

# Transparency in Eurasia: Answering Frequently Asked Questions

Ingilab Ahmadov ~ 15:15, 11 April 2014

**Issue:** [Civil Society](#), [EITI](#), [Expert Advice](#), [Open Government Partnership](#), [Regional Hubs](#), [Training](#)  
**Country:** [Azerbaijan](#), [Eurasia](#)

In mismanaged economies, the path to government accountability and sustainability begins with transparency—but there is often resistance along the way. After all, power is at stake.

Transparency within the extractive sector, specifically, is twice as challenging—first, because inordinate sums of oil, gas and mining revenue can enrich and perpetuate corrupt governments, and second, because great wealth in the hands of a few often denies citizens the full measure of benefits that flow from publicly owned natural resources.



Ingilab Ahmadov

And yet, transparency in the extractive industry is extremely important if society intends to turn non-renewable natural resources into more sustainable human resources. Otherwise, wealth is squandered, and countries risk facing the ruins of poverty and the bondage of debt.

When addressing such issues within the Extractive Industries Knowledge Hub, we try to answer the following questions, which we are often asked at our courses, workshops and training sessions.

Such questions are not infrequent or incidental, and yet their answers serve to underpin effective transparency initiatives in skeptical societies.

*Why is the push for better governance and transparency such a challenge in this region?*

In post-Soviet countries like Azerbaijan, where our regional Extractive Industries Knowledge Hub operates, skepticism about the benefits of transparency and openness is very common, and this is

understandable. In many former Soviet republics, governments were seen as the punitive organ that maintains order at all costs, a secretive authority that equates “information leakage” to high treason. One challenge is that ordinary citizens still have little access to relevant information about natural resource revenues. They see government commitments to accountability as “external requirements,” rather than voluntary, earnest efforts driven from within. But things are changing. Many post-Soviet countries have joined the [Open Government Partnership](#) (OGP), a multilateral initiative that promotes transparency through concrete government commitments. Another well-known initiative in this region is the [Extractive Industries Transparency Initiative](#) (EITI). Our hub trainings help civil society—as well as members of parliament, journalists and state officials—recognize the benefits of EITI, OGP and transparency in general.



The Eurasia Extractive Industries Knowledge Hub is helping many oversight groups measure and manage the economic and social impacts of natural resource revenues.

*Why is transparency necessary if stability and prosperity can be achieved without it, as in Qatar, the United Arab Emirates, Saudi Arabia or Kuwait?*

Another question concerns Arab countries that forego transparency rules but live in prosperity. Here we have explained to our training participants that a limited number of Gulf states are exceptions to the rule—first, because their per capita volume of oil and gas is seemingly limitless compared to other regions with larger populations, and second, because their current systems of revenue management and distribution is only a semblance of equity and fairness.

*Upholding transparency within the extractive sector is expensive. Wouldn't it be more effective to fund poverty relief efforts directly?*

We are often asked to explain the costs of transparency, incurred through regular reporting exercises and communication efforts. Such expenses, often no more than several hundred thousand dollars, are a drop in the bucket compared to the millions or even billions of dollars stolen through corruption or wasted by mismanagement. In Azerbaijan, for example EITI expenses are less than \$100,000, which covers an official audit and report, wages for three state oil fund employees involved in EITI implementation, trip expenses for EITI, and the preparation of EITI reports. Once the new and more comprehensive [EITI Standard](#) is enforced, these expenses may increase, but not without significant returns. In the long run proper transparency can prevent fraudulent accounting and theft and save countries millions of dollars.

*Why don't more developed countries participate in EITI? Are their commitments to support this initiative merely lip service?*

A fair question; however, people ask it less frequently now that the United States has sought to join EITI, and several European countries have expressed similar intentions. But one thing is obvious: If we do not want to devalue EITI, developed countries such as the UK, France, the Netherlands and Canada should be at the forefront of this initiative, not merely non-participant donors.

*Why haven't years of transparency initiatives brought more positive change to governance in these countries?*

The near-term benefits of participation in such initiatives are certain, including more trust and stability for government, a more level playing field for businesses, and greater energy security for citizens. Still, it is clear that EITI itself can be improved, as the [new standard](#) suggests. Without provisions to include all income and expense transactions within the sector, total transparency is elusive.

Expectations about transparency should be realistic. Transparency alone cannot solve every problem in extracting countries. But it's a critical first step.

*Ingilab Ahmadov is the director of the Eurasia Extractive Industries Knowledge Hub at Khazar University in Baku, Azerbaijan. To learn more about the Revenue Watch Institute's six regional hubs, including Eurasia, click [here](#).*