

CRUDE ACCOUNTABILITY'S COMMENTS ON THE EBRD'S AZERBAIJAN COUNTRY STRATEGY FOR 2025-2030



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About Crude Accountability

Crude Accountability is an environmental and human rights non-profit organization that works with communities in the Caspian and Black Sea regions, which struggle against threats to local natural resources and negative health impacts. Crude Accountability works on the local, national, regional, and international levels in partnership with communities and organizations committed to a just and environmentally sustainable world. Based in Northern Virginia, Crude Accountability also collaborates with other environmental organizations in the United States.

Introduction

The Board of Directors of the European Bank for Reconstruction and Development (EBRD) reviews and submits Azerbaijan's Country Strategy for discussion every five years. The draft strategy was published on the EBRD website in both English and Azerbaijani, with the public invited to provide feedback from October 4 to November 17, 2024. Following this consultation period, the Board approved the final *Azerbaijan Country Strategy 2025-2030* on January 29, 2025.¹

Throughout this process, the EBRD emphasized transparency, acknowledging various comments from civil society organizations and experts. However, it noted that input submitted jointly with Crude Accountability partner organizations was not incorporated into the final version, resulting in minimal differences between the draft and the approved document.

According to the EBRD's statement, an in-person public consultation meeting with civil society organizations (CSOs) in Azerbaijan was held on April 22, 2024. However, the list of participating local NGOs has not been disclosed. Given the absence of independent NGOs in Azerbaijan, the inclusion of pro-government organizations in such consultations appears to be largely symbolic, creating the illusion of public participation rather than facilitating meaningful dialogue. Therefore, the assessment presented in the final version lacks depth and comprehensive analysis. The absence of independent NGOs and free media—both essential for fostering open dialogue and diverse perspectives—has severely restricted the possibility of meaningful public discussion and critical engagement with the document.

The state of civil society in Azerbaijan has significantly deteriorated since the EBRD's last country strategy was written, and engagement with local civil society organizations has declined in the EBRD's activities. There is limited evidence of concrete outcomes from the Bank's purported closer collaboration with Azerbaijani authorities in critical economic sectors during this period.

¹ <https://www.ebrd.com/azerbaijan-strategy-2025-2030.pdf>

EBRD's Engagement in Azerbaijan: An Overview

The EBRD has been investing in Azerbaijan since 1992, with a focus on developing the country's non-oil sector, strengthening local financial institutions, and promoting green economy investments.² According to the EBRD's country presentation, the banking crisis and economic recession of 2014-2015 had a significant impact on the Bank's engagement under the previous Country Strategy. However, these challenges also created opportunities for closer cooperation with Azerbaijani authorities in key economic sectors.³



Figure 1. Entrance to the European Bank of Reconstruction and Development (EBRD) headquarters in London, UK. Adobe Stock.

² <https://www.ebrd.com/home/what-we-do/where-we-invest/azerbaijan.html>

³ <https://www.ebrd.com/home/who-we-are/strategies-governance-compliance/country-strategies-temp.html>

The EBRD's Role in Azerbaijan's Energy Sector

Investment in Fossil Fuels & Renewable Energy

A notable aspect of the EBRD's involvement is its pivotal role in financing the energy sector. In 2018, the Bank approved a \$500 million loan for the construction of the Trans Adriatic Pipeline (TAP), a vital component of the Southern Gas Corridor (SGC), which facilitates Azerbaijan's gas exports to Europe.⁴ On February 27, 2025, the EBRD reiterated its readiness to conduct a comprehensive assessment of the SGC expansion project should a request for financing be submitted.⁵

In addition to its continued support for fossil fuel infrastructure, the EBRD has also announced a significant investment in renewable energy at COP29 in Baku. Partnering with the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB), the EBRD will finance two large-scale solar projects, marking a major step toward diversifying Azerbaijan's energy sector.⁶

Despite the EBRD's promising step of signing a Memorandum of Intent with other international financial institutions (IFIs) to invest in renewable energy projects in Azerbaijan, its continued investment in the fossil fuel energy sector presents a clear contradiction.

⁴ <https://www.ebrd.com/home/news-and-events/news/2017/ebrd-board-approves-financing-for-transanatolian-natural-gas-pipeline.html>

⁵ <https://report.az/en/energy/ebrd-names-conditions-for-financing-southern-gas-corridor-expansion-project/>

⁶ <https://www.ebrd.com/home/news-and-events/news/2024/ebrd-provides-financing-for-azerbajians-largest-ever-solar-projects-at-cop29.html>

Contradictions in Energy Policy & Green Economy Transition

The EBRD's second strategic priority for 2025–2030 is to “Accelerate Green Economy Transition and Improve Regional Connectivity.” This objective seeks to “foster greater economic diversification through a stronger, more competitive, and inclusive private sector alongside improved governance.” However, the Bank's previous investment in the Southern Gas Corridor (SGC) and its intention to reinvest in the current period contradict these stated priorities.

This dual approach not only undermines Azerbaijan's adherence to the fossil fuel phase-out commitments adopted at COP28 but also slows the country's progress toward its energy transition goals. To maintain coherence between its stated priorities and its investment decisions, the EBRD should reconsider its support for fossil fuel-based energy projects in Azerbaijan and the region, ensuring alignment with its “Accelerate Green Economy Transition” agenda.

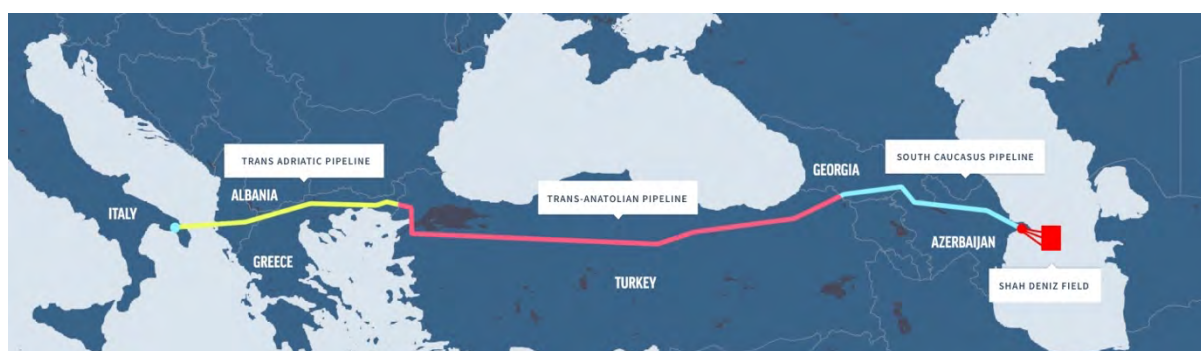


Figure 2. Map of the Southern Gas Corridor (SGC). sgc.az.

Long-Term Emission Development Program (LEDP)

Despite investments and policy reforms aimed at facilitating a low-carbon transition, Azerbaijan's Country Strategy for 2025–2030 does not place significant emphasis on these issues. Since 2021, Azerbaijan has been developing its Long-Term Low Emission Development Program (LEDP) with the support of the EU4Climate project.⁷

⁷ <https://eu4climate.eu/2021/04/13/developing-lt-leds-strategy-for-azerbaijan/>

In contrast, comparable strategies have already been implemented in Kazakhstan,⁸ Moldova,⁹ and Georgia,¹⁰ all of which are included in the EBRD's strategic framework alongside Azerbaijan as of January 1, 2024. Georgia has gone a step further by adopting a dedicated roadmap for LEDP implementation.¹¹ In Azerbaijan, the Ministry of Ecology and Natural Resources is tasked with drafting and overseeing the execution of the state program, ensuring its staged implementation. To this end, the ministry will first work out the draft state program and then ensure the program's implementation in accordance with the approved stages.¹²

Despite Azerbaijan's role as the host of COP29 in November 2024 and its commitment to reducing greenhouse gas emissions by 40% by 2050 while establishing a regional "Net Zero-Emission" zone,¹³ the country has yet to formally adopt the LEDP. This delay raises concerns about the integration of long-term sustainability goals into national policy frameworks and the extent to which Azerbaijan's climate commitments will translate into concrete action.

Dependency on Fossil Fuels & Delays in Renewable Energy Implementation

The EBRD Country Strategy highlights that the share of renewable energy sources (RES) in Azerbaijan's total energy supply (TES) has remained consistently low since the 1990s. TES continues to be heavily dependent on natural gas (70.5% in 2020) and oil (28.2% in 2020). However, the long-term implications of attracting new investments into Azerbaijan's oil and gas sector on its energy transition remain insufficiently assessed.

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https://unfccc.int/sites/default/files/resource/Carbon_Neutrlaity_Strategy_Kazakhstan_Eng_Oct2024.pdf

⁹ <https://www.undp.org/moldova/press-releases/low-emissions-development-programme-was-approved-bringing-moldova-one-step-closer-towards-carbon-free-economy>

¹⁰ <https://unfccc.int/sites/default/files/resource/Georgia%27s%20LT-LEDS%202023-eng.pdf>

¹¹ <https://www.undp.org/sites/g/files/zskgke326/files/2024-07/undp-georgia-lt-leds-roadmap-2024-eng.pdf>

¹² <https://en.trend.az/business/energy/3624969.html>

¹³ <https://www.ohchr.org/sites/default/files/documents/cfi-subm/2308/subm-older-context-climate-sta-azerbaijan.pdf>

As the host country of COP29, Azerbaijan was expected to take a leadership role in global negotiations on reducing reliance on fossil fuels. However, its ongoing policies—expanding fossil fuel production, launching new projects with foreign energy giants such as BP and TotalEnergies, and increasing investments in the traditional energy sector—undermine this potential.¹⁴

- BP has recently commenced new production activities within the \$6 billion Azeri Central East (ACE) project, with initial production expected in Q1 2025.
- BP is also finalizing work on a deep gas project in the Azeri-Chirag-Gunashli (ACG) fields and assessing hydrocarbon reserves discovered in the Shafag-Asiman offshore block for future development.
- TotalEnergies has completed Phase 1 of development in the Absheron field, with production already underway, while discussions for Phase 2 investments are ongoing.
- SOCAR is preparing to launch Umid-2 under UBOC.

Additionally, the Azerbaijani government is in discussions with the European Union regarding financing the expansion of the Trans-Anatolian Pipeline (TANAP) and Trans-Adriatic Pipeline (TAP) to increase gas transmission capacity. The EBRD Transition Report¹⁵ 2024–2025 confirms that expansion of the Southern Gas Corridor (SGC) is currently underway.

These developments underscore a fundamental contradiction between Azerbaijan's international commitments to the energy transition and its continued prioritization of fossil fuel expansion.

Notably, these activities in the traditional energy sector are unfolding even as Azerbaijan prepares to host COP29, following the COP28 decision to implement a phased reduction of fossil fuels. This paradox raises concerns about the country's

¹⁴ <https://crudeaccountability.org/broken-climate-pledges-azerbaijan-undermines-cop29-climate-goals-with-increased-fossil-fuel-investments%ef%bf%bc/>

¹⁵ <https://2024.tr-ebrd.com/>

alignment with global climate goals and its commitment to transitioning toward a low-carbon economy.

The slow pace of Azerbaijan's energy transition and the persistent challenges in implementing renewable energy initiatives are not only environmental concerns but also pose significant economic risks. A failure to accelerate the shift to renewables could undermine long-term economic sustainability, expose the country to volatility in global energy markets, and hinder its ability to attract climate-conscious investments. Therefore, a faster and more strategic transition to renewable energy is essential to mitigate these risks and ensure Azerbaijan's economic and environmental resilience.



Figure 3. Pumpjacks in the suburbs of Baku, Azerbaijan. Adobe Stock.

Summary of the Azerbaijan Country Strategy 2025-2030: Gaps & Challenges

The primary focus of the assessment is an evaluation of the EBRD's activities in Azerbaijan. This includes a comparative analysis of Azerbaijan's current economic and development landscape in relation to Kazakhstan, Georgia, and Moldova, an assessment of the previous strategy for 2019-2024, and the identification of priorities for the new strategy period. Additionally, the assessment outlines the operational framework and expected outcomes, maps international partnerships, identifies potential risks associated with implementation, examines social and environmental implications, and provides an overview of the prevailing political context.

The first section of the EBRD 2025-2030 Strategy document, titled "Implementation of Previous Strategy (2019-2024)," does not mention the impact of the COVID-19 pandemic and the war between Azerbaijan and Armenia in 2020 on the national economy in either the "Key Transition Results Achieved during Previous Strategy" or the "Challenges to Implementation and Key Lessons" sections.

Both are essential factors that have influenced Azerbaijan's investment climate and economic policy over the past 5 years. The EBRD experts did not touch on either aspect, given their sensitivity to the management of power. Thus, in May 2023, the World Health Organization declared that the COVID-19 pandemic is no longer a "global health emergency" while emphasizing that it remains a global health threat.¹⁶ Due to the COVID-19 pandemic, the special quarantine regime in Azerbaijan is still ongoing. In concrete terms, this means that the country's land and sea borders, which have been closed since March 2020, remain closed, and

¹⁶ <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing---5-may-2023>

this decision has been extended until July 1, 2025.¹⁷ This decision has created serious obstacles to the development of trade and business, especially in the border regions, and has led to a significant decrease in the total products created in those areas, a sharp increase in unemployment, and inflation;¹⁸ it seems that if the borders are not opened during the implementation of the newly adopted Strategy, such adverse effects on the economy will be even stronger.

At the same time, during the war and in the years after it, the prominence of the funds allocated to the economic regions of Karabakh and Eastern Zangezur in the budget, as well as the state's military spending, has been continuously increasing; these factors affect the economic development indicators in Azerbaijan. Thus, defense and national security expenditures in the 2025 state budget account for 20.6% of the total budget expenditures. Together with the funds allocated for non-commercial construction and installation works in Karabakh and Eastern Zangezur, the specific weight of spending on both items in the projected budget funds for 2025 is up to 40%.¹⁹ In addition, after the war, there were privileges and discriminations in relation to foreign investors in the categories of friendly and unfriendly countries to Azerbaijan,²⁰ which created an unfair competitive environment in the country. Although these issues are also crucial in terms of the investment environment, they are not part of the assessment of the Strategy.

The EBRD's Azerbaijan Country Strategy for 2025-2030, in its second section entitled "Economic Context," does not thoroughly address the reasons for slowdown in the country's the economic growth and the challenges it will pose for businesses and consumers, in the sections "Macroeconomic Context and Outlook for Strategy Period" and "Key Transition Challenges." It merely notes that the robust economic growth of the past two years has started to moderate. The Azerbaijani economy grew by 4.1% in 2024, up from 1.1% in 2023. The EBRD forecast for Azerbaijan's real GDP growth in 2025 and 2026 is, respectively, 3.0% and 2.5%. During the previous strategy implementation period (2019-2024), the

¹⁷ <https://e-qanun.az/framework/45911>

¹⁸ Ibadoghlu, Gubad (2024). The Socioeconomic Consequences of Prolonged Closure of Azerbaijan's Land and Sea Borders. Available at SSRN: <https://ssrn.com/abstract=4994333> or <http://dx.doi.org/10.2139/ssrn.4994333>

¹⁹ Ibadoghlu, Gubad, What Does the 2025 Budget Promise? (January 10, 2025). Available at SSRN: <https://ssrn.com/abstract=5091291> or <http://dx.doi.org/10.2139/ssrn.5091291>

²⁰ <https://www.dominant.az/azerbaycana-dost-ve-dusmen-olan-dovletler>

average real GDP growth rate was 1.94%, and this rate is not expected to increase in the next 5-year period.

The impact of declining oil and gas revenues during the previous Strategy (2019-2024) implementation period on Azerbaijan's future economic trajectory remains inadequately assessed. The Strategy identifies price volatility in the global market as a key risk but fails to address the broader structural challenges associated with declining revenues, including reduced production levels and rising extraction costs.

Given these dynamics, the new Strategy must be aligned with the realities of the post-oil era. It should emphasize the urgent need for comprehensive reforms in market efficiency, economic liberalization, competition policy, and anti-monopoly regulation. Additionally, enhancing transparency, strengthening anti-corruption measures, and upholding the rule of law should be recognized as indispensable prerequisites for Azerbaijan's economic sustainability and diversification beyond the fossil fuel sector.



Figure 4. International Bank of Azerbaijan (IBA) in Baku, Azerbaijan. Adobe Stock.

In recent years, the main obstacle to the development and diversification of Azerbaijan's economy has been the increasing prevalence of unfair competition. This has been particularly evident during the implementation of the previous Strategy (2019-2024), where the monopolization of economic sectors and control over financial resources strengthened. This has led to lucrative sectors within the private economy creating more barriers to entry for outsiders. The concentration of economic power in the hands of monopolistic companies, particularly those owned or controlled by Pasha Holding and their associates, has further exacerbated this issue. The strict regulation of financial institutions, especially the banking sector, which is closed to foreign investors and independent operators, has only served to reinforce this trend. Azerbaijani banks are predominantly controlled by Pasha Bank, Kapital Bank, and the International Bank of Azerbaijan (IBA). Despite IBA being a state bank, no steps were taken to privatize it during the implementation of the last Strategy. As a result, with this move, after a few years, the Herfindahl-Hirschman index (HHI) index of the Azerbaijani banking market will complete the transition from a moderate to a high concentration level.²¹

Moreover, regulatory frameworks, such as the "Regulation on Currency Exchange Transactions and Control of Currency Exchange Activities by Licensed Persons," issued by the Central Bank of Azerbaijan,²² play a significant role in controlling currency exchange activities. For instance, the regulation mandates enhanced customer due diligence for individuals conducting transactions of ₼ 20000 (\$11764) or more in a calendar year. This regulation is part of a broader strategy to monitor and control money movement, reinforcing the regime's financial monopoly.

²¹ Ibadoghlu, Gubad and Bayramli, Emin (2023), Analysis and Evaluation of HHI and Beneficiary Ownerships of the Banking System of Azerbaijan. Available at SSRN: <https://ssrn.com/abstract=4475680> or <http://dx.doi.org/10.2139/ssrn.4475680>

²² <https://apa.az/maliyye/amb-valyuta-mubadilesi-fealiyyetine-gore-kapital-telebi-qoyub-806463>

Governance, Judicial Independence, & Political Risks

Corruption & Institutional Reforms

The Strategy highlights progress by the government of Azerbaijan in combating corruption since the adoption of the previous Country Strategy, particularly in reducing petty corruption and addressing high-level corruption. The implementation of recommendations from the Group of States against Corruption (GRECO) during the Fourth Evaluation Phase²³ serves as an indicator of this progress. Of the twenty-one recommendations, thirteen were successfully implemented, with ten fully and five partially fulfilled. This advancement offers a degree of optimism for Azerbaijan's governance reforms.

However, three key GRECO recommendations remain unimplemented. These pertain to asset disclosure regulations for members of parliament, judges, and prosecutors, which are critical measures in the fight against corruption. Their non-implementation underscores persistent challenges in enhancing transparency and strengthening accountability mechanisms. Additionally, the partially implemented recommendations reveal the need for greater transparency in the operations of the Prosecutor's Office, the Judicial Legal Council, and judicial independence.

Judicial Independence & the Rule of Law

Despite Azerbaijan's persistently low ranking on "Judicial Independence" within the EBRD's "Well-Governed" indicator under the Rule of Law, the Strategy cautiously acknowledges that some reforms have been undertaken in the judiciary, alongside anti-corruption measures, while conceding that significant

²³ <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/168094f9b1>

challenges remain. However, international reports²⁴ consistently indicate an unprecedented lack of public confidence in the judiciary, largely due to the absence of judicial independence. Courts in Azerbaijan frequently function as instruments of political control, and are used by the executive branch to suppress dissent, silence government critics, and target officials who fall out of favor with the ruling elite.



Figure 5. Supreme Court of Azerbaijan in Baku, Azerbaijan. Adobe Stock.

Azerbaijan's Geopolitical Alignment & Risks to the Strategy

The Strategy's political assessment also fails to address potential shifts in Azerbaijan's geopolitical alignment compared to the previous Strategy period. The Declaration on "Allied Interaction between the Republic of Azerbaijan and the Russian Federation," signed in Moscow on February 22, 2022,²⁵ and a Joint Declaration of the Republic of Azerbaijan and the People's Republic of China on

²⁴ https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2024_AZE.pdf

²⁵ <https://president.az/en/articles/view/55498>

establishing a strategic partnership was adopted in Astana on July 3, 2024.²⁶ EU and Azerbaijan have sealed a Memorandum of Understanding on Strategic Partnership, focusing solely in the field of energy.²⁷ On January 24, 2024, The Parliamentary Assembly of the Council of Europe (PACE) declined to ratify the credentials of the Azerbaijani delegation during its session, citing the country's continued failure to meet key obligations assumed upon joining the Council of Europe two decades earlier. In a resolution based on a report by Mogens Jensen (Denmark, SOC), PACE highlighted persistent and serious concerns regarding Azerbaijan's democratic governance, including the lack of free and fair elections, inadequate separation of powers, a weak legislature subordinated to the executive, compromised judicial independence, and ongoing human rights violations. These concerns were supported by numerous rulings of the European Court of Human Rights and assessments from the Venice Commission. The resolution passed with 76 votes in favor, 10 against, and 4 abstentions.²⁸ This omission is concerning, as Azerbaijan's increasing political detachment from European institutions—coupled with its applications for membership in BRICS²⁹ and the Shanghai Cooperation Organization (SCO)³⁰—could have far-reaching implications for the implementation of the new Strategy. If Azerbaijan's geopolitical priorities shift, this will inevitably influence the scope and effectiveness of the Strategy's objectives.

Furthermore, the political assessment lacks a comprehensive and balanced analysis of the state of human rights, freedoms, and democracy in Azerbaijan. While the Strategy provides nominal statistics on the number of registered NGOs and media outlets, it fails to acknowledge that many of these organizations have been forced to cease operations due to severe government restrictions. Crucially, the rising number of political prisoners, the majority of whom are NGO representatives and journalists, is not addressed.

The EBRD's cooperation with Azerbaijan while civil society is shrinking at an unprecedented and alarming rate, and its silence about the escalating politically motivated arrests of journalists, critics, and academics effectively amounts to

²⁶ <https://president.az/en/articles/view/66389>

²⁷ <https://president.az/en/articles/view/56689>

²⁸ <https://www.coe.int/en/web/portal/-/pace-resolves-not-to-ratify-the-credentials-of-azerbaijan-s-parliamentary-delegation-citing-a-failure-to-fulfil-major-commitments>

²⁹ <https://jamestown.org/program/azerbaijan-applies-for-brics-membership/>

³⁰ <https://interfax.com/newsroom/top-stories/104014/>

financing repression. This concern has been extensively documented in a report³¹ by the Coalition for Human Rights in Development, the International Accountability Project, and the Early Warning System.

Azerbaijan's permanent suspension from the Open Government Partnership (OGP) in August 2023³²—following its failure to implement recommended reforms to improve the civil society environment—is a stark reminder of the deteriorating democratic space in the country.

To ensure a more accurate and meaningful assessment, the Strategy should explicitly address these political and governance challenges and provide a more nuanced evaluation of Azerbaijan's commitment to democratic principles, judicial independence, and human rights protections.

The increase in repression against independent NGOs and free media, which are essential for public participation, should have been a key concern in the EBRD Azerbaijan Country Strategy for 2025-2030. The Strategy needs to give more attention to the existing civil society, media, freedoms, democracy, and human rights problems in Azerbaijan. It's urgent to address these issues more broadly and concretely. For example, the Strategy notes that civil society primarily engages in the Agency for State Support to NGOs grant competition, a positive step. However, the absence of socio-economic or business development topics in this competition is a missed opportunity for the Strategy's implementation. These competitions should cater to a wider range of interests, not just the cultural-spiritual and political interests of the authorities. Moreover, the participation of only GONGOs, whose state registration is renewed every 2 years, in this process excludes independent NGOs who do not have the opportunity to re-register every 2 years. Despite these challenges, the Strategy does highlight the announcement of upcoming changes in 2023 to the national grant competitions, aimed at providing CSOs with more financial and operational flexibility.

³¹ https://150013849.v2.pressablecdn.com/wp-content/uploads/securepdfs/Financing-Repression-ENG_compressed-1.pdf

³² <https://www.opengovpartnership.org/news/azerbaijan-permanently-suspended-from-the-open-government-partnership/>

Are Corruption & Transparency Overlooked in the Strategy?



Figure 6. Chamber of Accounts of Azerbaijan in Baku, Azerbaijan. Adobe Stock.

The Strategy document primarily addresses corruption in a political context. However, it is crucial to recognize that independent businesses and consumers are among the groups that suffer the most from corruption in Azerbaijan. Therefore, it is imperative that the existing problems in the field of fiscal governance and budgetary control (financial transparency, budgetary participation, and open and competitive tenders) be addressed in the Strategy. This document should also underscore the pressing need to apply the law on state procurement when spending unallocated funds allocated from the budget. When combined with procurement practices that bypass open tenders, this environment fosters conditions conducive to corruption and misuse of public funds. The Chamber of Accounts' Annual Report on the Execution of the State Budget for

2023³³ underscores the urgency of these issues. Of the ₼7,545.5 million (approximately \$4,438.5 million) in public procurement expenditures, only ₼3,657.7 million (\$2,151.6 million), or 48.4%, was allocated through open tenders. In contrast ₼2,855.6 million (\$1,679.7 million), or 37.8%, was distributed via single-source procurement, ₼972.6 million (\$572.1 million), or 12.8%, through requests for proposals, and ₼59.6 million (\$35.1 million), or 0.8%, via requests for quotations.

During the implementation of the previous Strategy (2019-2024), the central part of state investments was allocated to the Karabakh and East Zangezur economic regions. According to a statement by the prime minister,³⁴ 17.6 billion manats were allocated from the state budget for the reconstruction and restoration of Nagorno-Karabakhin 2021-2024, including 5.3 billion manats in 2024. The government plans to allocate 4 billion manats in 2025. However, it is crucial to note that while transparency and public participation were not fully ensured when spending these funds, the need for accountability in all financial transactions is a cornerstone of ensuring the responsible use of public funds.

These figures indicate that only half of the budgeted funds were allocated through open tender processes, which does not necessarily imply competitive or transparent practices. The prevalence of non-competitive procurement mechanisms not only diminishes transparency but also poses a potential risk to the economy, as it may lead to inefficiencies and misallocation of resources. This raises serious concerns about the fair distribution of public resources and the overall health of the economy.

In the remarks addressed to the EBRD during the discussion of the Draft Strategy, the Bank responded³⁵ that this issue goes beyond the scope of the draft Strategy, as fiscal governance, budgetary control, and procurement practices are not areas currently contemplated for EBRD intervention. However, it is important to note that the EBRD, as a key player in promoting sustainable development, should play a significant role in addressing these issues. According to the EBRD's Transition

³³ https://sai.gov.az/files/2023_icra_rey-227333293.pdf

³⁴ <https://report.az/maliyye-xeberleri/azerbaycanin-isgaldan-azad-olunmus-erazilerine-xerclemeler-18-milyard-manata-catib/>

³⁵ <https://www.ebrd.com/home/who-we-are/strategies-governance-compliance/country-strategies-temp.html>

Report,³⁶ one of six key qualities of sustainable development, “Well Governed,” which has a 75% impact on the final result, is considered to be “National level governance,” which is calculated based on three subcomponents. These components are 1) Quality of public governance (53%), 2) Integrity and control of corruption (20%), and 3) Rule of law (27%). Quality of public governance indicators include regulatory quality, government effectiveness, and budget transparency.

The EBRD has characterized the Key Transition Challenges in Azerbaijan in the economic context for each of the six key attributes of sustainable development in the Azerbaijan Country Strategy for 2025-2030. Although this assessment was also conducted on “Quality of public governance” and “Integrity and control of corruption,” EBRD experts did not accept our comments regarding corruption and non-transparency of tenders, calling it beyond the scope of the draft Strategy.

³⁶ <https://2022.tr-ebrd.com/structural-reform/>

Conclusion

Azerbaijan's Country Strategy for 2025-2030 reflects a complex interplay of economic, environmental, and governance challenges. While the strategy outlines key priorities, such as fostering economic diversification and supporting a green economy transition, its implementation remains hindered by persistent contradictions—most notably, continued investments in fossil fuel infrastructure despite commitments to climate goals. Additionally, limited transparency in civil society engagement, concerns over judicial independence, and Azerbaijan's evolving geopolitical positioning present further obstacles to sustainable and democratic development.

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