

Comments on ADB's Energy Strategy (version May 2007)

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Restructuring or Degradation of Energy Sector

Creation of Tariff Council in the frame of Ministry of Economic Development became a result of the Policy on restructuring Azerbaijan's energy sector. This step was widely welcomed by International Financial Institutions, as well as ADB. This Council is given a right to formulate and apply tariffs on all consuming energy resources and all public utilities. From the beginning of this Council's activity electricity tariffs , were increased in 3 times, but the quantity of services remained the same.

The greatest harm was caused to the poor population who were forced to deprive themselves of electrical energy. In winter it became a reason of felling not numerous trees which are the "green" basis of our Republic. Accordingly ADB's policy is directed to the restructuring of country's energy sector, accompanied with tariffs increase, not only threatens social security but also ecological one.

As a result of IFIs' projects many state bodies became joint-stock companies where all the assets belong to the government. Structure, institutional basis and activity of these joint-stock companies even less transparent to the public than it were before. At the same time, essential positive changes are not observed.

Accordingly we suggest ADB during financing of energy sector to provide for Bank's participation in modernization and restructuring of governmental bodies into joint-stock companies in the way of share purchase. It can help in internal administration as well as in fighting against corruption. After the making company competitive in the market economy ADB will send shares back to the government for the same price as it was before the restructuring.

Regional Cooperation

In connection with that ADB provided for in its strategy support for interregional energy trade, we find it important to note that in the case of projects' financing directed to the strengthening of cooperation between Azerbaijan and Central Asia countries special attention should be paid to the ecological safety of the Caspian Sea. As the main transportation route of the energy supply lies through the Caspian Sea, ecological condition of which is under threat, we suggest ADB to work out special strategy of activity in the Caspian Sea , which would consider all the difficulties

and nuances of this region. In particular, special attention should be paid to the conservation and protection of the biodiversity of the Caspian Sea. We understand that not all 5 Caspian countries are the members of ADB but we do believe that it is possible to work out common strategy for the rest 3 countries (Azerbaijan, Kazakhstan and Turkmenistan).

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