

# **10th Regional Anti-Corruption Conference**

## **Mitigating risks in investment funds: A strategic approach to tacking fraud and corruption risks – case of Azerbaijan**

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# The Republic of Azerbaijan

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Capital and the largest city is Baku  
Area 86.600 km<sup>2</sup>  
Population – 10 million



# AZERBAIJAN

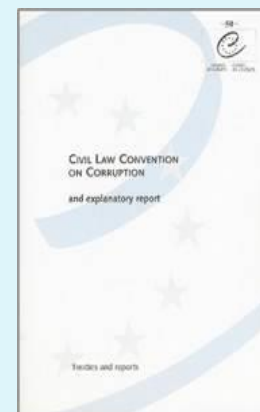
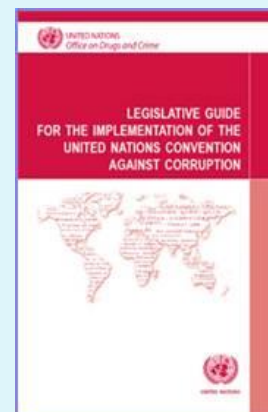
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- Bridge between East and West;
- Harmonized Legislation;
- Modern Institutions;
  
- Transportation Hub:
  - *Goods;*
  - *People;*
  - *Information.*

# Azerbaijan in international initiatives

## Ratifications:

- UN conventions
  - Convention against Transnational Organized Crime (in 2003)
  - Convention against Corruption (in 2005)
- Council of Europe Conventions (in 2004)
  - Criminal Law Conventions on Corruption
  - Civil Law Conventions on Corruption
- Implementation Review Mechanisms
  - a member of the Group of States against Corruption (GRECO)
  - a member of the OECD Anti-Corruption Network for Eastern Europe and Central Asia



# ANTI-CORRUPTION EVALUATION

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## Review Topics

- Criminalization;
- Anti-Corruption Institutions;
- Transparency of political party financing;
- Prevention of corruption in civil service;
- Financial Monitoring;
- Public procurement;
- Budget transparency;
- Etc.

# National anti-corruption context

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- ❑ Implementation of periodic anti-corruption strategies based on the analyzes of previous ones;
- ❑ Development of legislation in-line with international standards;
- ❑ Reorganization of judicial system;
- ❑ Reforms in civil service;
- ❑ Establishment of specialized anti-corruption agencies;



# National anti-corruption context

- Under the jurisdiction of the European Court of Human Rights;
- Judicial Reforms:
  - Self-governing;*
  - Judicial Legal Council*
- Public service delivery:
  - “ASAN service”*
  - 2015 UN Public Services Award winner*
- Prospective:
  - Mediation;*
  - Commercial Courts.*



# Favorable business environment

## Commission on Business Environment and International Rankings

Established by the Presidential Decree in 2016,

### **Functions:**

Improvement of the

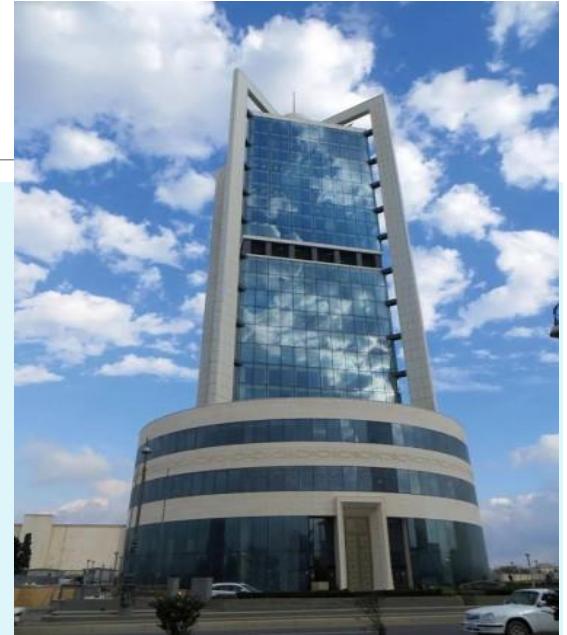
1. country's investment attractiveness;
2. business-related legislation;
3. governance mechanisms.



# Rankings in international indexes

- ✓ World Bank Doing Business Report 2020:
  - *34<sup>th</sup> position among 190 countries;*
  - *1<sup>st</sup> in terms of Getting Credit.*
- ✓ Global Competitiveness Report 2019:
  - *58<sup>th</sup> position among 141 countries;*
  - *Progress of 11 positions comparing to the previous year.*
- ✓ Heritage Foundation – 2019 Economic Freedom Index:
  - *60<sup>th</sup> position among 186 countries;*
  - *13<sup>th</sup> in the Asia-Pacific.*

# State Oil Fund of the Republic of Azerbaijan (SOFAZ)



- Established in 1999;
- The volume of funds: \$ 42,5 billion;
- Has an exposure to more than 50 countries globally which have been directed to all sectors of the world economy;
- Current investment portfolio: fixed income and money market instruments, equity, private equity, real estate, and gold investments.

# SOFAZ

## Ensuring compliance with the best practice standards and principles

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Anti-corruption related legal requirements and standards which come from national “Law of the Republic of Azerbaijan on combating corruption”, international conventions and principles for responsible business conduct:

- Transparency
- Accountability
- Integrity
- Zero-tolerance



# SOFAZ

## Anti-corruption compliance tools

- Rules of Ethical Conduct
- Whistleblowers protection system
- Prevention of conflict of interests
- Liability for violations of the internal rules
- Regular training on anti-corruption for all relevant employees
- Due diligence of business partners
- Implementation of procurement requirements
- Investment transactions monitoring
- Contractual terms on corruption and bribery prevention
- Press releases
- Anti-corruption risk assessment

# SOFAZ

## Anti-corruption risk assessment

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The Fund analyzes its activities for each previous period in its annual reports, forecasting future activities and evaluating the risk of corruption.

Main stages of risk assessment procedure:

- Identification of risk factors
- Identification and rating of mitigating controls
- Calculation of inherent and residual risks
- Development of an action plan

Regular external auditing of SOFAZ's financial statements by a reputable international audit firm is used as the primary safeguard to ensure the transparency of Fund's operations.

# SOFAZ

## Performance evaluation

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- The Fund was one of the 13 Sovereign Welfare Funds (SWF) among 48 ranked with highest points in “Linaburg-Maduell Transparency Index” in 2018.
- Included in the list of 100 most significant, resilient, and impactful asset owners and public executives of 2018. In this globally recognized list, SOFAZ has been ranked 10th amongst 100 most impactful public investors.
- The Fund ranked the 4th among 60 sovereign wealth funds with overall score of 92 out of 100 in the 4th edition of Sovereign Wealth Fund Transparency and Accountability scoreboard published in October 2016 by Peterson Institute for International Economics.
- Awarded with The United Nations Public Service Award – for “Improving Transparency, Accountability and Responsiveness in the Public Service”.

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**Thank you for your attention !**

