in Africa must live in abject poverty, governance and transparency form a golden thread. It is time for the G8 to turn its promises into action"

Cost of South Caucasus Gas Main Surpasses Expenditure Target

Baku-Supsa requires 22.5 million for maintenance

In the first quarter of 2007, the factual amount of capital investment in the South Caucasus Gas Pipeline (SCGP) went beyond the forecast. Just like that, a total of 12 million U.S. dollars was been spent in capital expenditure on the implementation of the project since January through March, while some 41 million U.S. dollars had been budgeted for the entire 2007. Mr Bill Schrader, the president of BP Azerbaijan, said that the overrun was associated with the completion of certain components of the testing work outstanding since the end of last year.

Meanwhile, a large-scale overhaul continues on the Baku-Supsa Western Route Export Pipeline (WREP) which has been standing inoperative since October 2007. The corresponding repair programme also includes a component that provides for the shifting of the pipeline route for a distance of a kilometre alongside the Georgian sector. In addition to six million U.S. dollars which have been spent on taking security measures in a landslide area, it is planned to outlay 22.5 million U.S. dollars on pipeline upgrade in 2006 to 2007. The company management hasn't provided any elaboration on when the pipeline will be re-commissioned, but has emphasized that the issue depends on the pace of development of the repair work.

Referring to an interview which The London Daily Mail had made with Les Abrahams, an ex representative of BP, concerning the company's hand in the overthrow of the government of the Azerbaijan Popular Front movement and bribing the authorities in Azerbaijan in return for having favourable terms in the Contract of the Century, Mr Schrader said that BP was "not a political organisation" and worked in the framework of the legislation of the countries in which it had operations. According to him, BP has not been engaged in any political event that had occurred in Azerbaijan; hereby the interview was a fabricated fantasy. As to the claim of bribing the Government of Azerbaijan in the amount of 30 million U.S. dollars, Mr Schrader said that the company had never had an idea of greasing anybody's palm, and there hadn't been made any unofficial payment to the Government of Azerbaijan in addition to the bonuses which had been transferred and made public in the framework of the production-sharing agreement [on the development of the Azeri – Chirag – (deepwater) Gunashli oil fields].

EITI Coalition makes arrangements for university meetings

Transparency initiative and the effective management of petrodollars are on agenda for teaching staff and students

The Coalition Increasing Transparency in Extractive Industries on May 17th 2007 held a round table at Azerbaijan State Economic University. The conference was organised in the framework of the Coalition's annual action plan. Participating in the meeting were Mr Azar Mehdiyev, PhD in Economics, a member of the ITEI Coalition and the editor-in-chief of the Ekspert (expert) journal, Mr Ali Hajiyev, the dean of the university department on the Economics of Industries and Services, Mr Ehtiram Ali, a person in charge of organisation of round tables at universities in Baku and regions, representatives of the teaching staff, students, and members of the Coalition.

Opening the meeting, Mr Ali Hajiyev, the dean of the university department on the Economics of Industries and Services, laid the emphasis on the significance of the gathering, the importance of increasing transparency in the use of incomes from extractive industries and the relevance of the corresponding education of students on these issues.

Mr Ehtiram Ali informed the audience that the effect of the activity of the Coalition as well as the future of the country depend very much on securing transparency in the management of petrodollars.

For his part, Mr Azar Mehdiyev addressed the meeting with the report on oil incomes and the effective use of them. He provided in-depth answers to a number of questions he had raised in his presentation, thereby opening a way to broad discussions over the issues of interest as well as the topics of concern.

Summarising the gathering Mr Ali Hajiyev noted the necessity of involvement of the teaching staff and students in the strengthening of transparency in extractive industries and the requirement for having similar meetings in the future. He also thanked the attendees, including distinguished guests, for their participation in the round table.

- The Coalition Increasing Transparency in Extractive Industries, at Azerbaijan Architecture and Construction University on May 17th 2000, held a round table on the state of environment in EITI principles. Participating in the gathering were Mr Telman Zeynalov, DPhil in Technical Sciences and a member of the Board of the Coalition, Prof. Habib Ocaqov, DPhil in Technical Sciences and the head of the department of Emergency Situations and Life Safety, Mr Safi Daniyalov, PhD in Technical Sciences and deputy dean, as well as other members of the Board of the Coalition, representatives of the teaching staff, students, and Mr Ehtiram Ali, a person in charge of organisation of round tables at universities. Mr Telman Zeynalov addressed the audience on the state of environment in EITI principles, thereby opening the way to broad discussions over the topic; the corresponding questions were answered at length. Finally, Mr Habib Ocaqov, the head of the department of Emergency Situations and Life Safety, wrapped up the conference by stressing the importance of benefiting by the role of the teaching staff and students in the strengthening of transparency in extractive industries and the necessity to hold such kind of meetings in the future.
- Azerbaijan University on May 18th 2007 hosted a round table on the impact of petrodollars on the economy of Azerbaijan. The gathering took place as part of the 2007 action plan of the coalition Increasing Transparency in Extractive Industries. Participating in the meeting were Prof. Fuat Rasulov, a member of ITEI and the head of the Centre for Economic and Business Studies and Education, Mr Mahir Ibrahimov, the vice chancellor for educational affairs, Mr Ehtiram Ali, a person in charge of organisation of round tables at universities in Baku and regions, and 48 academics and students. Opening the meeting Mr Ehtiram Ali informed the audience of the importance of enhancing transparency in extractive industries and the securing of transparency in the management of oil revenues in the future. Prof. Muat Rasulov addressed the audience on the impact of petrodollars on the economy of Azerbaijan. The professor gave the audience an in-depth insight into the impact of revenues from extractive industries on the social status of the population, as well as the importance of enhancing transparency in income spending, the provision of the public with access to extensive information concerning oil incomes, the utilization of them and the corresponding areas of spending, the ensuring of the involvement of civil society institutions in making decisions on the allocation and use of oil incomes, and the establishment and exercise of civilian oversight of the policies on the receipt and use of oil incomes. The topic raised broad discussions; the corresponding questions were answered at length. Summarizing the gathering, Mr Farahim Sadighov, the president of the university, laid an emphasis on the role of the teaching staff and students in the strengthening of transparency in extractive industries and the necessity to hold such kind of meetings in the future.

- The Azerbaijan University of Languages on May 24th 2007 hosted a round table on the topic International Transparency Initiatives and Azerbaijan. The meeting took place as part of the 2007 action plan of the coalition Increasing Transparency in Extractive Industries. Participating in the meeting were Mr Sevgim Rahmanov, a member of the Board of the Coalition and the chairman of the Union of Merchants and Manufacturers, Prof. Fuat Rasulov, a member of ITEI and the head of the Centre for Economic and Business Studies and Education, Mr Ehtiram Ali, a person in charge of organisation of round tables at universities in Baku and regions, and members of the teaching staff and representatives from students' circles at the university. Opening the round table, Mr Ehtiram Ali informed the audience of the measures which had been taken by the ITEI coalition to enhance transparency in extractive industries. For his part, Mr Sevgim Rahmanov gave address to participants on international transparency initiatives and Azerbaijan. The topic raised broad discussions, and Mr Sevgim Rahmanov provided in-depth answers to the corresponding questions.
- A round table Social Effects as a Consequence of the Implementation of BTC and South Caucasus Gas Pipeline took place at Azerbaijan Technical University on May 31st 2007. The gathering was organised as part of the 2007 action plan of the coalition Increasing Transparency in Extractive Industries. Participating in the meeting were members of the Board of the ITEI Coalition – Mr Telman Zeynalov, Mr Oqtay Gulaliyev, Mr Ilham Husseinli, Mr Ramiz Baxshiyev, as well as Mr Ehtiram Ali, a person in charge of organisation of round tables at universities in Baku and regions, and members of the teaching staff and representatives from students' circles at the university. Opening the event, Mr Ramiz Baxshiyev informed the audience of activities which the coalition had carried out with the purpose of enhancing transparency in extractive industries. For his part, Mr Ilham Husseinli made a presentation on social effects as a consequence of the implementation of the BTC and SCGP projects. The topic raised broad discussions, with Mr Husseinli providing in-depth answers to the corresponding questions. At the end he thanked the participants and guests for active involvement in discussions, hereby announcing that the meeting had finished its work.
- A round table took place at the Ganja Agricultural Academy on June 30th 2007 as part of the 2007 action plan of the coalition Increasing Transparency in Extractive Industries. Participating in the gathering were members of the Board of the ITEI Coalition – Mr **Sabit Baghirov** and Mr Oqtay Gulaliyev; the co-ordinator for Ganja Regional Branch of the ITEI Coalition, Mr Aslan Valiyev; member of the Board of the Ganja Regional Branch, Mr Irshad Abbasov; lecturer at Ganja State University, Ms Maleika Abbaszada; the chairman of the Children's Fund, Mr Rovshan Novruzov; the chairman of the Ganja Branch of the Union of Merchants and Manufacturers, Mr Jabrail Mammadov; the chairman of the Ganja Regional Branch of the For the Sake of Civil Society NGO, Mr Vaqif Imanov; journalist from Baki Xabar (Baku news) newspaper, Mr Ruslan Khalill; a person in charge of organisation of round tables at universities in Baku and regions, Mr Ehtiram Ali; and members of the teaching staff and representatives from students' circles at the university.

Mr Irshad Abbasov, a member of the Board of the Ganja Regional Branch, officially opened the conference by briefing the audience of the importance of the meeting. For his part, Mr Aslan Valiyev, the co-ordinator for Ganja Regional Branch of the ITEI Coalition, made a short presentation on the significance of the International Transparency Initiative to the participants of the gathering. Then Mr Oqtay Gulaliyev gave a speech on large-scale and explicitly useful activities of the ITEI Coalition in the country, and invited the audience for active involvement in such kind of actions. Afterwards, Mr **Sabit Baghirov**, another member of the Board of the ITEI Coalition, made an in-depth presentation entitled Oil Factor and Relevant Earnings, Opportunities and Effects. He gave the audience an extensive insight into the existing international experience in the field of transparency and historical background on Azerbaijan's joining to the Extractive Industries Transparency Initiative, as well as on the status of the State Oil Fund of Azerbaijan (SOFAZ), the point of enhancing transparency in spending receipts from extractive industries, the factor of petrodollars and providing the public with access to the detailed information on the ways of use of petrodollars for various purposes, and ensuring the involvement of the population and civil society institutions in decision-making processes concerning petrodollars and the easy of use of them, and the establishment and exercise of civilian oversight of the generation and management of oil revenues. The topic raised broad discussions over possible scenarios for enhancing transparency in the use of petrodollars with the purpose of translating their potential into bettering the social status of the population. In this respect an emphasis was laid on the reinforcement of educational activities and the strengthening of the role of social organisations, including individuals in capacity of teachers and students. The corresponding questions were answered at length. It was proposed to make arrangements or such kind of educational meetings at other higher educational institutions in Ganja too. Summarizing the round table, Mr Irshad Abbasov noted the importance of the role of the teaching staff and students in the strengthening of transparency in extractive industries and the necessity to hold such kind of meetings in the future. So was the ending of the meeting.

NGOs in Kazakhstan want to benefit by Coalition's experience

A meeting with experts in Kazakhstan's EITI activities took place at the headquarters of the Increasing Transparency in Extractive Industries coalition of Azerbaijani NGOs on June 8th. Participating in the gathering were members of the Board of the Coalition, as well as Mr Anton Artemyev, a representative from the Soros Foundation in Kazakhstan, and Mr Malik Issabekov, a representative of the Kazakhstan's NGO Coalition with an eye on EITI processes.

The meeting made the focus on discussions over the ways of fostering co-operation and exchange of experience between NGO coalitions of Azerbaijan and Kazakhstan. Noting remarkable achievements of Azerbaijan's NGOs in the implementation of EITI, establishment and development of relations between the Coalition, on the one side, and the public and mass media, on the other side, the quests from Kazakhstan stated their desire for benefiting from such experience. At their request, members of the Board of the Coalition – Mr Ingilab Ahmadov, Mr Sevgim Rahmanov, and Mr Qubad Ibadoglu, a co-ordinator for the alliance – provided in-depth information on the above-mentioned activities. In his answer to the question by Mr Nariman Aghayev, a member of the Board of the Coalition, Mr Anton Artemyev clarified that despite a number of state-owned Kazakh companies involved in the mining industry had signed to the memorandum concerning the implementation of EITI, as a matter of fact, this turned out to be a mere formality. According to him, NGOs in Kazakhstan sought to establish relations with those companies but failed to arrive at an appropriate format of working together.

After the discussions, there was reached an agreement on making considerable arrangements for yet expanding relations between the two groupings, joint measures aimed at making EITI-joined companies submit their corresponding reports on an individual basis, launching a regional web network, etc.

Participants of the meeting considered it necessary to include an option of extensive EITI info campaigns as a major component of joint activities in the future.

Coalition objects the composition of the Supervisory Board of the Oil Fund

The alliance claims dubious representation of civil society by parliament and Academy of Sciences

The coalition of civil society institutions Increasing Transparency in Extractive Industries on June 8th issued a statement on the newly arranged composition of the Supervisory Board of the State Oil Fund of the Azerbaijan Republic (SOFAZ). The announcement refers to the corresponding Presidential Decree of May 18th on the approval of the new composition of the SOFAZ Supervisory Board. In accordance with Article 5.4 of the SOFAZ Regulations, which were approved by the Presidential Decree #434 of December 29th, 2000, a representative(s) of civil society institutions must have a seat(s) on the Supervisory Board of the Fund. So the board must be composed of two members from Milli Maclis (parliament or legislative power), five members from the Government (executive power), a member from the Milli Bank (central bank), and a member from the National Academy of Sciences.

Considering it wrong to introduce representatives from Milli Maclis and the National Academy of Sciences on behalf of civil society institutions, the Coalition, as a party to the implementation of the Extractive Industries Transparency Initiative in the field of petroleum and mining development in Azerbaijan, on February 7th 2007 applied in written to the President of the Azerbaijan for the purpose of representation in the Supervisory Board of the State Oil Fund. Unfortunately, there wasn't any response to the address which says: "Having the Coalition, which incorporates around 100 NGOs active within the scope of the mission to achieve transparency in extractive industries and the effective management of natural resources through active involvement of the civil society, left aside from the overall control over the management of the State Oil Fund lessens the public confidence in the use of oil revenues in the transparent way, thereby augmenting the risks associated with the effective management of public finance in general. This all concerns the coalition of civil society institutions Increasing Transparency in Extractive Industries."

Referring to the Presidential Decree #511, of June 19th 2001, on making arrangements for the operation of the State Oil Fund of the Azerbaijan Republic, the Coalition considers appropriate the periodical release of the information on the activity of the Fund, including the revenue and expenditure balance, and the biannual statement of independent auditor's conclusion of what the Government has received and the companies have paid [over the corresponding period]. However, the alliance also considers that all the measures mentioned above are not enough under the circumstances of an increase in the amount of petrodollars and growing expenditures. "The coalition of civil society institutions Increasing Transparency in Extractive Industries proposes to coordinate the budget of the State Oil Fund directly with the Azerbaijan Republic law on the budget systems, to consider the entire package of budget documents for the next year, including the budget of the Oil Fund, at the corresponding parliamentary hearings, to adopt a law on the management of oil incomes, in order to ensure the supervision by the legislature of the operation of the Fund, and to provide the Coalition, as a representative on behalf of civil society institutions, with a seat on the Supervisory Board of the Fund, in order to ensure civilian oversight of SOFAZ."

EITI PROVES ITS WORTH AT A MAJOR GATHERING ON CASPIAN PETROLEUM DEVELOPMENT

The Extractive Industries Transparency Initiative (EITI) pervaded the agenda of the third session on the last working day of the 14th Caspian International Oil & Gas Conference, on June 7th.

Mr Yon Ramberg, the ambassador of Norway to Azerbaijan, opened the special session Extractive Industries Transparency Initiative: towards a global norm for revenue transparency. He made an emphasis on the crucial importance of EITI for oil- and gas-producing nations.

Speaking of Azerbaijan as a pioneer country that had joined the Initiative – first announced by UK Prime Minister, Mr Tony Blair – UK ambassador, Mr Laurie Bristow said of major achievements of the country in this field of activity. Appreciating the functioning of the EITI Coalition of NGOs as one of the success stories of Azerbaijan, the ambassador announced that the corresponding co-operation would be successfully carried out with civil society institutions. Mr Bristow said that the Government of Azerbaijan – together with companies and NGOs – has played a key role in transforming the Extractive Industries Transparency Initiative into a global programme.

Mr Anita Utseth, Norway's deputy minister for oil and energy, noted that her country supported EITI, and highlighted the focal importance of the measures which were implemented in Azerbaijan in this field of activity.

Also during the first half of the session, different reports were delivered on the topic EITI: Lessons Learnt/Next Steps.

Mr Shahmar Movsumov, the executive director of the State Oil Fund of Azerbaijan (SOFAZ) and the chairman of the State Commission on EITI, provided in-depth information about the policies and activities which the Government of Azerbaijan had conducted in the framework of the Initiative so far. Mr Movsumov accentuated the effective co-operation which was established and moved ahead with the involvement of the EITI Coalition of NGOs, and local and foreign oil companies.

Also, information was provided on the reports of local and foreign companies on EITI. Furthermore addressing the session on this topic were Mr Suleyman Qasimov, vice president for economic affairs at SOCAR, Mr Sverre Olden Mala, manager for government and public affairs at Statoil, and Ms Clare Bebbington, BP Azerbaijan vice president for communications and external relations.

Making a comprehensive presentation was Mr **Sabit Baghirov**, a member of the Board of the EITI Coalition of NGOs in Azerbaijan. Mr **Baghirov** said that the Coalition was established with the involvement of 32 civil society institutions and individual members, while that number rose to 107 in three years. The Coalition pursues four major objectives: civilian oversight of oil revenues, public awareness of this topic, development of civil society, and representation of the civil society in EITI. Stating the stance of the Coalition on EITI, Mr **Baghirov** noted that "despite EITI's coverage of a majority of items, on the other hand, some types of revenues are left beyond the framework of the Initiative," thereby making it possible for the "EITI to answer only a part of the questions which can be of interest for the public." Mr **Baghirov** forwarded four major proposals concerning oil revenues: necessity to adopt a new law on the management of oil revenues; necessity to have a civil society representative at the Supervisory Board of the Oil Fund (SOFAZ); necessity to expand the coverage of EITI reporting templates; necessity to set up an accountability system for oil revenue expenditures.

Addressing the latter half of the session EITI: Regional Perspectives were Mr Jonas Moberg, the head of EITI Secretariat, Mr David Narmania from the Georgian NGO Coalition Transparency of Public Finance, Ms Anara

Dautalieva, a representative from EITI Kyrgyzstan, and Mr Malik Issabekov, a representative from EITI Kazakhstan. Noting the results of the work in this field of activity in their countries, the reporters also referred to the corresponding crucial successes of Azerbaijan and highlighted the progress of the EITI Coalition of NGOs in making the statement on the official reports on the implementation of EITI.

Despite it was the 14th Caspian International Oil & Gas Conference, hosted in Baku, for the first time there were held consultations on EITI topics.

EITI Azerbaijan NGO Coalition receives Media Award

The group has become notable for active co-operation with the media

The Zardabi Media Centre has announced the results of the multi-profile poll which it had conducted in 2006. The corresponding event, dedicated to the presentation of the results, took place at the Hyatt Regency Hotel on May 30th, with participation of representatives from governmental circles, ministry officials, heads of international organizations, MPs, members of the Press Council, media representatives, business and NGO circles, etc.

The winners have been selected among the nominees for 7 categories. The Coalition Increasing Transparency in Extractive Industry was among the winners as well. The group has distinguished itself among NGOs and NGO unions in the field of active co-operation with the media.

A diploma of distinction and the corresponding award for "active co-operation with the media in 2006" were presented to Mr Oqtay Gulaliyev, a member of the Coalition Board, who was attending the event on behalf of the group.

Addressing the gathering, Mr Gualiyev extended deep thanks on behalf of the Coalition to the people who organized and conducted the poll, including the Zardabi Media Centre. Touching upon the objectives of the Coalition, Mr Gulaliyev highlighted the importance of active involvement of civil society in the transparent use of the revenues from the development of natural resources.

In-depth information on the event was provided at a meeting of the Board of the Coalition on June 8th, with the award being displayed at the office of the alliance.

Inhabitants of Mingachevir worry about the fortune of petrodollars

A round table – the next in turn in the framework of the coalition's integrated project entitled Campaigning for the Awareness of Citizens and Increase of the Interest for the Effective Use of Oil Revenues – took place in Mingachevir, a major town in the central part of the country, on June 10th.

Mr Hamid Khalilov, the head of the Centre for Monitoring of and Education on Socioeconomic Rights, addressed the audience on the oil incomes to be earned by Azerbaijan, and the management of the assets of the Oil Fund. The opening speech was given by Mr Asgar Ahmad, the head of the Democratic Values Protection Fund, who provided an insight into the topic and informed participants of the significance of the event, as well as EITI process itself, history of establishment and operation of the coalition Increasing Transparency in Extractive Industries. The remaining part of the meeting was devoted to the Q&A session.

According to Mr Asgar Ahmad, also one of the project co-ordinators, the audience was mainly interested in the following topics: ways of management of oil incomes so that they will benefit the well-being of future generations; the ongoing situation with crude oil production at SOCAR; spending priorities with respect to the accumulations at the State Oil Fund; reasons for Azerbaijan's small shareholding interest in major production-sharing agreements; the leverages which the coalition ITEI can exert over the Government of Azerbaijan on the effective use of oil incomes; assessment of whether petrodollars are used to the purpose or misused; the extent to which the threat of Dutch disease become realistic to Azerbaijan; the possible role of petrodollars in the lives of young people. The topics raised broad discussions.

Participating in the event were more than 30 activists from local NGOs, as well as teachers', municipality and students' circles in Mingachevir.

Supervisory Board of the Oil Fund convenes a meeting

The Supervisory Board of the State Oil Fund held its regular meeting on June 13th. According to the PR department of the Fund, Prime Minister Artur Rasizada, the chairman of the Supervisory Board of the State oil Fund, presided at the meeting.

Discussed at the meeting were the annual report on the activities of the Fund as of 2006, the results of the audit of financial performance, and upcoming changes in the 2007 budget. Following the corresponding presentation of the 2006 annual report and the results of independent audit, which was carried out by Ernst & Young, by the executive director of the State Oil Fund, the Supervisory Board considered each of the documents acceptable and voted in favour of submitting the third paper – draft form of the execution of the 2006 budget – for consideration to the president of the country.

Meanwhile, accepting amendments to the 2007 budget of the Fund, the Board decided to submit the corresponding changes for approval to the president. Besides that, Mr Artur Rasizada was re-elected to the post of the chairman of the Supervisory Board.

PWYP Applauds Obasanjo For Signing NEITI Bill

May 31st, 2007

By Bassey Udo and Charles Okonji, Lagos

Publish-What-You-Pay Nigeria (PWYP), one of the leading non-governmental organisations (NGOs) that championed the cause for the passage of the Nigeria Extractive Industries Transparency Initiative (NEITI) Act, has commended the immediate past President, Chief Olusegun Obasanjo, for signing the bill into law shortly before he left office last Tuesday.

National Coordinator of the group, David Ugolor, who issued the commendation, assured that Civil Society Groups in the country would continue to work with government and all its agencies to ensure that the NEITI Law meets the principles and criteria of the global Extractive Industries Transparency Initiative (EITI).

Obasanjo, while appending his signature to the document recently passed into law by the National Assembly, noted that he was delighted to carry out the exercise to leave a lasting legacy of revenue transparency in Nigeria's oil and gas as well as solid minerals industries.

Ugolor "We see the accent by Chief Olusegun Obasanjo formally bringing NEITI Act into being as a watershed in the annals of revenue transparency in Nigeria | the nation's oil and gas as well as solid minerals industries.

"We are particularly pleased that he had to sign it shortly before leaving office so that the new President, Umar Yar'Adua, will have a legal platform to continue the NEITI. We are glad that the new President, during his electioneering, expressed commitment to continue the process. In due time, we will follow up on the commitment," he added.

PWYP Campaign urged that with the NEITI Law in place, the process of nominating stakeholders into the National Stakeholder Working Group NSWG, prior to the approval of National Assembly must provide opportunity for all stakeholders to self-nominate their representatives in line with the EITI principles and criteria.

The Coordinator, Gender and Development Action (GADA), Tijah Bolton, equally called on Yar'Adua to immediately to initiate steps to implement the NEITI Law, as it would signal the readiness of his administration to move quickly to entrench a regime of transparency and accountability in the extractive sector, particularly in the oil and gas industry, which contributes over 94 per cent of the country's foreign exchange.

PWYP further expressed the hope that the NEITI Act would provide the enabling environment for the NEITI to carry out its proposed value-for-money audit aimed at ensuring that the financial accounting pertaining to Joint Ventures (JVs) and Production Sharing Contracts (PSCs) fairly represents the actual costs incurred in exploring, extracting, and transporting oil, among other such aspects of oil production in Nigeria and also see how such costs associated with oil production in Nigeria are reasonably consistent with the cost associated with comparable international operations.

OGUZ gathering discusses youth involvement in EITI

Two civil society institutions Healthy Development and Education (SIMIB) and Youth Democrats Reformists (DIMIB) on June 6th 2007 held a seminar with young people in Oguz district, as part of the united project Involvement of Young People in EITI Processes implemented by the coalition Increasing Transparency in Extractive Industries.

During the seminar, participants were given portable calendars, notebooks and pens bearing the logos of the ITEI coalition, SIMIB and DIGIB organizations. Also in the course of the event, the walls of the seminar room were hung on with writing pads, as well as instructional sheets, bearing the logos of the ITEI coalition, SIMIB and DIGIB, with information about revenues and expenditures of the State Oil Fund of Azerbaijan (SOFAZ). All appliances were prepared by the ITEI coalition. The topics of discussion included preconditions for and history of establishment of SOFAZ, preconditions for the setting up of the ITEI coalition, as well as the information about the mission, activities and history of the alliance (speaker Mr Matlab Abbasov), sources of receipts for and the projects funded through the Oil Fund (speaker Mr Rasim Abutalibov).

In implementing the seminar, the Ministry of Youth and Sports and the executive power of Oguz district provided the organizational support, with information support given on behalf of the State Oil Fund of the Azerbaijan Republic (SOFAZ).

Representative from EITI coalition takes part in a conference in Indonesia

Mr Qubad Ibadoglu, the co-ordinator for the board of the coalition of civil society institutions Increasing Transparency in Extractive Industries, visited Jakarta, Indonesia, June 12th through 14th 2007, at the invitation of Transparency international Indonesia. The main objective of the visit was to make a presentation on the implementation of EITI in Azerbaijan and the formation of the ITEI coalition at a special gathering for local NGOs supporting the Extractive Industries Transparency Initiative.

Prior to his speech, Mr Ibadoglu, on the first day of his visit, on June 12th, met with Mr David Browne, an advisor for the UK Department for International Development (DFID); the two sides held discussions over the forms of co-operation among the Government of Azerbaijan, industry circles and civil society institutions in the implementation of EITI, as well as their respective roles and responsibilities. The same day the conversation got a new lease of life, at the conference with participation of representatives from governmental and business circles. Mr David Browne made his presentation on the topic; after the corresponding comments by Mr Qubad Ibadoglu, the audience held discussions over the issues on agenda.

On the second day of the visit, on June 13th, Mr Qubad Ibadoglu acted in the capacity of the speaker at the seminar on prospects for the implementation of EITI in Indonesia.

The opening speech to seminar participants was given by Mr Todung Mulya Lubis, the chairman of the Supervisory Board of Transparency International Indonesia. Then Mr Frankie Simanjuntak, a researcher for Transparency International Indonesia, provided information on the Initiative in general. Subsequently, the audience heard the presentation by Mr Qubad Ibadoglu on Azerbaijan's experience in the EITI, thereby raising broad discussions over a number of questions.

The second session of the seminar was devoted to presentations on the results of the assessment of the provisions of the corresponding production-sharing agreements and the calculation of costs related to the implementation of those production-sharing agreements, and the study of the dynamics of petroleum prices.

The third part of the seminar set the audience discussing the topics of EITI implementation on a regional scale, with the focus made on iron ore operations in the southern part of Kalimantan and crude oil production at Jepu.

A press conference summed up the work of the seminar.

Coalition takes a seat on Strategic Advisory Group for Publish What You Pay

Mr Ingilab Ahmadov, a member of the Board of the coalition Increasing Transparency in Extractive Industries, has been elected a member to the Strategic Advisory Group for the international organization known as Publish What You Pay. He will represent the Caucasus and Central Asia regions at PWYP.

The Strategic Advisory Group emerged after the latest meeting of the PWYP coalition in Oslo, in October 2006, to craft policies for the coalition and develop its strategy so that the plan will cover the interests of every single member.

The group operates as a consultative body composed of 14 members.

The SAG has been mandated to:

1. develop strategic guidelines and International Action Plan (IAP) to yet improve the efficiency of organization of the operation of the PWYP coalition;
2. monitor the implementation of the International Action Plan in accordance with its objectives;
3. draft recommendations for members of the Coalition, including national alliances;
4. ensure the publication of every single copy of the print material on behalf of the PWYP Coalition;
5. mediate between members of the Coalition in the settlement of conflicts, if any occurs.

Members of the Group have been selected from the following regions:

1. Sub-Saharan Africa – 2 people;
2. South-East Asia – 2 people;
3. Central Asia/Caucasus – 2 people;
4. Europe – 2 people;
5. Latin America – 2 people;
6. Middle East/North Africa – 2 people;
7. North America – 2 people.

The composition of the Group has been formed for a two-year office until the next assembly of the PWYP Coalition.

Barda meeting focuses on youth involvement in EITI

Two civil society institutions Healthy Development and Education (SIMIB) and Youth Democrats Reformists (DIMIB) held a round table in Barda, a town in the central part of Azerbaijan, on June 16th 2007, in the framework of the Youth Involvement in EITI Processes project of the coalition Increasing Transparency in Extractive Industries. All 22 participants of the gathering were provided with proceedings from an international conference entitled Experience of Pilot Countries, as well as with portable calendars, notebooks and pens bearing the logos of the ITEI coalition, SIMIB and DIGIB organizations. Also in the course of the event, the walls of the seminar room were hung on with writing pads, as well as instructional sheets, bearing the logos of the ITEI coalition, SIMIB and DIGIB, with information about revenues and expenditures of the State Oil Fund of Azerbaijan (SOFAZ).

Opening the round table, project manager Mr A. Mikayilov informed the audience of the goal, objectives and topicality of the project as well as the organisations implementing it (EITI, SIMIB, and DIGIB).

Then the floor was given to Mr Anar Khalilov, the chairman of SIMIB. The presentation by Mr Khalilov had in-depth coverage of the role of petrodollars in the ongoing socioeconomic situation in Azerbaijan.

After that it was the turn of Mr Matlab Abbasov, the chairman of SIMIB's Law Studies Centre and lecturer at Odlar Yurdu University, to provide extensive information to the participants on the reasons for and historical background to the establishment and, afterwards, management of the State Oil Fund of the Azerbaijan Republic (SOFAZ), as well as necessary prerequisites for the foundation of the ITEI coalition, its mission, activities and history. An expert in law, Mr Matlab Abbasov also touched upon at length the benefits of civilian oversight of EITI developments.

Finally, Mr Rasim Abutalibov, the head of SIMIB's section of economics and lecturer at Kavkaz University, made a comprehensive presentation on the sources of receipts to SOFAZ and areas of allocation of the proceeds out of the accounts of the institution, including the projects that were funded by the Fund.

The presentations raised many questions which were answered by speakers.

In implementing the round table, the Ministry of Youth and Sports provided the organizational support, with information support given on behalf of the State Oil Fund of the Azerbaijan Republic (SOFAZ).

Radio debates focus on oil revenues

A regular radio broadcast on the topic Oil Revenues and Government Spending, as part of the series of radio debates on oil revenues and the effective use of them, has been aired in the framework of the corresponding united project of the coalition. Programme guests, Mr Azar Mehdiyev, the editor-in-chief of Ekspert journal, and Mr Cumsud Nuriyev, a former MP, touched upon the impact of petrodollars on the state budget, the effect of such influence on living conditions of the population, as well as the ways of use of oil incomes for the development of education and health sectors, etc.

Meanwhile, a radio dialogue on Oil Revenues and Economic Development has been organized on Public Radio's Diqqat Markazinda (in the spotlight) programme. The corresponding discussions, entitled Oil Revenues and Economic Development, have been sent out on the Public Radio in the framework of the united project's component known as Radio Dialogue on the Efficient Use of Oil Revenues.

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INTERNATIONAL SEMINAR ON THE TRANSPARENCY INITIATIVE HAS BEEN HELD

A seminar on Implementation of Transparency Initiative in Extractive Industries: the best practices and tools was held on November 10-15, 2008 in Berlin, Germany. The Coalition had been presented by the Council Coordinator Gubad Ibadoglu. More than 35

representatives from 10 countries over the world attended the seminar. Government officials, company and civil society, who are engaged in transparency initiative represented various countries. The seminar has created a condition for networking and organizing multisided discussions. Besides of Azerbaijan, representatives from Iraq, Kazakhstan, Kyrgyzstan, Mongolia, Norway, Sierra-Leon, Timor-Leste, Yamane and Zambia took part at the seminar. Representatives from the World Bank, International Secretariat on EITI, Revenue Watch Institute, "Publish What You Pay" International Coalition, Transparency International, GTZ and Invent organizations of Germany had participated at the seminar as speakers or participants.

The seminar was financed by International Board and Secretariat on EITI and Ministry of Economic Cooperation of Germany, while organizational support was provided by Invent Center. Chairman of International Board on EITI Peter Aygen had taken part in plenary meeting of the seminar.

The seminar participants exchange of opinion about scale of EITI activities, participants, strategy of communication, different practices about filling reports, evaluation, transparency of license and contract, and financing EITI by donors were. The panel also discussed each country's representation in the EITI.

According to Gubad Ibadoglu, seminar has fully demonstrated practices of different countries, exchanging, evaluation and collating of reports. "One of the advantages of the seminar was uniting participants into one network and creating information exchange in one space. The seminar was very useful for creating durable relations among participants

and for its further development", Gubad Ibadoglu said.

COFFEY INTERNATIONAL DEVELOPMENT TO VALIDATE EITI PROCESS IN AZERBAIJAN

A meeting of the Validation Working group, established to proceed with Validation process, was held on November 18, 2008. The group was established in June 2008 and three people from each EITI stakeholders (Coalition of NGOs, Government Commission and companies) were included into the group. The Coalition is represented by Gubad Ibadoglu, head of the Supervisory Board of the Economic Research Center (has been replaced with Azer Mehtiyev from December), Sabit Bagirov, President of Economic and Political Research Center and Ingilab Ahmedov, chairman of Public Finance Monitoring Center at the Coalition.

During the meeting the sides discussed the results of the announced competition on validation of EITI in Azerbaijan followed by the thorough evaluation of proposals. Seven companies (Validators) - Coffey Int. Dev. Ltd., ECON, The IDL Group, Goldwyn Int Strategies, Hart Nurse Limited, Oxford Policy Management, PricewaterhouseCoopers and Accountability, approved by the International EITI Board to validate EITI process, were invited to bid. Four companies - Coffey International Development, Goldwyn International, Hart Group and ECON submitted their proposals for bidding. Coffey International Development was selected to exercise this process in Azerbaijan following the unanimous decision of the Selection Group.

So, validation process, one of the most important steps in the field of validation of EITI in Azerbaijan, has started from December. This process will be concluded on January 30 and Coffey International Development will present the latest report on EITI validation in Azerbaijan during the meeting of the Working Group.

ANNIVERSARY OF SIGNING OF MEMORANDUM HAS BEEN CELEBRATED WITH DISCUSSIONS

NGOs Coalition for Improving Transparency in Extractive Industry A round table devoted to the "5th year of Mutual Understanding Memorandum: profits of past period and claims of future period" on November 21, 2008.

Members of the State Commission on the Extractive Industry Transparency Initiative, oil and gas companies joined this process while local and foreign non-governmental

organizations, representatives of diplomatic missions, independent experts and journalists attended the event.

Coordinator of Coalition for Improving Transparency in Extractive Industries Gubad Ibadoglu and Executive Director of Open Society Institute Assistance Foundation Farda Asadov welcomed participants and briefed the participants about achievements gained in past 4 years and recently emerged obstacles.

Sabit Bagirov, Director of Economic and Political Researches Center made a speech making a presentation of EITI Coalition's proposals on additions and changes to the Memorandum of Understanding (MoU) on EITI implementation in Azerbaijan. He provided background information on EITI implementation in Azerbaijan. Referring to the 1st item of the Memorandum, which states that "the cases of changes to report forms and times of representation, based on mutual agreement of parties, are not exception in future. Each of parties has right to make proposals about changes while other parties of Memorandum will discuss it together". Sabit Bagirov suggested to include amendments in order to improve the already existing and new report forms. According to Sabit Bagirov, Coalition proposed to work out an action plan for the next 5 years among interest groups and to create constant Committee and Council with participation of representatives of parties.

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ifferent opinions were sounded to these suggestions during discussions. At the end of the session it was decided, to represent proposals to Government Commission and companies joined EITI to express their opinions on the proposal.

NEXT EDITION OF "TRANSPARENCY IN EXTRACTIVE INDUSTRIES" MAGAZINE HAS BEEN PUBLISHED

The 8th issue of the "Transparency in Extractive Industries" magazine published by the NGOs Coalition for Improving Transparency in Extractive Industries has recently seen light in Baku.

According to Ogtay Gulaliyev, editor in-chief of the magazine, the newly published edition contains many interesting materials. The new edition top stories investigate how "Can the contract of the century solve the problems of the century?", "Existing risk factors in the useful spending of oil revenues", "What pledges the cheapen of oil to Azerbaijan?", "Road passers, or money passers", "The future of millions - 3", "Almost half of funds allocated for IDPs is winnowed", "Problems of protection of environment in the Caspian Sea", also featuring interview with Shahmar Movsumov, Executive Director of SOFAZ

This issue of the "Transparency in Extractive Industries" magazine can be obtained from the Coalition office.

COALITION COORDINATOR TO GO TO USA

Gubad Ibadoglu Coordinator of the NGOs Coalition for Improving Transparency in Extractive Industries to undertake a research at the North Carolina University from December 2008 to May 31 with the invitation of the US State Department. Gubad Ibadoglu asked the Coalition Council to transfer his responsibility to one of the Council members when he will be out of Azerbaijan.

Coalition Council positively responded to Ibadoglu's suggestions. As a result of discussions Council member Azer Mehtiyev has been selected Coordinator of the Coalition.



VALIDATION INDICATORS DISCUSSED

A working meeting dedicated to the EITI validation of multisided interest group on the implementation of the EITI has been held on December 10, 2008. The meeting was held in the conference room of the Park Inn hotel with the financial support of Revenue Watch Institute, Royal Norwegian Embassy in Azerbaijan and State Oil Fund (SOFAZ).

Members of the Government Commission on EITI, representatives of the companies operating in Azerbaijan, EITI Coalition, foreign states embassies and mass media representatives attended the meeting.

Galib Efendiyev, representative of Revenue Watch Institute made a welcome speech informing participants about the reasons of holding of the event.

Following by Efendiyev, Shahmar Movsumov, Executive Director of SOFAZ on behalf of the Azerbaijani government made a speech dedicated to "EITI Experience in Azerbaijan and a way taking to the implementation of EITI".

Movsumov spoke about work done during the implementation of EITI and achievements that had been made during that time. According to Movsumov, Azerbaijan takes an active part in the EITI validation process and will continue to do so.

Making a presentation on the international validation experience, Rebecca Iverks, representative of the Revenue Watch Institute stressed that the validation process will help in EITI expansion and improvement.

The meeting also unveiled information about 18 indicators prepared by the International Advisory Group on validation process. The data was presented by the representative of EITI Secretary and these indicators were unveiled to the participants of the event. The presentation followed by the discussion on the validation indicators. EITI process in Azerbaijan has been evaluated on every indicator. Azerbaijani Government Commission, companies and NGO Coalition presented their views and arguments on these indicators.



ALIMAMMAD NURIYEV TO REPRESENT THE COLAITION IN DOHA CONFERENCE

An international conference on the Extractive Industry Transparency Initiative (EITI) will be held in Doha, Qatar on February 18-19, 2008. Such issues as situation regarding implementation of the Initiative, problems faced in different countries and further perspectives to be discussed at the conference, organized by EITI Secretary. Samir Sharifov, Ministry of Finance, is expected to make a speech at the event.

Participation of all three parties (Government Commission, companies and civil society institutions) taking part in the implementation of the Initiative is planned. According to the decision of the NGOs Coalition for Improving Transparency in Extractive Industries, Alimammad Nuriyev, member of the Coalition will represent Azerbaijan at the conference.

EITI DISCLOSES ITS 9TH REPORT

The 9th report reflecting implementation of Extractive Industries Transparency Initiative (EITI) in Azerbaijan for the 1st half of 2008 year has been disclosed recently. Representatives of parties taking part in the implementation of EITI, State Commission, companies and NGO Coalition took part at the event devoted to the disclosure of the report. The presentation of the independent Aggregator Moore Stephens who collated the reports, indicates that during the report period 65, 705 billion barrel of oil, 8.5 billion cub meters of gas, 1 196,852 million manat profit tax, 0, 5 million manat bonus, 0, 9 million manat acre payments have been paid by the foreign companies to the government. Local companies have paid 3845,0 cub meters gas, 67 million manat royalty, 87,564 million manta profit tax and 229,802 of other taxes to the government.

This time manat difference has not been observed between the reports of local companies and government. Representative of the audit company has explained this as a result of trainings held for employees of local companies. However, big mistakes have been observed while comparing the reports of foreign companies and government. According to the Aggregator, a great part of these margins is connected with the dual status of the State Oil Company (SOCAR). Although this statement was announced by the representative of the company, the statement has not been among the documents distributed to participants of event.

The report and opinion of the audit company has been discussed at the meeting of the NGO Coalition's Council on December 19, 2008. In accordance with the decision of the Council, Working Group represented by Ingilab Ahmedov, Sabit Bagirov, Azer Mehtiyev and Mahammed Talibli was assigned to prepare a document expressing Coalition position regarding the report.



COALITION CHANGES DATES OF GENERAL ASSEMBLY MEETING

The General Assembly of the NGOs Coalition for Improving Transparency in Extractive Industries (ITEI) has been postponed. A decision has been made following the meeting of the Coalition Council on December 19.

According to Coalition Regulation, General Assembly should be held not less than twice per annum. Only one meeting had been held in 2008.

During the meeting of the Coalition Council held on December 3 the decision was made to organize the next General Assembly on December 27. Coalition applied to its members to register for participation, but taking into account that only 20 people registered

till December 19, the Coalition decided to postpone the event due to the limited time frames.

VALIDATION INDICATORS HAS BEEN DISCUSSED

NGOs Coalition for Improving Transparency in the Extractive Industry (ITEI) has been actively into EITI validation process. During the evaluation of EITI validation implementation process the group will learn opinion of existing and former members of the Coalition Council and additional peoples determined by the Coalition. On January 12-19, representatives of Coffey International Development will meet with them in Baku.

Therefore, discussions were set for Coalition members on December 22-23, 2008 on 18 validation indicators prepared by EITI Secretary.

Coalition expert Ingilab Ahmedov expressed his opinion about validation process and its possible results during the event. Following Ahmedov's speech, participants were informed about each of 18 indicators determined on the Joining, Preparation, Discovering and Promotion steps. At the results of two days event it was decided to prepare a document expressing common opinion of the Coalition. The task to prepare the document was given to Azer Mehtiyev, Coordinator of the Coalition Council.



COALITION VOICES ITS VIEWS REGARDING EITI PROCESS IN AZERBAIJAN

NGOs Coalition for Improving Transparency in the Extractive Industry has presented its view on EITI process in Azerbaijan to the validator Coffey International Development. Below is presented the context of the document, which resulted following the discussion at the Coalition Council. Here is the final version of the document.

We welcome validation process on the International Transparency Initiative in Azerbaijan and hope that this process will help parties, particularly government and companies to fulfill EITI demands.

Azerbaijan is one of the first countries joining the EITI process which till now has disclosed nine reports. As a representative of the civil society institute NGOs Coalition considers that the following issues which are of the concern of Coalition should be taken into

account:

Joining process:

Being one of the first countries supporting the EITI process, Azerbaijan joined the process under different procedures. The country announced its intention to join the EITI at the international conference followed by the Memorandum of Understanding signed between the participation of civil society representatives (November 24, 2004). The Activity Plan reflecting steps of the joining the process, consistency of the realization of the program was not composed. Procedures and periods of collating and disclosing of reports on payments of companies and incomes of funds of government have been reflected in the Memorandum. However, the Memorandum does not cover all stages of the EITI process and does not reflect consistency of work that yet to be implemented. Other document which could possibly replace Activity Plan out of the Memorandum has not yet been

adopted.

2. Preparation stage:

Permanent representative of the Working Group should be able to control implementation and development of the EITI process in Azerbaijan. This mechanism has not yet been established. In accordance with the 12th item of the Memorandum, MoU is only an intentional statement, and does not suggest any responsibility for any of the participating sides.

The representativeness of the Parliament as a part of the Memorandum has not been provided.

As there is no permanent Working Group which would be in charge of several cases (for example, selecting of the audit company on the collating of the reports, selecting of audit company on the validation, etc) a Working Group responsible for only one case have been established. This makes it difficult to provide consistent control over the project.

As a result of the non-existence of the permanent Working Group, the decision on the joining of Azerbaijan to the EITI validation process has been announced by the Government Commission, but not by the commission representative.

Non-existence of the permanent Working Group makes it difficult to conduct discussions of important aspects. This increases dependency of the process implementation from one of the party. NGOs Coalition made suggestions regarding the improvement of the report forms and amendments to the MoU in 2005, however, this issue still remains open.

We consider that in the case of existence of the permanent Working Group these proposals could be seriously discussed.

We consider that the government does not make enough effort to remove all obstacles in strengthening of the EITI process. Absence of the Activity Plan and permanent Working Group and ignoring of the Coalition's proposals is the result of this.

At the same time the Azerbaijani government does not make any effort in the formation of juridical base of the EITI process and making parties responsible.

Though the companies have joined the process, they still present general information.

The initiative of the Coalition to disclose the individual reports by companies have been positively accepted by a few companies. Majority of the companies, especially local companies are against of being actively involved into this process.

The existing format of the report forms have been agreed with the Coalition at the initial stage. Despite an agreement to return to this question and take into account opinion of the civil society sector, proposals of the NGOs Coalition on improvement of these reports have not been taken into account.

International accounting standards have not been implemented in several companies (especially in local extractive companies) operating in Azerbaijan and joined the EITI process. This questions the reports presented by those companies to the international accounting standards.

The governmental structures (except for the State Oil Fund) which have been involved into this process in Azerbaijan, also do not meet international accounting standards.

The results of annual activities of companies had been checked by independent audit

companies. Therefore, this is difficult to view semi-annual reports as the result reflecting audit opinion at the international standards level.

3. Discovering stage:

Nine reports on the EITI have so far been disclosed in Azerbaijan. There were almost the same repeating errors made in most part of these reports. Each time an audit company made approximately the same explanation regarding those mistakes: “any foreign company wrongly included anything to this, we have checked the data getting affirmative documents from that company”. By the time Azerbaijani will have disclosed its 9th report, companies and the government should have gained enough experience to fill in these forms.

NGOs Coalition Council has expressed its concern regarding those mistakes, however, these concerns have not been taken into account.

Explanations made by the auditor companies regarding the repeating errors are not valid and do not meet Coalition’s enquiry.

The proposals addressed to companies and to the government to overcome those mistakes have never been reflected in the auditor’s opinion.

4. Promotion stage:

Independent auditor’s review on the collating of reports and report of the government are placed only on the websites of the NGOs Coalition and State Oil Fund. This limits the opportunities of the public to get information about these reports as not everybody has access to these websites. The reports placed on the websites are written in the professional language and are difficult to understand for citizens. NGOs Coalition thinks that these reports must be published along with publishing of booklets and brochures.

NGOs Coalition wishes success to the audit company implementing the validation

process and hopes that validation will help to solve the above-mentioned problems.

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