









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Indicator	Score
4.1.1	Context
4.1.1	Context

4.1.1.050: Has the government created a special fund or natural resource fund that concentrates revenue directly from oil, gas or mineral extraction?

Score: A B C

Comments:

The Azeri government has created a special fund (with hybrid purposes) that concentrates revenue directly from oil and gas. The fund is called State Oil Fund of the Republic of Azerbaijan (SOFAZ). The State Oil Fund of the Republic of Azerbaijan (hereinafter "Fund") has been established in accordance with the Presidential Decree № 240 dated December 29, 1999 "On Establishment of the State Oil Fund of the Republic of Azerbaijan" to ensure effective management of the country's foreign currency assets, generated from implementation of agreements signed between the State Oil Company (or Authorized Government Body) and investors in regard to oil and gas exploration, development and production sharing, including those generated from the implementation of other agreements concerning exploration and development of the oil and gas reserves in the Azerbaijani sector of the Caspian Sea.

According to the Statute of the SOFAZ, the main objective of the Fund is to ensure the accumulation and effective management of foreign currency and other assets generated from the implementation of oil and gas exploration and development agreements as well as from the Fund's own activities, in the best interest of citizens and future generations of the Republic of Azerbaijan.

References:

- 1) Decree of the President of the Republic of Azerbaijan On establishment of the State Oil Fund of the Republic of Azerbaijan <http://www.oilfund.az/uploads/ferman1en.pdf>
- 2) Statute of the State Oil Fund of the Republic of Azerbaijan, <http://www.oilfund.az/uploads/status.pdf>

4.1.1.051: What authority is responsible for the natural resource fund?

Score: A B C D E

Comments:

According to the 1.2. provision of the "Statute of the State Oil Fund of the Republic of Azerbaijan", the Fund is accountable to the President of the Republic of Azerbaijan.



References:

- 1) Statute of the State Oil Fund of the Republic of Azerbaijan, <http://www.oilfund.az/uploads/status.pdf>

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Indicator		Score
4.2.1	Comprehensive reports	42 
4.2.2.056	Audited reports	100 

4.2.1 Comprehensive reports

4.2.1.052: Are the rules for the fund's deposits and withdrawals published, including the formula(s) for deposits and withdrawals?

Score: A B C

Comments:

There is no withdrawal rule expressed in percentage terms.

From all available legislation, it seems that the only possible way of changing this rule could be a decree signed by the president, as no document makes it possible to deposit the oil money into any other fund or treasury.

References:

1) Web page of SOCAR, www.oilfund.az

4.2.1.053: Does the fund management or authority in charge of the fund publish comprehensive information on its assets, transactions and investments?

Score: A B C D E

Comments:

SOFAZ publishes information on its assets, transactions and investments. According to the investment policy of SOFAZ, the following assets may be included in the Investment Portfolio of the Oil Fund:

- Deposits in the central (national) banks, commercial banks and other financial institutions;
- Debt obligations issued by the governments, government agencies, international financial organizations, for profit organizations and other institutions with long term investment grade credit ratings (Standard & Poor's or Fitch or Moody's);
- Debt obligations with long-term investment grade credit ratings (Standard&Poor's or Fitch or Moody's) issued by governments, government agencies, international financial organizations, for profit organizations and other institutions;
- Investments in stocks included in major international equity indices;
- Shares of mutual and alternative investment funds;
- Gold bars conforming to the requirements of the London Bullion Market Association;
- Real Estate;
- Non-investment grade debt obligations or deposits with credit rating of not less than "BB-" (Standard & Poor`s or Fitch) or "Ba3" (Moody`s). Maximum capital, allocated to those investments should not exceed 5% of the total value. In this case, the counterparty banks of the Oil Fund providing custodian (depository) services and holding correspondent accounts for Oil Fund may have non-investment grade credit rating (not less than BB-" (Standard & Poor`s, Fitch) or Ba3" (Moody`s)).

Liquidity level of the Oil Fund's assets shall be kept at a satisfactory level to ensure proper and timely

transfer of planned money and to timely make other transfers related to budgetary expenses. For the purpose of reaching such liquidity level, not less than USD 100 mln. of the assets shall be kept in cash or cash equivalent. Where the amount of assets in cash in the Oil Fund is less than the mentioned amount such situation shall not continue for more than 7 calendar days.

The maximum average weight of one investment asset or one financial institution (excluding depository banks) in the investment portfolio shall be determined at the level of 15% of the total value of the investment portfolio.

The amount of assets to be managed by external managers shall be determined at the following level:

- the total value of the assets issued for being managed by external managers – constitutes not more than 60% of the total value of the investment portfolio;
- the maximum amount of the assets issued for being managed by one external manager – constitutes a part not exceeding 15% of the total value of the Investment Portfolio.

For specific proportions, we can look at the investment strategy for 2012, which stipulates some upper limits like below:

1. Debt instruments (both long term and money market) – 85% of the investment portfolio;
2. Stock portfolio – 5%;
3. Real estate – 5%;
4. Precious metals – 5%;

The distribution of the total value of the investment portfolio of the Oil Fund is the following:

- 50 percent is placed in the assets denominated in US Dollars;
- 40 percent is placed in the assets denominated in Euro;
- 5 percent is placed in the assets denominated in English pounds sterling.

5% of the total value of the investment portfolio of the Oil fund can be invested in assets denominated in currencies of countries with the long-term country ratings (sovereign debt) not less than the credit ratings "A" (Standart and Poors, Fitch) or "A2" (Moody's) or in USD or in USD, EURO and English pounds sterling by distributing them on the pro-rata bases in weight.

References:

- 1) Web page of SOFAZ, www.oilfund.az

4.2.1.054: Are the reports containing information on the fund's assets and transactions understandable?

Score: A B C D E

Comments:

The Fund annually publishes its financial report. Apart from that, quarterly number are disclosed in the press. All of those reports can be taken from the official website easily. Once a year, external auditing is conducted, the report of which is again available on the website.

Online reports are mainly technical and lack narrative sections and notes on methodology, but are generally comprehensive.

References:

- 1) Web page of SOFAZ, www.oilfund.az

4.2.1.055: How often are financial reports published by the fund management or authority in charge?

Score: A B C D E

Comments:

The Fund annually publishes its financial reports. It also publishes some information in quarterly statements.

References:

1) SOFAZ, Annual Report 2010, http://www.oilfund.az/pub/uploads/annual_2010en.pdf

4.2.2.056 Audited reports

4.2.2.056a: Are the fund s financial reports audited?

Score: (A) B C D E

Comments:

The Fund annually publishes its financial and audit reports. Both reports are available from the official website. Once a year, external auditing is conducted and these reports are published too.

References:

- 1) SOFAZ annually report , 2010, http://www.oilfund.az/pub/uploads/annual_2010en.pdf
 - 2) SOFAZ audit report, 2010, <http://www.oilfund.az/pub/uploads/a2010en.pdf>
-

4.2.2.056b: Are the audited financial reports published?

Score: (A) B C

Comments:

Once a year, external auditing reports are published on the website.


References:

- 1) SOFAZ Audir report 2010, <http://www.oilfund.az/pub/uploads/a2010en.pdf>

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Indicator	Score
4.3.1 Legal Framework and Practice	45 

4.3.1 Legal Framework and Practice

4.3.1.057: Are the rules governing deposits into the fund defined by legislation?

Score: A B C

Comments:

The rules governing the Fund's operations are stated in several decrees and documents (not defined by legislation), namely, "Decree of the President of the Republic of Azerbaijan On establishment of the State Oil Fund of the Republic of Azerbaijan", "Statute of the State Oil Fund of the Republic of Azerbaijan", "Rules on management of foreign currency assets of the State Oil Fund of the Republic of Azerbaijan", "Rules on the preparation and execution of the annual program of revenues and expenditures (budget) of the State Oil Fund of the Republic of Azerbaijan", "Long-term strategy on the management of oil and gas revenues".

References:

1) Acts on Fund's activity, http://www.oilfund.az/en_US/huequqi-senedler/fondun-fealiyyetine-dair.asp

4.3.1.058: In practice, does the government follow the rules governing deposits to the natural resource fund?

Score: A B C D E

Comments:

Azerbaijan gets around 75-80% of the profit from major oil contracts (depending on transportation costs, if it is more than \$3-4 per barrel, 75% applies, if less, 80%) all of which is deposited in the Fund.

From all available legislation, it seems that, the only possible way of changing this rule could be a decree signed by the president, as no document makes it possible to deposit the oil money into any other fund or treasury.

References:

1) Acts on Fund's activity , http://www.oilfund.az/en_US/huequqi-senedler/fondun-fealiyyetine-dair.asp

4.3.1.059: Are the rules governing withdrawal or disbursement from the fund defined by legislation?

Score: A B C

Comments:

The rules governing the Fund's operations are stated in several decrees and documents, namely, "Decree of the President of the Republic of Azerbaijan On establishment of the State Oil Fund of the Republic of Azerbaijan", "Statute of the State Oil Fund of the Republic of Azerbaijan", "Rules on

management of foreign currency assets of the State Oil Fund of the Republic of Azerbaijan”, “Rules on the preparation and execution of the annual program of revenues and expenditures (budget) of the State Oil Fund of the Republic of Azerbaijan”, “Long-term strategy on the management of oil and gas revenues”.

References:

1) Acts on Fund’s activity, http://www.oilfund.az/en_US/huequqi-senedler/fondun-fealiyyetine-dair.asp

4.3.1.060: In practice, does the government follow the rules governing withdrawal or spending from natural resource fund?

Score: A B C D E

Comments:

The withdrawal structure (and purposes), which does not follow any recurrent rule, can be shown by the annual budget of the Fund. There is no withdrawal rule expressed in percentage terms. Most of the expenditure goes directly to the state budget without any specific expenditure tag.

References:

1) Web page of SOFAZ, www.oilfund.az

4.3.1.061: Are withdrawals or spending from the fund reserves approved by the legislature as part of the budget process?

Score: A B C

Comments:

The government uses the fund outside the budget process and spending is determined by changing or discretionary objectives. There is only direct transfer from SOFAZ to state budget.

References:

1) Web pages of SOFAZ (www.oilfund.az) and Ministry of Finance (www.finance.gov.az)

4.3.1.062: Are officials of the natural resource fund required to disclose information about their financial interest in any oil, gas or mining projects?

Score: A B C

Comments:

Officials of the natural resource fund are not required to disclose information about their financial interest in any extractive activities or projects.

References:

1) SOFAZ web page, www.oilfund.az

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Indicator	Score
5.1.1	Context

5.1.1 Context

5.1.1.063: Do central governments transfer resources to subnational authorities based on extraction of mineral resources?

Score: A B C **D** E

Comments:

The sub-national governments (municipalities) do not have a share in oil revenues .

References:

1) SOFAZ web page, www.oilfund.az

5.1.1.064: Are conditions imposed on subnational government as part of revenue sharing regime?

Score: A B **C**

Comments:

The sub-national governments (municipalities) do not have a share in oil revenues .

References:

1) SOFAZ budget for 2012, Acts on Fund's budget, http://www.oilfund.az/en_US/huequqi-senedler/fondun-buedcesine-dair.asp

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Indicator	Score
5.2.1	Disclosure

5.2.1 Disclosure

5.2.1.065: Are the rules for revenue transfers from central to sub national governments published, including the formula(s) for revenue sharing?

Score: A B **C**

Comments:

The sub-national governments (municipalities) do not have a share in oil revenues .

References:

- 1) Acts on Fund's activity, http://www.oilfund.az/en_US/huequqi-senedler/fondun-fealiyyetine-dair.asp
- 2) Acts on Fund's budget, http://www.oilfund.az/en_US/huequqi-senedler/fondun-buedcesine-dair.asp

5.2.1.066: Does the central government publish comprehensive information on transfers of resource related revenues to sub-national governments?

Score: A B C D **E**

Comments:

Sub national government do not have a share in oil revenues.

References:

- 1) Acts on Fund's activity, http://www.oilfund.az/en_US/huequqi-senedler/fondun-fealiyyetine-dair.asp

5.2.1.067: Are the reports containing information on transfers of resource related revenues to sub-national governments understandable?

Score: A B C D **E**

Comments:

Sub national government do not have a share in oil revenues.

References:

- 1) Acts on Fund's activity, http://www.oilfund.az/en_US/huequqi-senedler/fondun-fealiyyetine-dair.asp

5.2.1.068: How often does the central government publish information on transfers of resource related revenues to sub-national governments?

Score: A B C D **E**

Comments:

Sub national government do not have a share in oil revenues.

References:

- 1) Acts on Fund's budget, http://www.oilfund.az/en_US/huequqi-senedler/fondun-buedcesine-dair.asp
 - 2) Acts on State budget, http://www.oilfund.az/en_US/huequqi-senedler/doevlet-buedcesine-dair.asp
-

5.2.1.069: Do sub-national governments publish information on transfers received from central governments?

Score: A B **C**

Comments:

The sub national government do not have a share in oil revenues.

References:

- 1) Acts on State budget, http://www.oilfund.az/en_US/huequqi-senedler/doevlet-buedcesine-dair.asp
- 2) Acts on Fund's budget, http://www.oilfund.az/en_US/huequqi-senedler/fondun-buedcesine-dair.asp

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Indicator		Score
5.3.1	Legal Framework and Practice	N/A

5.3.1 Legal Framework and Practice

5.3.1.070: Are arrangements (including formulas and responsible institutions) for resource revenue sharing between central and sub-national governments defined by legislation?

Score: A B **C**

Comments:

The sub national government do not have a share in oil revenues.

References:

1)Acts on Fund's budget, http://www.oilfund.az/en_US/huequqi-senedler/fondun-buedcesine-dair.asp

5.3.1.071: In practice, does the government follow the rules established by resource revenue sharing legislation?

Score: A B C D **E**

References:

1) Acts on Fund's activity, http://www.oilfund.az/en_US/huequqi-senedler/fondun-fealiyyetine-dair.asp

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Indicator	Score
1.1	Context
1.1	Context

1.1.001: Does the country have a clear legal definition of ownership of mineral resources?

Score: A B C D E

Comments:

Under Article 14 of the Constitution of the Azerbaijan Republic, natural resources, without prejudice to rights and interests of any physical persons and legal entities, belong to the Azerbaijan Republic.

There is no special law on the management of oil and gas revenues. But there is a number of laws that regulate general issues of managing revenues. Oil and gas revenues are a private case in this management. Also, there are legal acts regulating the activities of public officials and the operation of the State Oil Fund.

References:

1. Constitution of the Azerbaijan Republic
2. Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

1.1.002: Who has authority to grant hydrocarbon and mineral rights or licenses?

Score: A B C D E

Comments:

The right to dispose of Azerbaijan's oil wealth belongs to the President of the Republic. However, the national oil company (SOCAR) is engaged in the management and execution of Production Sharing Contracts (PSA).

References:

1. Charter of State Oil Company of Azerbaijan Republic Approved by Decree of the President of the Republic of Azerbaijan No.844 of January 24, 2003
<http://new.socar.az/socar/en/company/regulations/socar-charter>
2. Constitution of the Azerbaijan Republic

Peer Review Comments:

The State Oil Company (SOCAR) has only the right to dispose of and use of oil and gas resources. It has no right to award any property rights to resources. Even the PSA contract stipulate that the rights to the resources in the ground remain to the state. The company receives ownership of the part of extracted oil or gas after its partition in accordance with the terms of the contract. PSA's are signed by SOCAR (on behalf of the government), with foreign companies, but ratified by Parliament.

Государственная нефтяная компания (ГНКАР) имеет только право распоряжаться и пользоваться нефтегазовыми ресурсами. Она не имеет права награждать кого-либо правами собственности на

ресурсы. Даже в контрактах СРП указывается, что права на ресурсы в земле остаются у государства. Компания получает права собственности на нефть или газ после ее добычи и раздела в соответствии с условиями контракта. Контракты СРП с иностранными компаниями подписываются ГНКАР (от имени правительства), но ратифицируются парламентом.

1.1.003: What licensing practices does the government commonly follow?

Score: A B C D E

Comments:

In Azerbaijan, there is no law regulating the licensing of exploration and development of oil and gas fields. Negotiations with foreign companies and signature of contracts are governed by special regulations approved by the President of the country. Negotiations with one or another company are led by SOCAR, but with the prior consent of the President on such negotiations. If a company is not satisfied with the negotiations or their results, they can only appeal to the President.

SOCAR has its own share in all contracts and thus, is one of the contractors. At the same time, SOCAR represents the government in these contracts. As a contractor, SOCAR is interested in increasing the revenues of the subcontractor in the contract. But as a result, this might reduce the revenues of the government. This situation has come about because of the lack of a law on oil on the one hand, and on the other, because there was no Ministry of Energy until 2001 and SOCAR was in charge of negotiations with foreign oil companies.

References:

1. Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper.
<http://www.policy.hu/bagirov/ResearchPaper.pdf>

2. Interview with Sabit Bagirov, member of EITI International Board and former president of SOCAR, bagirov.sabit@gmail.com, 14 April 2012

1.1.004: What is the fiscal system for mineral resources?

Score: A B C D E

Comments:

Generally, the revenue sharing process is mainly based on revenue generating capacities of the participating companies or the whole industry regarding the oil sector of Azerbaijan. In the contract signed on the Azeri-Chirag-Guneshli deposits, the sharing of profit oil depends on the following factors :

- Whether the first oil extraction scheme will be implemented or not;
- Tariffs for the transportation of extracted oil;
- The level of the profit made by the contractor.

Calculations on covering expenses (exploitation and capital) and sharing profit oil are carried out on a quarterly basis. After the volume of profit oil is determined, the financial indicator that was of importance to the contractor at the end of the previous quarter – Real Rate of Return (RROR) – is calculated. If the preliminary oil scheme becomes a reality and the overall transportation expenses are not higher than three dollars per barrel, in this case profit oil is divided on the basis of the table below, depending on the RROR :

- 1) If $RROR < 16,75\%$: 30% (Azerbaijan's share in profit oil) / 70% (Contractor's share in profit oil);
- 2) If $16,75\% \leq RROR < 22,75\%$ 55% (Azerbaijan's share in profit oil) / 45% (Contractor's share in profit oil);
- 3) $22,75\% \leq RROR$ 80% (Azerbaijan's share in profit oil) / 20% (Contractor's share in profit oil).

Here: A (n) – is the paid volume of the contractor’s cumulative (overall) capital expenses at the end of quarter N; B (n) – is the paid volume of the contractor’s cumulative (overall) financial (credit interest rates) at the end of quarter N; C (n) – is the cumulative (overall) value of profit oil due to the contractor at the end of quarter N; D (n) – is the volume of cumulative (overall) capital investment at the end of quarter N.

Conditions for dividing profit oil depending on the price of the R factor are very similar in Azerbaijani contracts. The following tables shows conditions for dividing profit oil on the basis of the R factor in contracts signed on offshore deposits.

References:

- 1) ACG PSA Oil Contract, www.bp.com
- 2). The International Agreements signed with Foreign Investors in Azerbaijan Oil and Gas Industry: Production Sharing and International Taxation Matters. Presentation, http://userpage.fu-berlin.de/ffu/veranstaltungen/caspian_region_workshop06/Aslanbayli.pdf

1.1.005: What agency has authority to regulate the hydrocarbon and mineral sector?

Score: A B C D E

Comments:

The Ministry of Industry and Energy of Azerbaijan Republic is a governmental agency within the Cabinet of Azerbaijan in charge of regulating the activities in the industry production and energy sector of Azerbaijan Republic. The ministry regulates the activities in the production and energy production complex. These activities include upstream and downstream activities, exploration and development of fields, operations of oil and gas refineries, power and heat generation, its supply and distribution through the networks, and so forth. The State Oil Company of Azerbaijan (SOCAR), Azerkimya State Company, Azerigas Company, Azerenerji JSC, Azneftkimyamash JSC are all part of the complex. Main functions of the ministry are determination of prospective niches are preparation of state and regional programs to develop them, ensuring their realization; forecasting of production of various energy products; participation in international cooperation agreements in certain areas of energy sector; supervision of activities enforcing energy sector norms and laws; creation of friendly conditions for external and domestic investments in the sector; issuing of licenses; ensuring the sufficient supply of energy products in domestic markets; research and development in the sphere of energy; application of international standards and expertise within the country; preparation of activities directed at decreasing the potential losses during production, transportation, distribution and exploitation of energy resources; preparation of programs ensuring energy security of Azerbaijan Republic; ecological security assurance, etc.

References:

- 1) Minister of Industry and Energy, website:www.mie.gov.az

Peer Review Comments:

In practice, the authority of the ministry of industry and energy is very limited. All matters relating to oil and gas, its exports, etc. are the responsibility of SOCAR. Oil contracts with foreign companies are also signed by SOCAR on behalf of the government,

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Indicator	Score
1.2.006 Information on licensing process	17 
1.2 Contract transparency	33 
1.2.008 Environmental and social impact assessments	58 
1.2 Access to information and legislation	67 

1.2.006 Information on licensing process

1.2.006.a: What information does the government publish on the licensing process before negotiations?

Score: A B C **(D)** E

Comments:

As mentioned before, in Azerbaijan, there is no oil law regulating the licensing of exploration and development of oil and gas fields. There is neither information published during the licensing process before negotiations. The general information about company which has been awarded is published once the contract is signed.

References:

- 1) Law of the Republic of Azerbaijan "On the right to obtain information" (Freedom of Information Law)
- 2) Interview with the Sabit Bagirov, Board Member of Coalition for "Improving Transparency in Extractive Industries" , sabit.bagirov@gmail.com

1.2.006.b: What information does the government publish on the licensing process after negotiations?

Score: A B **(C)** D E

Comments:

The government publishes only general information after the negotiations process and signed contracts are available for Members of Parliament only.

Contracts are not published due to their huge size (about 1000 pages) however main parts regarding taxes can be found on Ministry of Taxes website and two contracts: ACG and Shah-Deniz were published by BP on their website.

References:

1.) Ministry of Taxes website: www.taxes.az
- 2.) BP r website: www.bp.com
3.) The stenography of parliament meetings
- 4) Interview with the Sabit Bagirov, the Member of Board of EITI NGO Coalition

1.2 Contract transparency

1.2.007: Are all contracts, agreements or negotiated terms for exploration and production, regardless of the way they are granted, disclosed to the public?

Score: A B C D E

Comments:

Contracts are not published by the government. Only two contracts: ACG and Shah-Deniz were published by BP on their website. Other contracts can be obtain from MPs during the ratification. There is decision part take by Multilateral Group on Implementation of EITI in Azerbaijan to publish all the contracts in the web-page of EITI Government Commission and Secretariat. This decision is under consideration.

References:

1. Statement of EITI NGO coalition, www.eiti-az.org
2. Protocol of Multilateral Group.
3. Shah-Deniz Production Sharing Agreement:
http://www.bp.com/liveassets/bp_internet/bp_caspian/bp_caspian_en/STAGING/local_assets/download_s_pdfs/s/SD-PSA.pdf
4. ACG Production Sharing Agreement:
http://www.bp.com/liveassets/bp_internet/bp_caspian/bp_caspian_en/STAGING/local_assets/download_s_pdfs/pq/ACG_PSA.pdf

1.2.008 Environmental and social impact assessments

1.2.008.a: Does legislation require that mining, gas and oil development projects prepare an environmental impact assessment prior to the award of any mineral rights or project implementation?

Score: A B C

Comments:

The existing national legislation does not require preparation of an environmental impact assessment for gas and oil projects in Azerbaijan.

References:

- 1) Baku-Tbilisi-Ceyhan Oil Pipeline Human Rights, Social and Environmental Impacts
- 2) The statement of EITI NGO Coalition

Peer Review Comments:

In the field of Oil and Gas Production, the Assessment of Environmental Impact is performed in the framework of PSA contracts, signed between Azerbaijan government and companies. This is necessary because Azerbaijan is signatory to the Aarhus Convention.

1.2.008.b: Are environmental impact assessments for oil, gas and mining projects published by the authority in charge of regulating the sector and is there a consultation process?

Score: A B C D E

Comments:

No reports have been found on websites of authority in charge of regulating the sector. The only environmental and social impact report was published for Baku-Tbilisi-Ceyhan pipeline by BP(British Petroleum) Azerbaijan.

References:

1) Mass media reports

Peer Review Comments:

For all major oil and gas projects (after signing PSAs) the following procedure is implemented . The company prepares an environmental impact assessments (EIA) and 40 days prior to its presentation publishes the announcement of the bottom of the presentations and the place where you can see the EIA . As a rule, the EIA can be found in the Central Public Library, in the office of the Aarhus Convention and in the office of the company. Thus, all stakeholders can see the EIA and can take part in the discussion. After the presentation and discussion, the EIA is transmitted to the Ministry of Ecology for state review.

An example of published EIA is here: <http://subsites.bp.com/caspian/ACG/Eng/pcdp1/pcdp1.pdf>

1.2.008.c: Does legislation require that mining, gas and oil development projects prepare a social impact assessment?

Score: A B C

Comments:

The Azeri national legislation does not require preparation of a social impact assessment for new mining, gas and oil projects.

References:

1) Mass media report

1.2.008.d: Are social impact assessments for oil, gas and mining projects published and is there a consultation process?

Score: A B C D E

Comments:

BP Azerbaijan publishes every year Sustainability Reports, which provide a wide range of information on BP's performance in Azerbaijan including information on:

- achievements and challenges in BP projects and operations
- the place of BP operations in Azerbaijan in the BP group production portfolio
- safety, health, and environmental performance
- staff nationalisation and recruitment
- social programmes implemented by us and our co-venturers
- enterprise development initiatives carried out by BP and its co-venturers
- educational programmes sponsored by BP and its co-venturers'
- BP efforts to maintain corporate transparency and contribute to revenue transparency in Azerbaijan
- past period performance and future plans of BP in Azerbaijan.

Every year BP announced public consultation and collected on-line feedback from stake holders , as well as local CSOs .

References:

1) BP Azerbaijan web page: <http://www.bp.com/sectiongenericarticle.do?categoryId=9029687&contentId=7054436>

1.2 Access to information and legislation

1.2.009: Does the government publish detailed mineral/hydrocarbon resource legislation?

Score: A B C D E

Comments:

The mineral/hydrocarbon resource legislation is published but it does not contain indication of key principles or fiscal terms.

References:

- 1) Mass media reports
- 2) The Law on Utilization of Energy Resources in Azerbaijan Republic , <http://www.travel-images.com/az-law-energy.html>

Peer Review Comments:

The Law of Azerbaijan "On application of a special economic regime for export of oil and gas operations" regulate some (not all) of the general principles in the following areas: 1) the tax regime, and 2) the customs regime, and 3) currency regime, and 4) the use of human resources, and 5) documentation of issues associated with the introduction of a special economic regime for contractors and subcontractors, and 6) liability for breach of a special economic regime

1.2.010: This country has adopted a rule or legislation that provides for disclosure of information in the oil, gas and mineral sectors.

Score: A B C D E

Comments:

The law on access to information was adopted in Azerbaijan in 2005. The aim of the law of the Azerbaijan Republic on access to information is to define the legal basis to ensure the free, unimpeded and equal exercise of the right to access information, on the basis of open society and democracy principles, as stipulated by Article 50 of the Constitution of the Azerbaijan Republic, and to ensure the conditions for civilian oversight of the discharge of public duties. Considered to be one of the most perfectly crafted system of rules, this law makes provisions for the citizens of Azerbaijan to send, in their capacity of individuals and legal entities, requests for information to any public institution as well as the agency in charge of management of public finance, and get the corresponding answer.

In practice, there are some remaining challenges and public access to information on the hydrocarbon sector is limited. See for instance, amendments to the law made by Parliament in June 2012: <http://www.freedominfo.org/2012/06/azerbaijan-moves-to-restrict-access-to-corporate-data/>

Note also the lack of freedom of expression and trials against journalists who try to make officials accountable. See for instance: <http://ipsnews.net/news.asp?idnews=107641>

References:

- 1) Law on access to information of Azerbaijan, 2005
- 2) Monitoring of the disclosures of and access to public information in the republic of Azerbaijan, NBG report, <http://www.revenuewatch.org/sites/default/files/Access-to-information-Azerbaijan.pdf>

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Legal Framework and Practices

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Indicator	Score
1.3 Legal Framework and Practices	13 

1.3 Legal Framework and Practices

1.3.011: The authority in charge of awarding licenses or contracts for mineral or hydrocarbon production is independent of the state owned company (SOC) or other operating companies.

Score: A B C

Comments:

SOCAR has its own share in all contracts and thus, is one of the contractors. At the same time, SOCAR represents the government in these contracts. As a contractor, SOCAR is interested in increasing the revenues of the subcontractor in the contract. In any case, the president of the country is the main person that is taking the decision to sign an oil contract.

References:

- 1.) Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>
- 2) Interview with the Sabit Bagirov, the former president of SOCAR

1.3.012: Is the licensing process intended to be open and competitive to all qualified companies?

Score: A B C D E

Comments:

In Azerbaijan, there is no oil law regulating the licensing of exploration and development of oil and gas fields. Negotiations with foreign companies and signature of contracts are governed by special regulations approved by the President of the country. There is no competitiveness among companies. It depends on the political decision.

References:

- 1) Reports from mass media
- 2) Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>
- 3) Interview with Sabit Bagirov, the former president of SOCAR

1.3.013: Does the licensing process or legislation impose limits to discretionary powers of the authority in charge of awarding licenses or contracts?

Score: A B C D E

Comments:

In Azerbaijan, there is no oil law regulating the licensing of exploration and development of oil and gas

fields. Negotiations with foreign companies and signature of contracts are governed by special regulations approved by the President of the country.

References:

1) Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

1.3.014: Does the legislative branch have any oversight role regarding contracts and licenses in the oil, gas and mining sector?

Score: A B C D E

Comments:

All oil and gas PSAs are required to be ratified into laws by the national parliament.

References:

1) The stenography of Parliament meetings on ratification on PSA contracts

Peer Review Comments:

All types of PSA contracts are ratified by Parliament. Therefore, we can say that Parliament is receiving reports on all signed contracts. But the discussion on contracts in parliament is a mere formality. None of the 30 signed PSA were amended by Parliament.

1.3.015: Is there a due process to appeal licensing decisions?

Score: A B C

Comments:

There is no process to appeal In Azerbaijan, as there is no oil law regulating the licensing of exploration and development of oil and gas fields. If a company is not satisfied with the negotiations or their results, it can appeal to the President but it has never happened.

References:

1) Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

Peer Review Comments:

Criteria A and B are not suitable to the process of acquiring rights to develop oil and gas resources in Azerbaijan. Both these criteria are applicable for the case when the country has a law on licensing of activities in the field of oil and gas resources. Such a law does not exist in Azerbaijan. Open tenders are not conducted. There is a regulations to negotiate with foreign companies, approved by the President.

1.3.016: Is there a legal or regulatory requirement to disclose all beneficial ownership in oil, gas and mining companies or projects?

Score: A B C

Comments:

In Azerbaijan, there is no legal or regulatory requirement to disclose all beneficial ownership in oil and gas companies or projects.

References:

- 1) Mass media report
- 2) Interview with Sabit Bagirov, the former president of SOCAR

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Azerbaijan - RWI Index Questionnaire

Context

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Indicator	Score
2.1	Context
2.1	Context

2.1.017: Does the government receive in-kind payments instead of financial payments from resource companies?

Score: A B C

Comments:

The government does not receive in-kind payments for fiscal obligations during the implementation of PSA in Azerbaijan.

References:

- 1) Report from mass media.
- 2) Interview with Sabit Bagirov, the former president of SOCAR

2.1.018: If the government or state owned companies sell physical commodities (oil, gas or minerals) from in-kind payments or own production, is there information about how these commodities are marketed?

Score: A B C D E

Comments:

The government markets crude oil through export sales, the majority of which are through auctions or spot sales by SOCAR trading. SOCAR Trading is the international marketing and development arm of SOCAR, the State Oil Company of Azerbaijan, with three strategic aims:

1. To market and optimize SOCAR oil production globally
2. To develop third-party trading activities
3. To assist SOCAR in its global strategic development

References:

- 1) State oil company web page: www.socar.az
- 2) Media report of investigative journalists, <http://www.contact.az/docs/2011/Economics&Finance/122113197ru.htm>
- 3) Web page of SOCAR trading SA. <http://www.socartrading.ch/>

2.1.019: What authority actually collects payments from resource companies?

Score: A B C D E

Comments:

Tax revenues from SOCAR and foreign oil companies go directly into the budget (collected by the

Ministry of Taxes), while state revenues from PSAs, bonus payments and royalties are paid to SOFAZ.

The government of Azerbaijan established a Sovereign Wealth Fund in December 1999, the State Oil Fund of the Republic of Azerbaijan (SOFAZ) in order to ensure more transparency. The most important payments from resource companies are deposited in SOFAZ and managed by SOFAZ . The Fund has the following governance principles:

- It is accountable to the President of the Republic of Azerbaijan;
- It is an extra-budgetary institution. The Fund is a legal entity and has a settlement account and other accounts at banking institutions;
- Supervisory Board exercises general control over accumulation and spending of the Fund's assets;
- In the implementation of its activities, the Fund cooperates with government bodies, individuals and legal entities of the Republic of Azerbaijan, as well as with international organizations.

Azerbaijan gets around 75-80% of the profit from major oil contracts (depending on transportation costs, if it is more than \$3-4 per barrel, 75% applies, if less, 80%) all of which is deposited in the Fund.

References:











- 1) SOFAZ web page: www.oilfund.az
- 2) Economic Research Center (ERC) research report on revenue management
- 3) Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

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Azerbaijan - RWI Index Questionnaire

Disclosure

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Indicator		Score
2.2A.020	Does the Ministry of Finance publish periodical information on revenue generation?	0 
2.2A.020.j	Does the Ministry of Finance publish information on disaggregated revenue streams?	0 
2.2A	Quality of reports	0 
2.2B.020	Does the Ministry of the extractive sector publish information on revenue generation?	0 
2.2B.020.j	Does the Ministry of the extractive sector publish information on disaggregated revenue streams?	0 
2.2B	Quality of reports	0 
2.2C.020	Does a Regulatory Agency publish information on revenue generation?	N/A
2.2C.020.j	Does a Regulatory Agency publish information on disaggregated revenue streams?	N/A
2.2C	Quality of reports	N/A
2.2D.020	Does the Central Bank publish information on revenue generation?	N/A
2.2D.020.j	Does the Central Bank publish information on disaggregated revenue streams?	N/A
2.2D	Quality of reports	N/A
2.2E.020	Does any other government agency or entity publish information on revenue generation?	30 
2.2E.020.j	Does any other government agency or entity publish information on disaggregated revenue streams?	100 
2.2E	Quality of reports	84 
2.2	Public sector balance	11 

2.2A.020 Does the Ministry of Finance publish periodical information on revenue generation?

2.2A.020.a: Reserves

Score: A B C **(D)** E

Comments:

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue

generation, nothing on reserves.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.b: Production volumes

Score: A B C **(D)** E

Comments:

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation. Only EITI reports, prepared by SOFAZ, display general information about production volumes (the share of crude oil of the government).

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.c: Information on prices

Score: A B C **(D)** E

Comments:

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.d: Value of resource exports

Score: A B C **(D)** E

Comments:

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation or on the value of resource exports. This kind of information is available on the web pages of the State Committee of Customs and State Statistical Committee. BP also disseminates such information regularly.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.e: Estimates of investment in exploration and development**Score:** A B C **(D)** E**Comments:**

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation (due to the special regime of revenue collection and management in Azerbaijan, SOFAZ as a special institute, is granted responsibility on this, instead of the Ministry of Finance) and gives estimates of investment in exploration and development. This kind of information is available on the web pages of the State Committee of Customs and State Statistical Committee. BP also disseminate such information regularly.

General information on estimates of investment in exploration and development are available yearly via the Ministry of Economic Development web page.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.f: Production costs**Score:** A B C **(D)** E**Comments:**

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation (due to the special regime of revenue collection and management in Azerbaijan, SOFAZ as a special institute is granted responsibility on this, instead of the Ministry of Finance and gives estimates of production costs).

BP discloses aggregated information of the CAPEX and OPEX . SOCAR also publishes general information production costs in annual reports.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.g: Names of companies operating in country**Score:** A B C **(D)** E**Comments:**

Names of companies operating in country in oil and gas sector are available via SOCAR and EITI web pages.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.h: Production data by company and/or block**Score:** A B C **(D)** E**Comments:**

There is no information about production by company published by the Ministry of Finance. Only general information of SOCAR's production is available on its web page and general information of Azerbaijan International Operating Consortium's (AIOC) production is available on the web page of BP.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.i: Cost of subsidies or social investments paid by mineral revenue**Score:** A B C **(D)** E**Comments:**

Nothing published by the Ministry of Finance on revenue generation/collection. BP publishes the sustainability development report, which includes some information about social investment. This kind of information are not included in EITI reports.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j Does the Ministry of Finance publish information on disaggregated revenue streams?

2.2A.020.j1: Production streams value**Score:** A B C **(D)** E**Comments:**

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation. However, within the EITI implementation, SOFAZ annually discloses information on oil production stream (in kind and cash), natural and associated gas production stream (in kind) and precious metals Production Stream (in kind): silver and gold.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j2: Government s share in PSC

Score: A B C **(D)** E

Comments:

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation. However, within the EITI implementation, SOFAZ annually discloses information on government's share in PSA, for example, the government share of profit oil, gas and precious metals productions. The Ministry of Finance does not publish information on disaggregated government share.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j3: Royalties

Score: A B C **(D)** E

Comments:

Only SOFAZ annually discloses information on royalties. In this case information on royalties is available via SOFAZ and EITI web pages.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: A B C **(D)** E

Comments:

The Ministry of Finance does not publish information on special taxes.

According the EITI requirement # 9, the multi-stakeholder group is required to agree on a definition of materiality and the reporting templates. In Azerbaijan, this does not include special taxes as the withholding taxes, excise taxes, excess earning taxes to EITI reports. That is why, there is no information among the receipts by Host Government about special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies).

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j5: Dividends

Score: A B C **(D)** E

Comments:

Not published by the Ministry of Finance.

Within the EITI implementation, the dividends are included in aggregated receipts from the extractive industries.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j6: Bonuses

Score: A B C D E

Comments:

Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Finance. Bonuses are included in aggregated receipts from the extractive industries and disclosed annually by SOFAZ.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j7: License fees

Score: A B C D E

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

Peer Review Comments:

No license fees paid by oil companies in Azerbaijan.

2.2A.020.j8: Acreage fees

Score: A B C D E

Comments:

The Ministry of Finance and Ministry of Taxes do not publish any periodical information on revenue generation. However, within the EITI implementation in Azerbaijan, acreage fees are included in reports of the Government of the Republic of Azerbaijan (host government) about aggregated receipts from the extractive industries. This information is available via EITI and SOFAZ web pages.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.020.j9: Other (Explain in 'comments' box.)**Score:** A B C D **E****Comments:**

Ministry of Finance and Ministry of Taxes does not publish any periodical information on revenue generation.

Within EITI implementation in Azerbaijan, other receipts (acreage fees and transit fees) and other taxes (excluding employee income tax, contributions to the State Social Protection Fund and withholding tax) are included in reports of the Government of the Republic of Azerbaijan (host government) about aggregated receipts from the extractive industries. This information is available via EITI and SOFAZ web pages.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A Quality of reports

2.2A.021: Are periodical reports containing information on revenue generation published by the Ministry of Finance understandable?**Score:** A B C **D** E**Comments:**

Due to the special regime of revenue collection and management system in Azerbaijan SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Finance. As for EITI reports, which is prepared by SOFAZ, they are mainly technical and lack narrative sections or notes on methodology, available on hard copy or online, but are generally comprehensive.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2A.022: How often are the periodical reports containing information on revenue generation published by the Ministry of Finance?**Score:** A B C **D** E**Comments:**

There is no any publication on revenue generation by Ministry of Finance.

References:

Ministry of Finance website: <http://www.maliyye.gov.az/en>

Azerbaijan's oil revenues: ways of reducing the risk of ineffective use, Research Paper, <http://www.policy.hu/bagirov/ResearchPaper.pdf>

2.2B.020 Does the Ministry of the extractive sector publish information on revenue generation?

2.2B.020.a: Reserves**Score:** A B C D E**Comments:**

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.b: Production volumes**Score:** A B C D E**Comments:**

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.c: Information on prices**Score:** A B C D E**Comments:**

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.d: Value of resource exports**Score:** A B C D E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

Value of resource exports are available via web pages State Customs Committee and State Statistical Committee, SOCAR monthly, quarterly and annually.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.e: Estimates of investment in exploration and development

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

Estimates of investment in exploration and development are available via web pages of Ministry of Economic Development, State Statistical Committee, SOCAR and BP.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.f: Production costs

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

Historical information about production cost are available via web pages of SOCAR and BP.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.g: Names of companies operating in country

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

All companies operating in extractive industries in Azerbaijan joined to EITI. That is why names of companies operating in country are available via EITI and SOFAZ web pages.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.h: Production data by company and/or block

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

In general, no publication of costs of subsidies or social investments paid by mineral revenue in Azerbaijan.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j Does the Ministry of the extractive sector publish information on disaggregated revenue streams?

2.2B.020.j1: Production streams value

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

As for SOFAZ, it discloses the information about production streams value based on EITI reports. This information is available from the EITI reports of the Government of the Republic of Azerbaijan about aggregated receipts from the extractive industries.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j2: Government s share in PSC

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

As for SOFAZ, it discloses the information about government's share in PSA, based on EITI reports. This information is available from the EITI reports of the Government of the Republic of Azerbaijan about aggregated receipts from the extractive industries.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j3: Royalties

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

As for SOFAZ, it discloses the information about royalties based on EITI reports. This information is available from the EITI reports of the Government of the Republic of Azerbaijan about aggregated receipts from the extractive industries.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

As for data on special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies), they are not included in EITI reports. This information is not available from the EITI and SOFAZ reports of the Government of the Republic of Azerbaijan about aggregated receipts from the extractive industries.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j5: Dividends

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

As for SOFAZ, it discloses the information about dividends based on EITI reports. According to the 2010 EITI report, there is only one line about dividends, no payment in EITI reports of the Government of the Republic of Azerbaijan about aggregated receipts from the extractive industries.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j6: Bonuses

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j7: License fees

Score: A B C D **(E)**

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

Peer Review Comments:

Oil and gas development are not licensed in Azerbaijan.

2.2B.020.j8: Acreage fees

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

As for SOFAZ, it discloses the information about acreage fees based on EITI reports. This information is available from the EITI reports of the Government of the Republic of Azerbaijan about aggregated receipts from the extractive industries.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B.020.j9: Other (Explain in 'comments' box.)

Score: A B C D **(E)**

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

As for SOFAZ, it discloses the information about other taxes and other receipts based on EITI reports. This information is available from the EITI reports of the Government of the Republic of Azerbaijan about aggregated receipts from the extractive industries.

References:

<http://www.mie.gov.az/main/mie>

<http://www.eco.gov.az/en/>

2.2B Quality of reports

2.2B.021: Are periodical reports containing information on revenue generation published by the Ministry of the extractive sector understandable?

Score: A B C **(D)** E

Comments:

The Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation. Due to the special regime of revenue collection and management system in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Ministry of Ecology and Natural Resources.

Reports are published by SOFAZ and are mainly technical and lack narrative sections or notes on methodology, available online and hard copy, but are generally comprehensive, not advanced.

References:

- 1) EITI reports, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
- 2.) SOFAZ reports, http://www.oilfund.az/en_US/hesabatlar-ve-statistika/hesabat-arxivi.asp

2.2B.022: How often are the periodical reports containing information on revenue generation published by the Ministry of the extractive sector?

Score: A B C **(D)** E

Comments:

Ministry of Ecology and Natural Resources, and the Ministry of Industry do not publish any periodical information on revenue generation (due to the special regime of revenue collection and management system in Azerbaijan SOFAZ as a special institute, granted responsibility on this, instead of Ministry of Ecology and Natural Resources).

EITI reports are published annually. SOFAZ report are published quarterly.

References:

- 1) EITI reports, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
- 2.) SOFAZ reports, http://www.oilfund.az/en_US/hesabatlar-ve-statistika/hesabat-arxivi.asp

2.2C.020 Does a Regulatory Agency publish information on revenue generation?

2.2C.020.a: Reserves

Score: A B C D **(E)**

Comments:

The regulatory agency is the Ministry of Industry and Energy - this section is thus completed as not applicable.

References:

N/A

2.2C.020.b: Production volumes

Score: A B C D **(E)**

References:

N/A

2.2C.020.c: Information on prices**Score:** A B C D **(E)****References:**

N/A

2.2C.020.d: Value of resource exports**Score:** A B C D **(E)****Comments:**

Information on value of resource exports are available via web pages of Ministry of Economic Development, State Statistical Committee ([www. azstat.com](http://www.azstat.com)) and State Committee on Customs. It is published only by State Statistical Committee annually.

References:

N/A

2.2C.020.e: Estimates of investment in exploration and development**Score:** A B C D **(E)****Comments:**

SOCAR is the agency that publishes that type of information.

Under the Statistics tab of SOCAR official website in English, there is a section called "Downloads" where one can find SOCAR's Annual Report 2010. Production volumes, estimates of investment and names of operating companies in the country are briefly mentioned. SOCAR publishes monthly production volume on its website as well.

References:

1) SOCAR web page: <http://new.socar.az/socar/az/economics-and-statistics/economics-and-statistics/oil-production>

2.2C.020.f: Production costs**Score:** A B C D **(E)****References:**

N/A

2.2C.020.g: Names of companies operating in country**Score:** A B C D **(E)****References:**

N/A

2.2C.020.h: Production data by company and/or block

Score: A B C D E

References:

N/A

2.2C.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: A B C D E

References:

N/A

2.2C.020.j Does a Regulatory Agency publish information on disaggregated revenue streams?

2.2C.020.j1: Production streams value

Score: A B C D E

References:

N/A

2.2C.020.j2: Government s share in PSC

Score: A B C D E

References:

N/A

2.2C.020.j3: Royalties

Score: A B C D E

References:

N/A

2.2C.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: A B C D E

References:

N/A

2.2C.020.j5: Dividends

Score: A B C D E

References:

N/A

2.2C.020.j6: BonusesScore: A B C D E**References:**

N/A

2.2C.020.j7: License feesScore: A B C D E**References:**

N/A

2.2C.020.j8: Acreage feesScore: A B C D E**References:**

N/A

2.2C.020.j9: Other (Explain in 'comments' box.)Score: A B C D E**References:**

N/A

2.2C Quality of reports

2.2C.021: Are periodical reports containing information on revenue generation published by the Regulatory Agency understandable?Score: A B C D E**References:**

N/A

2.2C.022: How often are the periodical reports containing information on revenue generation published by the Regulatory Agency?Score: A B C D E**References:**

N/A

2.2D.020 Does the Central Bank publish information on revenue generation?

2.2D.020.a: Reserves

Score: A B C D **(E)****Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank. General information about reserves are available via web page SOCAR and BP.

References:

- 1) Memorandum of Understanding on Extractive Industries Transparency Initiative Implementation in Azerbaijan, <http://www.eiti.az/en/doc/1>
 - 2) BP (www.bp.com) and SOCAR (www.socar) web pages
-

2.2D.020.b: Production volumes

Score: A B C D **(E)****Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank. General information about production volumes are available via web page SOCAR and BP.

References:

- 1) web pages BP (www.bp.com) and SOCAR (www.socar.com)
-

2.2D.020.c: Information on prices

Score: A B C D **(E)****Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank

References:

- 1) Web pages of SOCAR (www.socar.az) and BP (www.bp.com)
-

2.2D.020.d: Value of resource exports

Score: A B C D **(E)****Comments:**

The Central Bank discloses this kind of information in the framework of balance of payment every year as the historical data. Additionally, web pages of Ministry of Economic Development (www.economy.gov.az), State Committee on Customs (www.customs.gov.az) and State Statistical Committee (www.azstat.com) have information about value of resource exports. At the same time SOCAR annual report includes historical generally information on value of resource exports. BP also discloses historical and general information on value of resource exports.

References:

- 1) Web pages of Ministry of Economic Development (www.economy.gov.az), State Committee on Customs (www.customs.gov.az) and State Statistical Committee (www.azstat.com)
- 2) Web pages of BP (bp.com) and SOCAR (socar.az)

2.2D.020.e: Estimates of investment in exploration and development**Score:** A B C D **E****Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank

General information about production volumes are available via web page SOCAR and BP. Web pages of Ministry of Economic Development (www.economy.gov.az), and State Statistical Committee (www.azstat.com) have information on estimates of investment in exploration and development. At the same time SOCAR annual report includes historical generally information on estimates of investment in exploration and development. BP also discloses historical and general information on estimates of investment in exploration and development.

References:

- 1) Web pages of Ministry of Economic Development (www.economy.gov.az) and State Statistical Committee (www.azstat.com)
- 2) Web pages of BP (bp.com) and SOCAR (socar.az)

2.2D.020.f: Production costs**Score:** A B C D **E****Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

General and historical information about production cost (CAPEX and OREX) are available via web page SOCAR and BP.

References:

- 1) Web pages of BP (bp.com) and SOCAR (socar.az)

2.2D.020.g: Names of companies operating in country**Score:** A B C D **E****Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

In general, the information about list of name of extractive industries are available via web page SOFAZ and EITI, because all of them are involved in the EITI.

References:

1) Web pages of SOFAZ (www.sofaz.az) and EITI Secretariat (www.eiti.az)

2.2D.020.h: Production data by company and/or block

Score: A B C D **E**

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank

References:

- 1) Statement of EITI NGO Coalition, www.eiti-az.org
 - 2.) EITI reports 2003-2010, www.eiti.az
 - 3) Memorandum of Understanding on EITI implementation, www.eiti.az
-

2.2D.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: A B C D **E**

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

In general, cost of subsidies and social investments paid by mineral revenue are not published in Azerbaijan. Some information on social investments is included BP's Sustainability Report.

References:

- 1) Web pages of BP (bp.com)
 - 2) Statement of EITI NGO Coalition, www.eiti-az.org
-

2.2D.020.j Does the Central Bank publish information on disaggregated revenue streams?

2.2D.020.j1: Production streams value

Score: A B C D **E**

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank .

In general, the EITI reports have disaggregated information on production streams value. As for disaggregated report by companies, only SOFAZ, SOCAR and BP publish information on production streams value. Disaggregated information on production streams value by other companies is not published.

References:

- 1) Web pages of SOFAZ (www.oilfund.az), SOCAR (www.socar.az) and BP (www.bp.com)
 - 2) Web page EITI, www.eiti.az
-

2.2D.020.j2: Government s share in PSC

Score: A B C D E

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

The Host Governmental EITI reports have disaggregated information on government's share in PSA. This report published by SOFAZ.

References:

- 1) web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)
-

2.2D.020.j3: Royalties

Score: A B C D E

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

According to the Memorandum, the Host Governmental EITI reports have disaggregated information on royalties, which is produced annually.

References:

- 1) Web pages SOFAZ (www.oilfund.az) and EITI secretariat (www.eiti.az)
-

2.2D.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: A B C D E

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank

References:

- 1) Web pages of SOFAZ (www.oilfund.az) and EITI secretariat (www.eiti.az)
-

2.2D.020.j5: Dividends

Score: A B C D E

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

According to the Memorandum of Understanding on EITI implementation in Azerbaijan, SOFAZ publishes the information about dividends annually.

References:

- 1) EITI reports from 2003-2010, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
 - 2) Memorandum of Understanding on EITI implementation in Azerbaijan, www.eiti.az
-

2.2D.020.j6: Bonuses

Score: A B C D E

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

According to the Memorandum of Understanding on EITI implementation in Azerbaijan, SOFAZ publishes this information though.

References:

- 1) EITI reports from 2003-2010, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
 - 2) Memorandum of Understanding on EITI implementation in Azerbaijan, www.eiti.az
-

2.2D.020.j7: License fees

Score: A B C D E

Comments:

No license fees in Azerbaijan.

References:

- 1) EITI reports from 2003-2010, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
 - 2) Memorandum of Understanding on EITI implementation in Azerbaijan, www.eiti.az
-

2.2D.020.j8: Acreage fees

Score: A B C D E

Comments:

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

According to the Memorandum of Understanding on EITI implementation in Azerbaijan, SOFAZ is published the information about acreage fees as the disaggregated annually.

References:

- 1) EITI reports from 2003-2010, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
 - 2) Memorandum of Understanding on EITI implementation in Azerbaijan, www.eiti.az
-

2.2D.020.j9: Other (Explain in 'comments' box.)Score: A B C D E**Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank.

According to the Memorandum of Understanding on EITI implementation in Azerbaijan, the information on other receipts and other taxes is published in EITI reports. Both information are available via 2010 EITI reports.

References:

- 1) EITI reports 2010, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
- 2) Memorandum of Understanding on EITI implementation in Azerbaijan, www.eiti.az

2.2D Quality of reports

2.2D.021: Are periodical reports containing information on revenue generation published by the Central Bank understandable?Score: A B C D E**Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank

References:

- 1) EITI reports from 2003-2010, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
- 2) Memorandum of Understanding on EITI implementation in Azerbaijan, www.eiti.az

2.2D.022: How often are the periodical reports containing information on revenue generation published by the Central Bank?Score: A B C D E**Comments:**

In Azerbaijan, the Central Bank is not involved in revenue publication. Due to the special regime of revenue collection and management in Azerbaijan, SOFAZ, as a special institute, is granted responsibility on this, instead of the Central Bank

References:

- 1) EITI reports from 2003-2010, <http://www.oilfund.az/pub/uploads/E1kA4yY2.pdf>
- 4) SOFAZ reports, www.oilfund.az

2.2E.020 Does any other government agency or entity publish information on revenue generation?

2.2E.020.a: Reserves

Score: A B C **(D)** E

Comments:

In Azerbaijan, the State Oil Fund of Azerbaijan Republic (SOFAZ) is involved in revenue generation and publication. But there is no publication about reserves.

References:

1) web pages of SOFAZ, www.oilfund.az

2.2E.020.b: Production volumes

Score: **(A)** B C D E

Comments:

Information published in EITI report: <http://www.oilfund.az/pub/uploads/Yr48K5Hz.pdf>

References:

1) Web pages of SOFAZ, www.oilfund.az

Peer Review Comments:

Information on the production volumes of oil and gas are published on the website of the state oil company (SOCAR) too:

<http://new.socar.az/socar/en/home>

<http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

2.2E.020.c: Information on prices

Score: A B C **(D)** E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

2.2E.020.d: Value of resource exports

Score: A B C **(D)** E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

Peer Review Comments:

Information about the volume of oil exports is published on the website of the marketing department of the state oil company

http://www.socar.az/mo/en/ex_crude_BTC.shtml

2.2E.020.e: Estimates of investment in exploration and development

Score: A B C **(D)** E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

Peer Review Comments:

Annual Report of SOCAR:
<http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

2.2E.020.f: Production costs

Score: A B C **(D)** E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

Peer Review Comments:

Annual Report of SOCAR:
<http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

2.2E.020.g: Names of companies operating in country

Score: A **(B)** C D E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

2.2E.020.h: Production data by company and/or block

Score: A B C **(D)** E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

Peer Review Comments:

This information can be obtain at :
<http://new.socar.az/socar/az/activities/production/kursengi-and-garabaghli>

2.2E.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: **(A)** B C D E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

Peer Review Comments:

This information can be obtained at Annual Report of SOCAR and Annual Budget of SOFAZ
<http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

2.2E.020.j Does any other government agency or entity publish information on disaggregated revenue streams?

2.2E.020.j1: Production streams value

Score: (A) B C D E

Comments:

Published in EITI reports.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

Peer Review Comments:

Annual Report of SOCAR

2.2E.020.j2: Government s share in PSC

Score: (A) B C D E

Comments:

Within the EITI implementation, SOFAZ annually discloses information on government's share in PSA, for example, the government share of profit oil, gas and precious metals productions.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

2.2E.020.j3: Royalties

Score: (A) B C D E

Comments:

Within the EITI implementation, SOFAZ annually and regularly discloses information on royalties.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat (www.eiti.az)

2.2E.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: (A) B C D E

Comments:

Due to the special regime of revenue collection and management system in Azerbaijan SOFAZ as a special institute, granted responsibility on this. Within the EITI implementation, SOFAZ annually and regularly discloses information on special taxes.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

2.2E.020.j5: Dividends

Score: (A) B C D E

Comments:

Within the EITI implementation, SOFAZ annually and regularly discloses information on dividends.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

2.2E.020.j6: Bonuses

Score: A B C D E

Comments:

Within the EITI implementation, SOFAZ annually and regularly discloses information on bonuses.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

2.2E.020.j7: License fees

Score: A B C D E

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

Peer Review Comments:

Oil and gas development are not licensed in Azerbaijan.

2.2E.020.j8: Acreage fees

Score: A B C D E

Comments:

Within the EITI implementation, SOFAZ annually and regularly disclose information on acreage fees.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

2.2E.020.j9: Other (Explain in 'comments' box.)

Score: A B C D E

Comments:

Within the EITI implementation, SOFAZ annually and regularly discloses information on other payments and taxes .

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

2.2E Quality of reports

2.2E.021: Are periodical reports containing information on revenue generation published by any other government agency or entity understandable?

Score: A B C D E

Comments:

Reports produced by SOFAZ are mainly technical and lack narrative sections or notes on methodology, available on hard copy or online, but are generally comprehensive.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

2.2E.022: How often are the periodical reports containing information on revenue generation published by the any other governmental agency or entity?

Score: A B C D E

Comments:

The SOFAZ annually publishes its financial reports. Apart from that, quarterly numbers are disclosed in the press. All of those reports can be taken from the official website easily. Once a year, external auditing is conducted the report of which is again available on the website.

References:

1) Web pages of SOFAZ (www.oilfund.az) and EITI Secretariat in Azerbaijan (www.eiti.az)

2.2 Public sector balance

2.2.023: Does the government include the SOC financial balance (its assets and liabilities) within the public sector balance or overall balance of general government in reports to the legislature?

Score: A B C D E

Comments:

The government does not publish information on how the SOC financial balance affects the public sector balance.

References:

1) Web page of SOCAR, www.socar.az

2.2.024: Does the government include projections of transactions, accounts of actual spending by the natural resource funds, and their assets and liabilities, within the public sector balance or overall balance of general government in reports to the legislature?

Score: A B C D E

Comments:

During the budget discussion in Parliament, the government provides general information about the SOFAZ revenue and expenditures in consolidated budget.

References:

1) Budget documentation for 2012, www.budget.az

2.2.025: Does the government provide information on the non resource fiscal balance in its budget proposal?

Score: A (B) C

Comments:

The government does not include information of the non-resource fiscal balance in its budget packet.

References:


1) Budget packet for 2012, www.budget.az

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Legal Framework and Practices

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Indicator	Score
2.3 Legal Framework and Practices	57 

2.3 Legal Framework and Practices

2.3.026: In the legal framework, what government agencies have authority to collect taxes and payments from resource companies?

Score: A B C D E

Comments:

Tax revenues from SOCAR and foreign oil companies go directly into the budget (collected by the Ministry of Taxes), while state revenues from PSAs, bonus payments and royalties are paid to SOFAZ.

References:

1) Ministry of Taxes, www.taxes.gov.az

2.3.027: Are all resource related revenues, including those collected by state owned companies, regulatory agencies, ministries, special funds or by the tax authority placed in the national treasury?

Score: A B C D E

Comments:

All direct payments (exception on profit tax) to the government are collected by SOFAZ, only profit tax (25 %) are collected by state budget and bypass the treasury.

References:

1) Web pages Ministry of Finance (www.finance.gov.az), Ministry of Taxes (www.taxes.gov.az), SOFAZ (www.oilfund.az) and SOCAR (www.socar.az)

2.3.028: Are government officials with a role in the oversight of the oil, gas or mining sector required to disclose information about their financial interest in any extractive activity or projects?

Score: A B C

Comments:

According to Article 5 of the Law on Combating Corruption (2004), civil servants must declare earned income.

In practice, this kind of information is not disclosed though.

References:

1) Law on Combating Corruption (2004)

2.3.029: Is there independent external validation of internal controls of agencies in charge of receiving payments from resource companies with the objective of providing assurances of integrity of public funds and sound financial management?Score: A B C D E**Comments:**

An independent external auditor has authority to conduct audits over use and disbursement of resource revenues, which is managed by SOFAZ. Audit reports have been published on the official website SOFAZ. Under every calendar year one can find quarterly statements, EITI reports, annual reports and auditors' reports.

References:

1) The State Oil Fund of the Republic of Azerbaijan Financial Statements, Together with Independent Auditors' Report, Year ended 31 December 2010, <http://www.oilfund.az/pub/uploads/a2010en.pdf>

Peer Review Comments:

There is national supreme audit office (the Chamber of Accounts) in Azerbaijan. But, the revenues that are accumulated in the State Oil Fund are audited by international recognized audit company, not by national Chamber of Accounts

2.3.030: Does the national audit office (or similar independent organization) report regularly to the legislature on its findings, including an objective analysis of agencies in charge of managing resource revenues, and are these reports published?Score: A B C D E**Comments:**

Chamber of Accounts reports regularly to the legislature, but includes only general information of the resource revenue. National Budget Group (NBG) considers that the Chamber of Accounts reviews and audit reports should cover all extra-budgetary funds; the Chamber of Accounts should prepare reviews on the State Oil Fund budget and publicize them. According to the Law of the Republic of Azerbaijan "On the Chamber of Accounts", the Chamber's functions include providing opinion on the drafts of the State Budget and extra budgetary state funds (institutions), etc.

References:

1) Web pages of Chamber of Accounts of Republic of Azerbaijan, <http://www.ach.gov.az/index.php?/en/content/440>
2) Law of Republic of Azerbaijan "On Chamber of Accounts", <http://www.ach.gov.az/index.php?/en/content/343/>
3) Review of the National Budget Group on the 2011 state budget, http://www.nbg.az/index.php?option=com_content&view=article&id=132%3A2011-ci-ilin-doevlt-buedcsi-bard-milli-buedc-qrupunun-ryi&catid=82%3Arylr&Itemid=126&lang=en

2.3.031: Does a Parliamentary committee scrutinize reports on resource related revenues and, if so, when does this occur?Score: A B C D E**Comments:**

No Parliamentary committee on Economic Policy scrutinizes reports on resource related revenues. In general, there is no oversight and control mechanisms by parliament in this direction.

References:

- 1) Review of the National Budget Group on the 2011 state budget, http://www.nbg.az/index.php?option=com_content&view=article&id=132%3A2011-ci-ilin-doevlt-buedcsi-bard-milli-buedc-grupunun-ryi&catid=82%3Arylr&Itemid=126&lang=en
 - 2) Web pages of Parliament of Republic of Azerbaijan, <http://www.meclis.gov.az/?/az/content/203/>
-

2.3.032: Is this country an EITI candidate or compliant country?

Score: (A) B C D E

Comments:

On the basis of the Validator's report, the EITI Board designated Azerbaijan as an EITI Compliant country at the 4th EITI International Conference, held on February 16-18, 2009 in Doha, Qatar. Thereby Azerbaijan became the first EITI Compliant country among 26 candidate countries in that time.

References:

- 1) Web pages of EITI secretariat (<http://www.eiti.az/en/content/7/7/>) and EITI NGO Coalition (www.eiti-az.org)

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Indicator	Score
3.1.1	Context 56 

3.1.1 Context

3.1.1.033: Is there a state-owned company? If so, what is its role in the extractive sector?

Score: A B C D E

Comments:

In 1991, as the Republic of Azerbaijan restored its independence, Azerineft State Concern was established according to the Decree of the President of the Republic of Azerbaijan of December 3, 1991. On September 13, 1992, according to a Decree of the President of the Republic of Azerbaijan, SOCAR (the State Oil Company of the Azerbaijan Republic) was established on the basis of the Azerineft State Concern and Azerneftkimya Production Association in order to use oil resources in accordance with a consistent national policy, improve the management structure of the oil industry, and develop the energy industry.

Decree No. 844 of the President of the Republic of Azerbaijan of "Concerning Improvements in the Structure of SOCAR".

The State Oil Company's (SOCAR) primary objective is the implementation of exploration, discovery, preparation and development of both on- and offshore oil and gas fields, the transportation, processing and sale of oil, gas, condensate and products obtained from them, the stable and sustainable satisfaction of consumers' demand for fuel and other works and services, and profit generation. In order to achieve the above-mentioned objectives the company ensures:

- (i) production of oil, gas and condensate, the reliable and efficient operation of transportation and refining systems;
- (ii) the sale on the domestic and external markets of crude oil, natural gas and products obtained as a result of their processing;
- (iii) the satisfaction of the demand of the country's economy and the public for oil, gas, condensate, and other products meeting modern consumer standards obtained from their processing as well as relevant works and services;
- (iv) the development and implementation of environmental protection measures;
- (v) the use of energy saving technology and equipment, as well as environmentally clean technologies.

Legally, SOCAR is not responsible for any obligation of the government as it is a commercial entity functioning separately from the government and it has no other role specifically defined.

References:

- 1) Web pages of SOCAR, www.socar.az
- 2) Decree No. 844 of the President of the Republic of Azerbaijan of "Concerning Improvements in the Structure of SOCAR"

3.1.1.034: How is government ownership of resource companies structured in this country?

Score: A B C D E

Comments:

The property and assets of the SOCAR and enterprises belonging to it is in the possession of the state. According to the Charter of State Oil Company of Azerbaijan Republic Approved by Decree of the President of the Republic of Azerbaijan No.844 of January 24, 2003, the Company can be reorganized or liquidated by the president of the Azerbaijan Republic. In practice, the company is under the control of the president of Azerbaijan.

References:

1) Charter of State Oil Company of Azerbaijan Republic Approved by Decree of the President of the Republic of Azerbaijan No.844 of January 24, 2003,
<http://new.socar.az/socar/en/company/regulations/socar-charter>

3.1.1.035: Is there more than one state-owned company (SOC) operating in the extractive sector?

Score: A B C

Comments:

SOCAR is only state-owned company (SOC) operating in the extractive sector. The company has all its shares belonging to the government – 100% government ownership. SOCAR is involved in exploring oil and gas fields, producing, processing, and transporting oil, gas, and gas condensate, marketing petroleum and petrochemical products in domestic and international markets, and supplying natural gas to industry and the public in Azerbaijan. Three production divisions, two oil refineries and one gas processing plant, an oil tanker fleet, a deep water platform fabrication yard, two trusts, one institution, and 22 subdivisions are operating as corporate entities under SOCAR.

References:

1) Web page of SOCAR, <http://new.socar.az/socar/en/company/about-socar/discover-socar>

3.1.1.036: Do the roles and responsibilities of the SOC include provision of subsidies or social expenditures (quasi-fiscal activities)?

Score: A B C

Comments:

SOCAR is involved in quasi-fiscal activities, such as social and community programs. SOCAR has a Department of Social Development. This Department was established on the basis of the health department of an order issued by the President of SOCAR on April 4, 2007. The Oil Workers Central Hospital, the Diagnostic and Treatment centers in different parts of the country, and the Hygienic and Epidemiological Centre that conducts health inspections at SOCAR offices and organizations are under the Department's jurisdiction.

SOCAR is also involved in construction of apartments for their employees, has done construction of schools and medical centers under the auspices of the "State Program on Socio-Economic Development of Regions". It also provides educational scholarships (foreign education + very small amount of domestic scholarships), small grants to sportspeople after some international achievements. Sometimes the reserves of the SOCAR are used for the central government or local budget projects both in direct monetary transfers and construction activities where the decision comes from the government. Such activities have cost the SOCAR AZN 0,19 mln and 0,22 mln in 2010 which is not a big number compared to the budget of SOCAR.






References:

1) Web page of SOCAR, <http://new.socar.az/socar/en/social-responsibility/healthcare/healthcare-overview>

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Indicator		Score	
3.2.1	Comprehensive reports	67	
3.2.2.038	Does the SOC publish information on revenue generation?	70	
3.2.3.038.j	Disaggregated Revenue Streams	14	
3.2.4	Quality of reports	75	
3.2.5.043	Audited reports	100	

3.2.1 Comprehensive reports

3.2.1.037: Does the SOC publish comprehensive reports with information about its operations and subsidiaries?

Score: A B C D E

Comments:

The first annual report was published in 2007. SOCAR has published regularly annual report since that time.

References:

- 1) Publication on SOCAR financial flows, PAAFE, 2010, http://www.freeeconomy.az/attachments/095_SOCARfinancialflow.pdf
- 2) Web page of SOCAR, www.socar.az

3.2.2.038 Does the SOC publish information on revenue generation?

3.2.2.038.a: Reserves

Score: A B C D E

Comments:

SOCAR does not include information about reserves in its financial report.

References:

- 1) SOCAR, Financial report 2010, <http://new.socar.az/socar/assets/documents/az/socar-financial-reports/2010.pdf>

3.2.2.038.b: Production volumes

Score: A B C D E

Comments:

SOCAR publishes information on production volumes annually.

References:

1) SOCAR Financial report 2010, <http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>

3.2.2.038.c: Information on prices

Score: A B C **(D)** E

Comments:

SOCAR does not publish information on prices. There is no information on prices in SOCAR financial report 2010, which was performed by the "Ernst & Young".

References:

1) SOCAR financial report 2010, <http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>

3.2.2.038.d: Value of resource exports

Score: **(A)** B C D E

Comments:

SOCAR publish information on value of resource exports regularly.

References:

1) Web page of SOCAR, <http://new.socar.az/socar/en/news-and-media/news-archives/news-archives/id/4389>

3.2.2.038.e: Estimates of investment in exploration and development

Score: **(A)** B C D E

Comments:

The information of investment in exploration and development are available through SOCAR' s annual reports.

References:

1) SOCAR's program report, <http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

3.2.2.038.f: Production costs

Score: **(A)** B C D E

Comments:

The information on production costs are available through SOCAR's annual reports.

References:

1) SOCAR Program Report 2010, <http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

3.2.2.038.g: Names of companies operating in country

Score: A B **C** D E

Comments:

The name of joint ventures companies of SOCAR are available on SOCAR's web page.

References:

1) web page of SOCAR, <http://new.socar.az/socar/en/company/alliances/socar-cms>

3.2.2.038.h: Production data by company and/or block

Score: **A** B C D E

Comments:

Production data are not published by company, available only aggregated information on this.

References:

1). SOCAR web page, <http://new.socar.az/socar/en/economics-and-statistics/economics-and-statistics/oil-production>

Peer Review Comments:

This information is published in the Annual Report of SOCAR.

3.2.2.038.i: Quasi fiscal activities

Score: **A** B C D E

Comments:

Information about quasi fiscal activities are available via SOCAR web site.

References:

1) SOCAR financial report 2010, <http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>
2) <http://new.socar.az/socar/en/news-and-media/news-archives/news-archives/id/4404>

3.2.3.038.j Disaggregated Revenue Streams**3.2.3.038.j1: Production streams value**

Score: A B C **D** E

Comments:

Information on Disaggregated Revenue Streams is not published.

References:

1) Annually report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>
2) Financial report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

3.2.3.038.j2: Government s share in PSC**Score:** A B C D E**Comments:**

Government's share in PSA are available based on offshore and onshore data regularly.

References:

1) SOCAR web page, <http://new.socar.az/socar/en/company/production-sharing-agreements-offshore/absheron>

3.2.3.038.j3: Royalties**Score:** A B C D E**Comments:**

In general, SOCAR's budget payment is available. But there is no information separately on royalties.

References:

1) SOCAR web page, <http://new.socar.az/socar/en/news-and-media/news-archives/news-archives/id/4404>

3.2.3.038.j4: Special taxes**Score:** A B C D E**Comments:**

In general, SOCAR's budget payment is available. But there is no detail information on special taxes.

References:

1) SOCAR web page, <http://new.socar.az/socar/en/news-and-media/news-archives/news-archives/id/4404>

3.2.3.038.j5: Dividends**Score:** A B C D E**Comments:**

In general, SOCAR's budget payment is available. But there is no detail information on dividends.

References:

1) SOCAR web page, <http://new.socar.az/socar/en/news-and-media/news-archives/news-archives/id/4404>

3.2.3.038.j6: Bonuses**Score:** A B C D E**Comments:**

In general, SOCAR's budget payment is available. But there is no detail information on bonuses.

References:

1) SOCAR web page, <http://new.socar.az/socar/en/news-and-media/news-archives/news-archives/id/4404>

3.2.3.038.j7: License fees

Score: A B C D E

Comments:

There is no information on license fees.

References:

1) SOCAR web page, <http://new.socar.az/socar/en/news-and-media/news-archives/news-archives/id/4404>

Peer Review Comments:

Oil and gas development are not licensed in Azerbaijan.

3.2.3.038.j8: Acreage fees

Score: A B C D E

Comments:

In both reports, there is no information on acreage fees.

References:

1) Financial report of SOCAR,
<http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>
2) Annually report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

Peer Review Comments:

Acreage payments are made only in accordance with terms of PSA, signed with foreign companies

3.2.3.038.j9: Other (Describe below)

Score: A B C D E

Comments:

There is no information on other payment in SOCAR's reports (financial and program).

References:

1) Financial report of SOCAR,
<http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>
2) Annually report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

3.2.4 Quality of reports

3.2.4.039: Are the reports published by the state owned company understandable?

Score: A B C D E

Comments:

Reports are not easily comprehensible due to a variety and number of presented figures and the absence of clear and coherently organized tables documenting financial indicators. In addition, the oil revenue data is presented as aggregated figures, hence it is difficult to use the report for detailed and nuanced research.

References:

- 1) Financial report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>
- 2) Annually report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

3.2.4.040: How often are the reports or statistical databases containing information on revenue generation published by the state owned company?

Score: A B C D E

Comments:

The reports of SOCAR are published annually. Some information (payment to budget, production volume, exports, etc) is published at least every quarter.

References:

- 1) Financial report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>
- 2) Annually report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-annual-reports/2010.pdf>

3.2.4.041: If the SOC is involved with quasi fiscal activities, does it publish information about them?

Score: A B C

Comments:

The SOCAR engages in quasi-fiscal activities and publishes general information about them. However there is no Parliamentary oversight mechanism.

References:

- 1) Financial report of SOCAR, <http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>

3.2.4.042: If there are joint ventures, does the SOC (or government) publish information on its share of costs and revenues deriving from its equity participation in joint ventures?

Score: A B C

Comments:

The SOCAR publishes information on the Contractor Parties and Participating Interests, in percentage .

References:

1) SOCAR web page, <http://new.socar.az/socar/en/company/production-sharing-agreements-offshore/absheron>

3.2.5.043 Audited reports

3.2.5.043.a: Is the SOC subject to annual audits conducted by an independent external auditor to ensure that the financial statements represent the financial position and performance of the company?

Score: A B C D E

Comments:

After adopting international standards in financial reporting, the Company has first been audited on the outcomes of 2008. Audit was performed by the Ernst & Young. References of the Independent Auditors have been included in the annual 2008, 2009 and 2009 financial reports.

References:

1) Financial report of SOCAR,
<http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>

3.2.5.043.b: Are SOC audited reports published?

Score: A B C D E

Comments:

On the 2nd or 3rd quarter of each year, the SOCAR publishes an annual report of the past year where annual revenues, expenditures, cost of production, debt structure and some other useful information along with the management structure are outlined. The external auditing company report (usually E&Y) is published along with the annual report. The charter does not oblige the Company to report to some specific authority or people. It only reports to the government as it is representing the government in the oil-gas projects.

References:

1) Financial report of SOCAR,
<http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>

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Indicator	Score
3.3.1 Legal Framework and Practice	67

3.3.1 Legal Framework and Practice

3.3.1.044: Does the SOC have a legal obligation to publish financial reports?

Score: A B C

Comments:

According to the Charter of SOCAR on reporting, accounting and control in the Company, the SOCAR keeps accounts according to the law, and compiles a statistical report which it submits to the relevant state bodies.

References:

1) Charter of State Oil Company of Azerbaijan Republic Approved by Decree of the President of the Republic of Azerbaijan No.844 of January 24, 2003,
<http://new.socar.az/socar/en/company/regulations/socar-charter>

3.3.1.045: Does the SOC follow internationally recognized accounting standards?

Score: A B C

Comments:

SOCAR management is responsible for the preparation of consolidated financial statements in accordance with international financial reporting standards, such as IASB or GAAP accounting standards.

References:

1) Financial report of SOCAR,
<http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>

3.3.1.046: Do SOC audits include consolidated accounts that cover all of the SOC subsidiaries?

Score: A B C

Comments:

SOCAR audits include consolidated accounts that cover all of the SOC subsidiaries.

References:

1) Financial report of SOCAR,
<http://new.socar.az/socar/assets/documents/en/socar-financial-reports/2010.pdf>

3.3.1.047: Are officials of the SOC required to disclose information about their financial interest in

any oil, gas or mining projects?**Score:** A B C**Comments:**

Officials of the SOC are not required to disclose information about their financial interest in any extractive activities or projects.

References:

1) Charter of State Oil Company of Azerbaijan Republic Approved by Decree of the President of the Republic of Azerbaijan No.844 of January 24, 2003,
<http://new.socar.az/socar/en/company/regulations/socar-charter>

3.3.1.048: Does the SOC publish information on the composition of its Board of Directors?**Score:** A B C**Comments:**

The SOCAR is governed by its president and 10 vice-presidents each controlling limited number of aspects of the activities. Company's approved management structure includes the Company's president, the Company's senior vice president and the Company's two vice presidents (which are suggested by the SOCAR president and approved by the AR President), as well as the Company's administration. The directors of all sub-enterprises are appointed and dismissed solely by the SOCAR President (FYI: SOCAR consists of 22 subdivisions).

SOCAR's president has the absolute power in managing all sides of activities. The Company's president chairs the meetings of the Company's Board. Other officials of the Company appointed by the Company's vice presidents and the Company's president are included in the Company's Board. The Company's Board meetings are held no less than once a month. The Company's president convenes extraordinary meetings of the Company's Board. The participation of more than half of the persons belonging to the Company's Board represents a quorum. The Company's Board's decisions are passed by a simple majority through an open ballot. Should votes be evenly divided the Company's president (in the absence of the Company's president, the Company's senior vice president) has the casting vote.

References:

<http://new.socar.az/socar/en/company/management/vice-president>

3.3.1.049: Does the SOC publish information about the rules governing decision making by the Board of Directors?**Score:** A B C**Comments:**

The Company Board, which is an advisory structure within SOCAR, does not have an important role in practice. SOCAR's president has absolute powers in managing all sides of activities.

References:

1) Charter of State Oil Company of Azerbaijan Republic Approved by Decree of the President of the Republic of Azerbaijan No.844 of January 24, 2003,
<http://new.socar.az/socar/en/company/regulations/socar-charter>

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