

**Statement**  
**of the Coalition of NGOs for**  
**“Improving Transparency in Extracting Industries”**

The Coalition of NGOs for “Improving Transparency in Extracting Industries (ITEI) in Azerbaijan” that includes more than 140 local NGOs, is concerned about the stagnation noticed in the recent application of EITI initiative in Azerbaijan. The main concern of the Coalition is unreasonable expectations on Multi Stakeholder Group, established after the Validation process in Azerbaijan, by recommendations of the International Board at the 4<sup>th</sup> EITI Conference in Qatar. Although a year has already passed since the establishment of the Multi Stakeholder Group, no significant improvements have been achieved. The only steps forward were technical in nature and tiny in size (separation of natural and accompanying gas, provision of details for some taxes, annual reporting format instead of previous semi-annual). The Coalition considers this as unsatisfactory work of the Multi Stakeholder Group. Moreover, there were several cases when terms of agreement between parties of the Memorandum were violated.

During the one year of its functioning, the proposals of the Coalition on the improvement of Memorandum on EITI were continued to be discussed at MSG meetings, however, due to ineffective decision-making procedures by Companies’ Group, the process was delayed and no achievements have been made yet. Although, discussions on the improvement of the Memorandum on EITI were on the Agenda of MSG meeting dated May 20, later it was excluded due to the fact that the companies were still not ready to discuss this issue. This, accordingly, hinders the adoption of necessary amendments to the Memorandum on establishment of MSG and its work.

Another issue of concern is the transition to disaggregated reporting system and companies’ individual reporting. The Coalition’s proposals on disaggregated reporting system made a couple of years ago have still not been implemented, and even later Dodd-Frank Wall Street reform Act of US Senate requiring disaggregated reporting from companies registered in US could not change the companies’ approach to this issue. This and the fact that even those companies who agreed with disaggregated reporting never converted to individual reporting system, forces the Coalition to think that this process was carried out in a centralized way

The Coalition did its best for keeping leader position of Azerbaijan in EITI Initiative and prepared draft laws on “State Oil Fund” and “EITI”.

The approach of the Government and Companies to draft law on “EITI” introduced during the discussion at MSG meeting dated May 20th, demonstrates that the Memorandum parties are not interested in further development of EITI in the country. This could hinder the successful implementation of EITI and negatively affect the leader position of Azerbaijan in the situation when international requirements to EITI implementation have been complicated.

Although the next report on EITI was planned to be discussed during May 20 meeting of MSG, it was delayed due to the fact that some companies had not responded to Auditor’s request. The delay of Audit reports was repeated for a couple of times. The Coalition requested to point out the names of companies who caused such delays for several times and although it was agreed by

MSG, the names of irresponsible companies have not been stated yet. As the result, the 14th report on EITI was not submitted in time.

Herewith the Coalition declares that if no changes take place for resolving the issues of concern in order to improve the EITI process mentioned above, it will appeal to International EITI Board and Secretariat for the realization of Validation in Azerbaijan ahead of time.

Baku City, Azerbaijan

June 06, 2011

The statement was approved at Board meeting of the IETI Coalition on June 03, 2011.