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# EU4Environment

Green Economy in Eastern Partner Countries

## Environmental inspections and compliance assurance in Azerbaijan

Action implemented by:



# **Environmental inspections and compliance assurance in Azerbaijan**

# Foreword

This report analyses the framework for environmental inspections in the Republic of Azerbaijan, and how they fit into the country's overall environmental compliance assurance system (promotion, monitoring and enforcement). It also identifies priority areas for reforming environmental inspections and other aspects of environmental compliance assurance and recommends how to address the challenges. The Ministry of Ecology and Natural Resources (MENR) of Azerbaijan selected environmental inspections as a focus of this report since they are an indispensable tool for both identifying and gathering evidence of non-compliance.

This report was based on findings from several interviews and meetings held 13-17 March 2023 in Baku, Azerbaijan. It also drew on secondary sources, including information shared by the MENR. The offices of the environmental inspectorate were not visited during the mission. Therefore, the report does not include a thorough assessment of the inspectorate's facilities and resources.

The report draws on significant work on environmental compliance assurance in the Eastern Europe, Caucasus and Central Asia region by the OECD over a number of years. This includes work by the Environmental Action Programme Task Force and the Greening Economies in the European Union's Eastern Neighbourhood Programme.

This report was prepared in the framework of the European Union for Environment (EU4Environment): Green Economy Programme. Specifically, it addresses component 3.2 on Environmental compliance assurance and liability regimes, subcomponent 3.2.1 on "Strengthening of compliance assurance systems, instruments and tools" and subcomponent 3.2.2 on "Reform of high impact enforcement and compliance instruments, including environmental liability". It is the fourth in a series of EU4Environment reports, after ones on Armenia, Georgia and Moldova, that analyse environmental compliance assurance systems in the Eastern Partnership (EaP) countries.

EU4Environment aims to help EaP countries preserve their natural capital and increase people's environmental well-being. To that end, it supports environment-related action; demonstrates and unlocks opportunities for greener growth; and sets mechanisms to better manage environmental risks and impacts. The Action is funded by the European Union and implemented by five Partner organisations: OECD, United Nations Economic Commission for Europe, United Nations Environment Programme, United Nations Industrial Development Organization and the World Bank. The Action implementation period is 2019-24.

The views expressed herein are those of the authors only and can in no way be taken to reflect the official opinion of the European Union, its members, the governments of the EaP countries or the implementing partners.

This report and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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# Abbreviations and acronyms

<b>ADB</b>	Asian Development Bank
<b>AZN</b>	Azerbaijani Manat
<b>BP</b>	British Petroleum
<b>EaP</b>	Eastern Partnership
<b>EU4Environment</b>	European Union for Environment
<b>EUR</b>	Euro
<b>FAQ</b>	Frequently Asked Questions
<b>GIS</b>	Geographic Information System
<b>IED</b>	Industrial Emissions Directive
<b>IMPEL</b>	European Union Network for the Implementation and Enforcement of Environmental Law
<b>INECE</b>	International Network for Environmental Compliance and Enforcement
<b>IRAM</b>	Integrated Risk Assessment Method
<b>ISO</b>	International Organization for Standardization
<b>LIMS</b>	Laboratory Information Management System
<b>MAC</b>	Maximum Allowable Concentration
<b>MENR</b>	Ministry of Ecology and Natural Resources of Azerbaijan
<b>NGO</b>	Non-governmental organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PPE</b>	Personal Protective Equipment



<b>REC C</b>	Regional Environmental Centre for the Caucasus
<b>SOCAR</b>	State Oil Company of the Republic of Azerbaijan

# Executive summary

Good environmental compliance promotion and enforcement are important for implementing environmental policies. Effective and timely inspections can help environmental authorities better protect a country's environment. To that end, they help monitor and promote companies' compliance with environmental regulations and gather evidence for an agile response to non-compliance.

The Republic of Azerbaijan has made some progress in modernising its environmental inspection regime, including institutional and regulatory changes. However, Azerbaijan's environment continues to be strained by air, water and soil pollution, hazardous waste, forest destruction and loss of biodiversity.

This report analyses the framework for environmental inspections in the country and how they fit into Azerbaijan's overall environmental compliance assurance system (promotion, monitoring and enforcement). It also identifies recommendations for further improvements based on good international practice.

## Key findings

- The State Environmental Security Service (SESS) has played a key role in environmental control in Azerbaijan since its creation in 2020. SESS is supported by the regional departments of the Ministry of Ecology and Natural Resources (MENR). They co-operate on inspections and monitoring with other ministerial institutions, which includes joint inspections.
- Compliance assurance institutions co-operate with permitting authorities. A shared online document system contains permits. However, the system does not include all available permits, and not all MENR departments are aware of its contents.
- Rules for organising and conducting inspections, as well as basic principles of risk categorisation of regulated entities, are in place. However, Azerbaijan could benefit from a more specific risk assessment methodology, possibly as a stand-alone document for better inspection planning.
- Inspections have been a key instrument for compliance assurance. Planned inspections of public entities take place, as well as ad hoc inspections of private entities where specified in Azerbaijan's legislation and if approved by the Ministry of Economy. However, two issues have seriously affected the ability of the SESS to check compliance. First, there is a lack of provisions for regular inspections of high-risk public companies. Second, a moratorium on planned environmental inspections of private enterprises has been in place since 2015 in several public policy sectors with the stated purpose of "facilitating entrepreneurship".
- Criteria for approving ad hoc inspections are unclear due to lack of a methodology on what qualifies as a "significant threat" that would warrant an inspection. Few ad hoc inspections of private enterprises are approved. Inspections that do occur cannot access enterprises' premises, and are subject to a pre-approved list of questions.
- The MENR uses many channels to receive alerts about environmental incidents from the public, including a hotline, an "EcoRadar" application, letters and social media. However, there is no 24/7 response capacity to incidents.

- AzeLab, a non-accredited laboratory that analyses samples gathered during inspections, is well equipped. There are plans to establish an electronic laboratory management system. Nevertheless, AzeLab lacks some analytical capabilities and resources for repair and refurbishment of equipment.
- The Ministry of Justice of Azerbaijan has a Unified Data Register of Inspections in the Field of Entrepreneurship, which contains inspection information for all economic sectors. The dataset is highly accurate because it is based on the entities' tax identification number. However, the register is used only to analyse basic data even though it has potential for more advanced analysis. Inspection reports are available to the inspecting body and the inspected entity but not to the general public.
- The compliance assurance institutions have stable staff numbers, and top management of the regional departments of the MENR (which act as regional branches of the SESS) rotate. There is a requirement for hired staff to maintain competency to get permanent contracts. However, the number of field inspectors is insufficient, and those in place are not supported enough by competency enhancement schemes.
- The SESS and the regional departments of the MENR use electronic devices (tablets) in field work and have a digitised Penalty Protocols Management System. However, they have limited technology to support field assessment of compliance.
- Compliance monitoring tools other than inspections comprise annual self-monitoring reports by enterprises, ambient monitoring (including through two mobile stations) and quarterly sea expeditions of the Caspian Complex Monitoring Department of the MENR. However, Azerbaijan lacks automated air monitoring stations to cover the entire country, although there are plans to increase their number. The self-monitoring system of companies covers a high number of sites but lacks a verification mechanism and is paper-based.
- Environmental permitting has varied fees and fixed validity periods for certain permits. However, outdated Maximum Allowable Concentrations (MACs) from the Soviet period, gaps in permitting legislation and poor modelling capability impede successful regulation of pollution. Integrated permitting and General Binding Rules are not used.
- The MENR attaches high importance to raising awareness on environmental issues to promote environmental compliance. The regional departments of the MENR and the Division of Environmental Education and Communication of the MENR organise awareness-raising events for the public. However, there is a significant shortage of activities promoting compliance aimed at regulated entities.
- Penalties against non-compliance with environmental regulations include action plans requesting improvements, suspension of licences and permits, administrative fines and criminal penalties ranging from fines to imprisonment. Fine levels for non-compliance have recently increased although they are not index-linked to inflation. A package of measures for revising penalties in the Administrative and the Criminal Codes is under consideration. The Prosecutor General's Office has a department for non-criminal proceedings to examine environmental offences, which co-operates closely with the inspectorate and provides some environmental training to prosecutors. There is, however, a reluctance to use criminal penalties.

### **Key recommendations**

Azerbaijan could consider the following recommendations, which are based on good practices from the EU and OECD countries, to strengthen its environmental compliance promotion and assurance system:

- Raise awareness about the online MENR information management system, which includes permits and is shared between permitting and control institutions. The database must also be backdated to include all available permits.

- Update the MACs and develop legislation regulating permitting for water discharges, waste and greenhouse gas emissions for better environmental protection overall.
- Increase the modelling capability to support drafting of permit conditions and environmental control, and improve data sharing between the MENR and other ministries on permitted sites and their emissions.
- Address issues that prevent resumption of planned inspections, including possible corruption of inspection officers, which some consider to be one possible reason justifying the ongoing moratorium on planned inspections of private enterprises, including with specific measures for inspection officers.
- Reinstate the possibility of planned inspections of private enterprises; introduce provisions that allow for regular environmental inspections of high-risk public entities and allow onsite inspections to ensure that non-compliance does not go undetected.
- Clarify criteria for allowing ad hoc inspections and increase transparency of the process, especially about rejected requests for inspections. Reconsider the need for pre-approved inspection questions. Ensure the same inspectors do not routinely visit the same site.
- Increase the speed of processing environmental alerts to almost real time to allow inspectors to gather evidence and address non-compliance in a timely manner. Establish a 24/7 year-round response capacity for environmental incidents covering all of Azerbaijan.
- Refine the risk assessment methodology for planning environmental inspections based on available international best practices and adopt it as a stand-alone document.
- Consider introducing charges for inspections instead of funding inspections through taxes.
- Harness the full potential of the Unified Data Register of Inspections in the Field of Entrepreneurship by refining it to allow analysis of compliance trends and the likelihood of non-compliance. Publish inspection plans and reports.
- Accredite the AzeLab laboratory so it becomes a valid and reliable tool in compliance assessment. Design an investment and asset management programme to ensure that AzeLab's needs are met. Digitise the management of samples.
- Strengthen the requirements for self-monitoring and reporting of companies by verifying the reports received and digitising them to support permitting, monitoring and reporting.
- Plan ahead so that environmental compliance assurance institutions can scale up staff and equipment quickly to achieve full capacity for inspections once the moratorium is lifted. Have in place a resource plan for the Caspian Complex Monitoring Department to ensure it can monitor the entire country.
- Put in place a competency scheme for staff of the SESS and the regional departments of the MENR covering technical aspects of their jobs. Develop training programmes for MENR staff on the usefulness of environmental inspections for compliance assurance.
- Provide the SESS and regional departments of the MENR with technology for field assessment of compliance such as drones, satellite capability and modelling packages.
- Increase the number of automated air monitoring stations to help identify potential non-compliance and to study the impact of the moratorium on inspections. Consider using the ship of the Caspian Complex Monitoring Department of the MENR outside of the four annual expeditions, for example, to carry out additional sampling or for university research. Consider how to optimise the use of the two departments' mobile laboratories.
- Provide more explanatory information and support activity to the private sector, including specific groups, on compliance with environmental regulations. Consider creating a dedicated website for the SESS to centralise environmental compliance assurance information.

- Index-link environmental fines to inflation and examine why criminal penalties are barely used. Define certain key terms in the Criminal Code.

# 1 Introduction

1. Azerbaijan's prominent oil industry and the related chemical sector strain the environment. The country's main environmental challenges comprise air and water pollution, soil degradation and erosion due to agricultural overuse, forest destruction, hazardous waste and threats to biological diversity (ADB, 2019<sup>[1]</sup>; Ministry of Ecology and Natural Resources of Azerbaijan, 2023<sup>[2]</sup>). Exposure to particulate matter in Azerbaijan amounted to 26.27 microgrammes per cubic metre in 2019, which was more than five times the recommended guidelines of the World Health Organization (WHO) and almost twice that of the European Union (OECD.stat, 2019<sup>[3]</sup>; WHO, 2021<sup>[4]</sup>).
2. Azerbaijan has acted to address its environmental challenges. This includes an impressive wastewater treatment programme and projects to improve the country's ecological situation, such as the efficient use of natural resources, among others (Ministry of Ecology and Natural Resources of Azerbaijan, 2023<sup>[2]</sup>; EU Water Initiative for Eastern Partnership, 2022<sup>[5]</sup>). Effective monitoring of environmental pollution levels to detect non-compliance with environmental regulations is key to protecting and improving the quality of Azerbaijan's environment.
3. Inspections are a prominent feature of any environmental compliance assurance system, which comprises environmental monitoring, promotion of voluntary compliance and enforcement of compliance. Inspections can either be routine (according to an inspection plan) or ad hoc (carried out within the framework of licensing/permitting, responding to a request, or a case of non-compliance (whether accidental or purposeful)) (European Commission, 2001<sup>[6]</sup>). Government inspectors usually carry out environmental inspections (INECE, 2009<sup>[7]</sup>). They gather facts about an inspected facility, collect and analyse documents, record observations and can sometimes determine compliance (INECE, 2009<sup>[7]</sup>). Inspections can help monitor a regulated entity's achievement of environmental quality standards, verify its self-monitoring reports, assess its activities and operations, check its premises and equipment, and check the adequacy of its environmental management and records (European Commission, 2001<sup>[6]</sup>).
4. This report assesses the quality of environmental inspections and other aspects of environmental compliance assurance in Azerbaijan. Chapter 2 describes environmental inspections in the country and analyses their effectiveness. Chapter 3 analyses other aspects of environmental compliance assurance and recommends improvements.

# 2 The environmental inspections regime in Azerbaijan

5. Several institutions in Azerbaijan co-operate on environmental inspections based on laws and regulations. Azerbaijan's Law no. 678-IQ "On Environmental Protection" from 8 June 1999, for example, sets the legal framework for environmental compliance assurance in the country. Law no. 714-IVQ "On the Regulation of Inspections Conducted in the Field of Entrepreneurship and the Protection of the Interests of Entrepreneurs" from 2 July 2013 regulates environmental inspections.

## 2.1. The institutional and legal basis for environmental inspections in Azerbaijan

### 2.1.1. The institutional arrangement for environmental inspections

6. The **State Environmental Security Service (SESS)** of the Ministry of Ecology and Natural Resources (MENR) is Azerbaijan's leading institution for environmental control and enforcement. The SESS, established in 2020, protects the environment and natural resources (except for subsoil, which is the remit of the **State Agency for the Use of Mineral Resources**<sup>1</sup>) in the territory of Azerbaijan and in the section of the Caspian Sea belonging to Azerbaijan; protects soil fertility from an ecological point of view; protects biological diversity, flora (including forest and greenery) and fauna (including fish and other aquatic biological resources); protects specially protected natural areas and objects; prevents air pollution and promotes efficient use of water resources; and is responsible for waste management (Government of Azerbaijan, 2020<sup>[8]</sup>).

7. The SESS participates in state control over compliance with the provisions of Azerbaijan's normative legal acts and international agreements. It issues sanctions for environmental non-compliance, including fines, restriction and temporary suspension of an activity of an enterprise due to its violation of environmental requirements. It can also suspend or cancel an enterprise's licences, permits and natural use agreements (contracts). The SESS contributes to the development of laws. For example, it has drafted amendments to the Code of Administrative Offences and the Criminal Code, as well as the law on the protection of greenery, which were both adopted.

8. The SESS headquarters is located in Baku. It is supported by 12 **regional departments of the MENR**, which became subordinated to the SESS by Order No. 344/ü of the MENR from 4 June 2020. The regional departments are located in the towns of Lankaran, Tovuz, Shirvan, Sumgait, Khachmaz, Ismailli, Sheki, Mingachevir, Agjabedi, Ganja, Baku and Horadiz.

9. An annual action plan, approved by the Minister of Ecology and Natural Resources, guides the monitoring and awareness-raising work of the SESS, as well as its co-operation with other government entities. The action plan is adopted every calendar year by 15 January. Each regional office of the MENR adopts its own action plan, also approved by the minister.

10. The SESS has 55 staff units, including 28 inspectors. All regional departments of the MENR have 506 staff units, including 244 inspectors. At the time of writing, it was not possible to verify how many of

those staff units had been filled. However, the number of SESS staff has roughly halved since 2015 when the moratorium on planned environmental inspections of the private sector was put in place. This followed the Decree of the President of Azerbaijan dated 27 March 2020 “On a number of measures related to the activities of the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan”. The decree requested proposals on the number of employees of the MENR and some state bodies, including the SESS. In 2022, the SESS budget was AZN 1 164 415 (approximately EUR 628 887). The total budget of the regional departments of the MENR for 2022 was AZN 6 640 000 (approximately EUR 3 586 186). SESS staff are recruited by a central state public servant organisation (a State Examination Centre) and go through three stages: application, written test and interview.

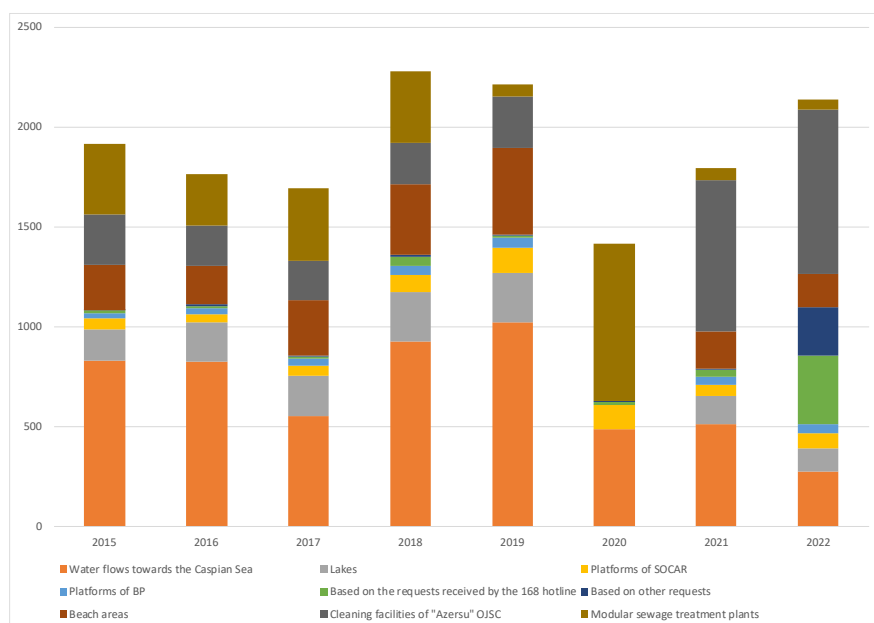
11. The SESS oversees environmental inspections by the **Forestry Development Service** and the **Biodiversity Development Service** of the MENR. Forest guards inspect forest units daily for the Forestry Development Service, while area managers conduct seasonal area inspections (spring/autumn). The Service and the SESS conduct joint ad hoc inspections/raids due to the supervisory role of the SESS. The Biodiversity Development Service conducts inspections in protected areas. It has the right to collect proof of non-compliance and to calculate the environmental impact of non-compliance. It also reports on identified violations quarterly.

12. **The Environmental and Natural Resources Management Division of the MENR** co-ordinates all MENR divisions that work on permitting and environmental inspections, including the SESS, the Forestry Development Service and the Biodiversity Development Service. It reviews and approves the annual action plan of the SESS for compliance with the SESS Charter. It also evaluates the SESS’s activity through its quarterly and yearly reports. The division also analyses the general state of the environment and long-term environmental trends, estimates the financing required for various ministry units, proposes and oversees implementation of action plans, and carries out daily and yearly reporting.

13. The **Caspian Complex Monitoring Department** of the MENR monitors the Caspian Sea and shoreline against pollution standards, specifically the quality of air, water, surface water, soil, rainfall and radioactivity. The department, established in 2002, took over monitoring from the Hydrometeorological Department of the MENR in December 2022 and handed over monitoring of biodiversity to the Biodiversity Development Service of the MENR. The department manages a ship that carries out monitoring expeditions four times a year, during which it takes samples for later analysis by the AzeLab laboratory of the MENR. The department also drafts state environmental reports. It has 60 employees, 22 of whom are directly involved in monitoring. Figure 2.1 presents the department’s monitoring activity for 2015-22.



**Figure 2.1. Monitoring activity of the Caspian Complex Monitoring Department during 2015-22**



*Note:* This figure does not reflect uncategorised monitoring activity of the Caspian Complex Monitoring Department of the MENR.  
*Source:* Based on data from the MENR.

14. The **AzeLab** laboratory of the MENR carries out free environmental sampling for the MENR, including for the SESS and the Caspian Complex Monitoring Department, and for private sector companies for a fee and upon request. It is a limited liability company, which analyses water, air, soil, subsoil and rainfall. It was created in 2021 when three laboratories were consolidated into one. AzeLab analyses samples received from inspectors by post but does not conduct any onsite analysis. Overall, AzeLab analyses approximately 30 000–35 000 samples per year. At the time of writing, AzeLab had 40 staff.

### **2.1.2. Legal provisions for environmental inspections**

15. Azerbaijan's **Law no. 678-IQ "On Environmental Protection"** from 8 June 1999 sets the legal framework for environmental compliance assurance in the country. It includes provisions for environmental enforcement by public authorities, self-monitoring of regulated entities and citizen monitoring.

16. The main legal act regulating environmental inspections in Azerbaijan is the **Law no. 714-IVQ "On the Regulation of Inspections Conducted in the Field of Entrepreneurship and the Protection of the Interests of Entrepreneurs"** from 2 July 2013. This law defines the goals and principles of inspections in the field of entrepreneurship in Azerbaijan. It includes provisions on the rules for organising and conducting inspections, the rights and duties of inspection bodies and inspection officials during inspections, the rights and duties of enterprises, risk assessment, registration of inspections, restrictive measures during inspections,<sup>2</sup> results of inspections and decision making based on inspection results.

17. Article 1.1.1 of this law defines an "inspection carried out in the field of entrepreneurship" as "a set of measures on assessment of compliance of entrepreneurs with mandatory requirements for entrepreneurial activity by inspection bodies. Inspection bodies consider the possibility of applying enforcement measures for the results obtained." According to this law, inspections help entrepreneurs ensure compliance with mandatory requirements for entrepreneurial activity, including the safety of people's lives or health, the environment and the state's property interests.

18. The Law “On Regulation of Inspections Conducted in the Field of Entrepreneurship and Protection of Entrepreneurs’ Interests” lists five principles of inspections:

- state registration of inspections in a single data register
- non-interference in the activity of the entrepreneur unrelated to the inspection
- openness of information for the entrepreneur
- implementation of control over activities of inspection bodies
- equality of the rights and legal interests of all the inspected entrepreneurs, etc.

19. According to article 14, inspections can be planned or ad hoc (unplanned). The law sets out three risk groups for planning environmental inspections (high, medium and low), with corresponding periods of inspection frequency.

20. Article 16.1 lists triggers for unplanned inspections:

- if an enterprise does not inform the inspection body about implementation of a decision issued on elimination of violations or their consequences within a specified time as a result of the last inspection, or if the given information is found to be incorrect
- when the status of implementation of a decision on the application (re-application) of restrictive measures to the activity of an enterprise is checked
- when official requests (information) based on specific facts are received from legal and natural persons, state and local self-government bodies about the existence of a direct and significant threat to the life or health of people, the environment and state property interests, or significant damage, as well as when information is disseminated in the media
- when an enterprise applies to the inspection body to conduct an ad hoc inspection.

21. According to article 18.1, a planned inspection should not exceed ten working days for large entrepreneurs and five working days for medium, small and micro enterprises. An ad hoc inspection should not exceed five working days for large enterprises and three working days for medium, small and micro enterprises. The criteria for categorising enterprises as large, medium, small and micro are defined according to the Law “On Entrepreneurial Activity”.

22. The **Regulation on the Form and Procedure of the Unified Information Register of Inspections Conducted in the Field of Entrepreneurship**, approved by the Decree of the President of Azerbaijan no. 383 from 11 February 2011, determines the form of the single data register of inspections in the field of entrepreneurship, as well as the rules for its use and data protection. According to the Decree of the President of Azerbaijan “On the Regulation of Inspections Conducted in the Field of Entrepreneurship and Some Measures to Ensure the Protection of Consumers’ Rights”, inspections are only possible after registration in a relevant register. The Ministry of Justice maintains the single register with the help of 11 staff. Various government agencies and businesses, including the SESS, can access the registry. However, only the Ministry of Economy can register planned inspections due to the ongoing moratorium on planned inspections of private companies.

### **2.1.3. Risk assessment criteria**

23. The Law “**On Regulation of Inspections Conducted in the Field of Entrepreneurship and Protection of Entrepreneurs’ Interests**” sets out three risk groups for planning environmental inspections, with corresponding periods of inspection frequency:

- high risk – not more than once per year
- medium risk – not more than once every two years
- low risk – not more than once every three years

24. The following factors determine risk groups:

- the scope of an entrepreneur's activity
- how long the entrepreneur has been active in the relevant field
- characteristics of the entrepreneur's product (work performed, service provided) and (or) the field of activity
- results of previous inspections of the entrepreneur, etc.

25. The State Environmental Expertise Agency uses another risk classification to prepare normative documents and opinions, which are used for issuing permits and licences: **the Decision of the Cabinet of Ministers no. 63 from 15 April 2002**. The Decision divides activities into four categories of risk based on the amount, the number and concentrations of harmful substances released into the atmosphere:

- large enterprises carrying out oil and gas extraction, oil and gas processing, production of building materials, metallurgy, ore extraction, energy companies, petrochemical companies
- enterprises carrying out oil and gas extraction, oil and gas processing, production of construction materials, metallurgy, ore extraction, energy companies, some enterprises of the petrochemical industry, including large machine building, automobile manufacturing, shipbuilding, ship repair, cotton ginning and transport enterprises
- some enterprises carrying out machine building, automobile manufacturing, shipbuilding, ship repair and transport enterprises, as well as large light and food industry enterprises
- some light and food industry and transport enterprises, as well as service area enterprises.

26. This categorisation also seems to influence the need for ad hoc inspections together with the Law on Environmental Impact Assessment.

#### ***2.1.4. The moratorium on planned environmental inspections of enterprises***

27. Although the system for inspections was well set out in legislation, **Law no. 1410-IVQ "On Suspension of Inspections Conducted in the Field of Entrepreneurship"** from 20 October 2015 suspended the possibility of planned environmental inspections of private enterprises. In 2023, application of the law was extended until 1 January 2024. The law exempts certain fields from the moratorium such as tax inspections and inspections by the Prosecutor General's Office to investigate corruption.

28. The MENR's request for exemption of environmental inspections from the moratorium was denied. However, the Decree on Implementation of the Law **"On Suspension of Inspections Conducted in the Field of Entrepreneurship"** from 26 October 2015 permitted inspections in certain cases. With approval of the Ministry of Economy, an inspection could be permitted in the case of a significant threat to people's lives and health in addition to state security and economic interests. Although MENR inspections are not on this list, the ministry can use article 2 to justify an inspection. The article states that "in urgent cases that are not provided for in Part 1 of this list, but pose a significant threat to people's life and health, state security and economic interests, inspections are carried out in an exceptional manner, based on a justified request of the relevant inspection body, with the approval of the Ministry of Economy of Azerbaijan. In this case, when the Ministry of Economy of Azerbaijan deems it necessary to protect the rights of entrepreneurs, an inspection is carried out with the participation of an employee of that Ministry."

29. When the moratorium on environmental inspections ends, there will be a significant backlog of inspections to be completed. The SESS, regional departments of the MENR, AzeLab and other relevant institutions will need sufficient staff and equipment to quickly achieve full capacity for timely inspections. Given its lack of financial and/or human resources, the Caspian Complex Monitoring Department foresees needing one year from the end of the moratorium to achieve full staff capacity.

## 2.2. Analysis of environmental inspections in Azerbaijan

### **2.2.1. The SESS has low turnover of inspection staff but no competency scheme or inspector rotation**

30. The SESS has stated it does not have difficulties attracting and retaining qualified staff. It has been improving incentives to retain qualified staff by slightly increasing salaries last year and by offering public service benefits. In addition, staff can be replaced quickly if needed, because there is a high number of applicants for open positions (one job opening can have up to five-six applicants) who are gathered into a pool. This is a notable achievement because most environmental inspectorates in the Eastern Partnership region have a high turnover due to insufficient staff incentives.

31. The recruitment process for SESS staff has several positive features:

- Higher education (Bachelor's degree) is required for job applicants, primarily in a science discipline (e.g. natural science, ecology).
- A central organisation (a state exam centre) manages the hiring process, which could help reduce corruption and nepotism.
- A mentor is assigned to every new employee for the first six months on the job; after successfully completing a three-month trial (to be validated by the mentor), the new employee receives three months of practical training (practical experience is not required to apply).
- Hired staff have a requirement to maintain competency. They must pass a civil service test every five years to obtain a certification to remain within the civil service.
- Career advancement is possible by re-taking civil service exams.

32. The SESS organises some training for staff, including joint training with the Legal and Human Resources Division of the MENR. However, nothing ensures that staff are technically proficient in their specific roles and remain competent throughout their careers. A competency scheme for staff in both the SESS and the regional departments of the MENR is recommended to cover technical aspects of the jobs; this could draw on an initiative of the former State Environmental Inspectorate of Estonia from 2019 as a good example. The competency scheme could also be used for resource and task planning, performance management, etc. In addition, some MENR staff do not acknowledge the importance of environmental inspections for catching non-compliance. This should be addressed through training on good practices in environmental inspections.

33. According to regulations adopted in February 2023, the heads of regional departments of the MENR need to rotate. This is a good practice as it allows to break silos, tackle corruption and promote mutual learning. There are plans to extend the rotation requirement to lower-level management, but inspectors currently do not rotate. The SESS and the regional departments of the MENR should ensure the same inspectors do not regularly visit the same site to avoid possible corruption.

34. In addition, in certain cases only one inspector can take part in an inspection. At least two inspectors must take part in each inspection to reduce corruption risks.

### **2.2.2. Inspection planning is risk based and supported by an internal electronic document management system of the MENR, but a stand-alone risk methodology is needed, while the document management system must include all permits, and its use promoted among all MENR departments**

35. In line with good international practice, Azerbaijan uses risk assessment for planning inspections and for permitting. The Law "On Regulation of Inspections Conducted in the Field of Entrepreneurship and Protection of Entrepreneurs' Interests" sets out the risk methodology for inspections. The regulation

identifies three categories of risk of enterprises (low, medium and high) with corresponding inspection frequencies, and lists several factors determining risk groups. A separate methodology is used to issue permits and licences and to decide on ad hoc inspections. This is based on the Decision of the Cabinet of Ministers no. 63 from 15 April 2002, which establishes four categories of risk for enterprises.

36. It would be helpful for Azerbaijan to adopt a stand-alone methodology document for assessing environmental risk of regulated entities for inspections. This document should be refined to provide more detail on how to assess risk. Environmental designation, the hazardous nature of the activity, previous non-compliance and potential for recidivism must be key features of the risk methodology. It is especially important to adopt such a document quickly. It should be in place by the time the moratorium on planned environmental inspections of private enterprises is lifted or before the MENR is exempted from the moratorium due to the expected backlog of inspections. Having a well-developed methodology for environmental inspections will help direct the resources of the inspectorate to high-risk activities.

37. In line with good international practice, the MENR established an online document management system in 2018 that is accessible to various departments of the ministry, including the SESS. The system allows inspectors to have easy access to permits when carrying out inspections. Nevertheless, awareness about the number of permitted entities and use of the database seem to be lacking. Notably, the SESS and the Caspian Complex Monitoring Department of the MENR were unaware of the total number of entities to be inspected. The database does not contain all issued permits. In cases where a permit of an inspected entity is not there, inspectors must ask either the State Environmental Expertise Agency of the MENR or the inspected entity itself to share its permit prior to an inspection. Therefore, the permits included in the online system must be examined and missing permits should be added to ensure it has all the permits. Meanwhile, awareness about the system and its use must be promoted among all ministry departments.

### ***2.2.3. Joint inspections take place according to good international practice***

38. Azerbaijan conducts joint inspections among different departments of the MENR, which is considered to be a good practice internationally. Such inspections promote sharing of knowledge among different compliance assurance institutions. Examples of joint inspections include:

- Expeditions of the Caspian Complex Monitoring Department, which include representatives of various MENR departments, the National Academy of Sciences and private sector. A representative of SOCAR can usually join inspections of the Caspian Complex Monitoring Department to monitor offshore oil rigs. Either the SESS or the Caspian Complex Monitoring Department can request a joint inspection.
- Local inspectors of different regional departments of the MENR sometimes carry out joint environmental inspections.
- The Forestry Development Service of the MENR can do joint inspections together with the regional offices of the MENR.

### ***2.2.4. Environmental inspections of public entities are limited***

39. The moratorium on environmental inspections does not cover publicly owned sites. However, resources freed from inspections of private entities seem not to have been used to increase compliance monitoring of large publicly owned entities. For instance, the State Oil Company of the Republic of Azerbaijan (SOCAR) had no inspections in 2022. However, given the nature of its activities, SOCAR is likely to have several high-risk sites requiring annual inspection. The State Agency for the Use of Mineral Resources does not carry out routine inspections even though it could without permission of the Ministry of Economy; the ministry approves ad hoc environmental inspections according to set criteria.

Nevertheless, SOCAR sometimes takes part in joint inspections with regional branches of the MENR. Regular environmental inspections of high-risk entities managed by public state companies are important.

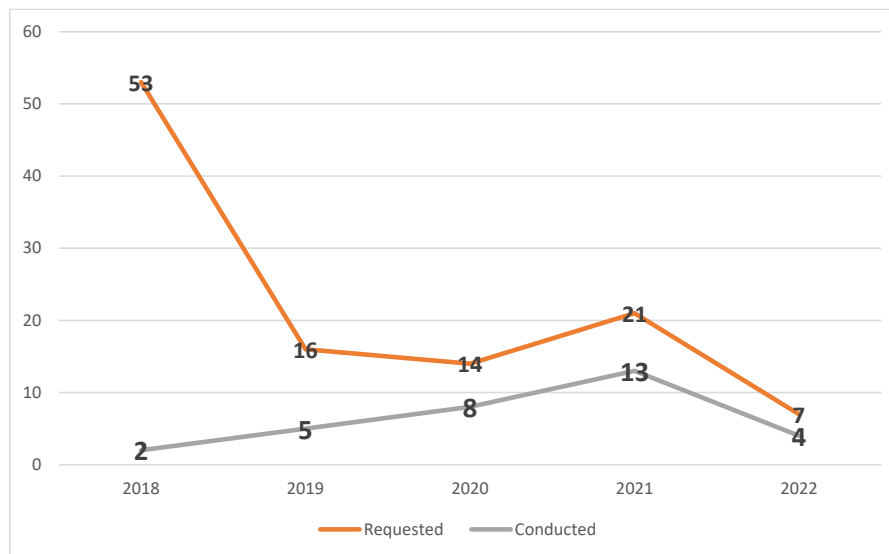
### **2.2.5. There is no inspection regime for private enterprises**

40. Azerbaijan's ongoing moratorium on planned environmental inspections is an unusual practice internationally. In line with Law No. 1410-IVQ, the moratorium aims to regulate inspections of entrepreneurship, protect the rights of consumers, support entrepreneurship and increase business activity. As such, it reduces the likelihood of discovering and responding to non-compliance. Reducing administrative burden on businesses is a laudable objective, but Azerbaijan could find less radical solutions to achieve this goal. For example, it could adjust the frequency or length of inspections, and digitise inspection preparation and materials. The inspection regime of private companies should be reinstated as soon as possible to ensure that non-compliance does not go unnoticed. At the same time, Azerbaijan could consider alternative solutions to reduce administrative burden on businesses.

41. Interviews revealed that corruption during inspections and the high levels of discretion of inspection officers to impose penalties (or not) were some of the possible reasons for the moratorium. Maintaining the moratorium for several years may have negatively affected the environmental performance of enterprises and did not address the original source of the problem. Corruption must be addressed at the root so inspections can resume. The SESS and regional departments of the MENR could develop a robust roadmap with a package of strong anti-corruption measures. This could be in line with the Decree of the President of the Republic of Azerbaijan "On the approval of the "National Action Plan for strengthening the fight against corruption for 2022–2026". Such a roadmap can convince the Ministry of Economy of their suitability to recommence planned inspections of private installations. Measures could include training, regular rotation of inspectors, the addition of a third inspector or manager for the inspection for a limited time, a published inspection plan, published inspection reports, the use of chest cameras, the use of photographic evidence to support non-compliance reporting where appropriate and a revised enforcement policy. The former State Environmental Inspectorate of Estonia and the Environment Agency of England are good examples of using some of these measures.

42. Although planned inspections of private entities are not carried out, ad hoc inspections can still take place in exceptional circumstances if approved by the Ministry of Economy. These circumstances include a significant threat to people's lives and health, and the security and economic interests of the state. The SESS and the regional departments of the MENR have a list of 205 large polluting enterprises (57 of them in Baku) for which they can initiate an inspection in accordance with legislation regardless of the moratorium. The Law on Environmental Impact Assessment and the attached List of Activities Requiring Environmental Impact Assessment are used in the qualification of the threat. The Decision of the Cabinet of Ministers no. 63 from 15 April 2002 seems to play a role as well. However, there is no methodology specifying what qualifies as a "significant threat" that would warrant an inspection. Even with the exceptions, inspections still rarely happen. Only 32 of 111 requests filed by the regional departments of the MENR for ad hoc inspections during 2018-22 were approved. Figure 2.1 shows the trend in the number of ad hoc environmental inspections during the last five years.

**Figure 2.2. Annual number of ad hoc environmental inspections in Azerbaijan during 2018-22**



Source: Ministry of Ecology and Natural Resources of Azerbaijan.

43. Until the moratorium is lifted or the MENR is granted an exemption, Azerbaijan should avoid discretion in the decision-making process for inspections. To that end, it could adopt a methodology to qualify a “significant threat” to life and health, and the security and economic interests of the state to warrant an inspection. In addition, it will be useful to include the justification for an inspection refusal in the state registry of inspections. This could be made publicly available to increase the transparency of environmental inspections.

44. Finally, offshore oil and gas rigs do not have environmental permits and are not inspected. Given the high-risk nature of the activities, environmental permits and inspections are highly recommended for these sites to deliver comparable levels of control with the European Union and many other regions.

### **2.2.6. Environmental inspections are limited in scope and lack flexibility**

45. Environmental inspections that do take place are limited in scope. Site-based compliance monitoring (emissions, waste arisings and discharges) can only be assessed from outside of a private enterprise or by data returns from operators. As a result, authorities are unlikely to have a complete picture of activities or emissions/discharges at site level. Thus, it is important to allow onsite inspections.

46. The inspection regime is rigid. During an inspection, inspectors can only ask questions from a list pre-approved by the Ministry of Economy and placed into an electronic registry of inspections of the Ministry of Justice. In addition, an inspector does not have a right to ask questions for another organisation. The inspected company receives a list of five to six planned questions in advance. It can contest the results of an inspection if it receives more questions or different questions than planned. A sample list of questions for environmental inspections is included in Annex II of this report. A representative from the Ministry of Economy must be present during inspections. This was the case before the moratorium, and the ministry will likely need to be notified of inspections even after the moratorium is lifted. The inspection regime should become more flexible to allow for rapid responses. To that end, it should remove the need to pre-approve questions by the Ministry of Economy, as well as the need for a ministry representative to take part in all inspections.



### **2.2.7. The MENR uses various methods to receive alerts from the public about environmental issues but could handle alerts more efficiently**

47. The MENR uses various channels to receive alerts about environmental incidents. This increases the likelihood of being informed about possible environmental damage or non-compliance and swiftly addressing it. The channels include a hotline, an application, letters and social media (Box 2.1).

48. However, the processing of alerts could be more efficient to provide a faster response to incidents. Sometimes, the alert received by the “168” hotline of the MENR is shared with several departments at the same time, creating a risk of duplication and delaying a response. There is a requirement that information on incidents handled by the SESS must be shared with the SESS within 48 hours after it is received. The processing should be sped up to almost real time to allow the SESS to respond and stop ongoing pollution in a timely manner, as well as to gather evidence.

49. Alerts received through the hotline or social media are only processed during working hours. This encompasses holidays but not weekends unless staff willingly do this work. Notably, it takes a personal call to the head or deputy head of the Caspian Complex Monitoring Department for it to learn about serious environmental incidents on the weekend. This means there is no 24/7 mechanism to address environmental incidents. If an incident takes place outside of Baku, it usually takes even longer to process. Ideally, a system providing 24/7 all-year response capacity and covering all of Azerbaijan should be available.

#### **Box 2.1. Channels of the Ministry of Ecology and Natural Resources for receiving environmental alerts**

The MENR has a variety of instruments for receiving alerts about environmental incidents from the public:

- the “168” round-the-clock hotline: the general department of the MENR manages the hotline, processes and electronically directs the alerts to relevant departments of the MENR or other public authorities
- an “EcoRadar” application on the MENR website, which accepts photos and videos
- letters sent to the MENR
- social media (Facebook, Instagram and WhatsApp): the Environmental Education and Communications Department of the MENR manages these platforms and forwards alerts to relevant departments of the MENR to register. In 2022, 1 148 complaints were registered through social media.

The “168” hotline was launched in 2002 to receive rapid information about environmental accidents and violations within the country, including the Azerbaijani sector of the Caspian Sea. According to the MENR, complaints through this hotline are frequently related to municipal waste, wastewater discharge, illegal tree cutting, air pollution, odour and noise, illegal use of flora, fauna or underground resources. More than 100 employees of the ministry operate the hotline and undergo daily briefings at the beginning of the workday.

### **2.2.8. The electronic inspection registry of the Ministry of Justice has high accuracy and strong analytical potential that must be fully used**

50. Azerbaijan has a centralised inspection database, which contains a wealth of information about inspections for a variety of economic sectors (Box 2.2). This is useful because it provides easy access to information and has strong analytical potential. Approximately 3 000-4 000 inspections have been registered in this database annually since the beginning of the moratorium on planned inspections of



private companies in 2015. The dataset in the electronic inspection registry has high accuracy because it is based on tax identification numbers of inspected entities. Analysis of this database could be useful for predicting non-compliance and targeting inspections. The Ministry of Justice already regularly analyses the registry and reports quarterly to the Prime Minister and the President of Azerbaijan to inform policy making.

51. However, the registry operates mostly as a data repository and does not fully exploit its potential for analysis and business intelligence. The registry allows analysis of only basic data such as the number of businesses registered in the system and the number of inspections. It does not allow analysis of the percentage of compliance during planned and unplanned inspections or provide disaggregated data based on business type (micro/small/large). The electronic registry could be a powerful tool against non-compliance if used to its full potential. The registry could allow more analysis, for instance, by adding compliance levels of inspections. The registry could also be integrated into GIS to check which sites have a lot of non-compliance, cross-referencing sectors, etc.

52. Moreover, the registry's inspection reports are visible only to the inspecting body and the inspected entity. It could make inspection plans and reports publicly available to make the inspection regime more transparent and to name-and-shame non-compliant entities.

### Box 2.2. Information included in the electronic inspection registry of the Ministry of Justice

The electronic inspection registry collects information on planned and ad hoc inspections for all economic sectors, including inspection plans and results.

Bodies that can carry out planned inspections must submit annual plans by 1 November every calendar year to the Ministry of Justice. The plans must include the name of the inspected entity, the date of the last inspection of this entity, the legal basis, and the subject, type, duration, etc. of the inspection. Every inspection receives a unique code. The inspected entity obtains an extract from the registry prior to the inspection.

Following an inspection, the registry compiles results. An inspection report identifies the inspecting entity, its tax identification number and address, duration of the inspection, information about the last inspection of the inspected entity, whether the inspection was planned or unplanned, justification for the inspection if it was unplanned, the request for the inspection (a letter), the name of the person that requested the inspection, the legal justification for the inspection (including a reference to relevant laws), questions asked during the inspection, the name of the person who signed the request to launch the inspection and the timeline for processing the inspection request from receipt to approval. The inspection report also provides information on whether legal non-compliance has been detected, decisions regarding the non-compliance and information on liability measures.

In addition to information from inspection bodies, the registry includes records on business entities, such as inspection records, appeals and complaints.

### 2.2.9. AzeLab has strong capacity but needs accreditation and more resources

53. AzeLab, which gathers and analyses samples from inspectors, is a well-equipped laboratory with modern equipment and the capacity for a wide range of chemical and microbiological analysis, as well as Zooplankton and Phytoplankton analysis. Many EU inspectorates do not have ready access to such a range of analysis either due to the unavailability of equipment or prohibitive costs, for example, when inspectorates must pay for the analysis.

54. Despite its relatively modern state, AzeLab identified it would like to broaden the capabilities of its microbiology lab and multi-spectrometry. In addition, AzeLab lacks resources for repair and refurbishment

of its key analysis equipment. The design and delivery of an investment and asset management programme is recommended to ensure the AzeLab laboratory can meet current and future needs, including forecasting when equipment or operating systems will likely need replacement.

55. AzeLab is not accredited but expects to receive certification from the AzaQ laboratory accreditation entity of Azerbaijan later this year and is working on achieving ISO 17025 accreditation. ISO 17025 usually requires processes for equipment calibration and maintenance. Accreditation will be important for establishing the credibility and authority of AzeLab's analysis.

56. AzeLab does not have a Laboratory Information Management System (LIMS) but plans to roll out a partial digital laboratory management system equivalent to LIMS by the end of 2023. AzeLab receives samples from inspectors and sends the subsequent analysis results by mail. This manual process creates a risk of error and is time-consuming. The planned electronic system for managing samples will increase the efficiency and credibility of sample analysis. However, it will not be linked to the SESS or the Caspian Complex Monitoring Department. It is recommended to extend the sample management system beyond AzeLab to the SESS, the Caspian Complex Monitoring Department and other MENR departments that undertake sampling. This would further streamline the process, and aid accuracy and consistency (e.g. by introducing bar codes to all samples). It is also recommended that new fixed air monitoring stations are digitally linked into the AzeLab sample management system.

#### ***2.2.10. Inspection technology has been recently enhanced but should be further modernised***

57. Some inspection technology has recently been enhanced. The Penalty Protocols Management System, for example, was digitised. This is a data storage system where all documents (acts, protocols, etc.) are scanned and stored. In addition, the SESS and regional offices of the MENR received 125 electronic tablets for inspectors.

58. However, the SESS and the regional departments of the MENR have limited access to technology to support field assessment of compliance. For instance, they have no drones, no satellite capability and limited access to modelling packages to quantify waste amounts. Other organisations such as the State Agency for the Use of Mineral Resources have such technology. It is recommended that the SESS and the regional departments of the MENR gain this competence either in-house or by partnering with another regulatory agency or university.

59. The authors of the report did not have an opportunity to tour the offices of the SESS/regional departments of the MENR. Therefore, they cannot comment on the quality of the facilities or equipment.

#### ***2.2.11. Charging polluters for inspections would help adhere to the polluter pays principle***

60. The SESS and the regional departments of the MENR do not charge inspected entities for the cost of inspections. This means that Azerbaijan does not fully apply the polluter pays principle. Although the moratorium has significantly limited the number of inspected installations, the government of Azerbaijan could consider a charging scheme covering inspections. The first stage could identify the number and cost of needed environmental inspections. Approaches used to calculate fees can be site-based (based on staff time on each installation) or based on overall administrative costs of the regulatory activity (dividing it among installations). Fees can either be up-front or annual, and sometimes inspection fees are part of permit fees (OECD, 2005<sup>[9]</sup>).

# 3

## Strengthening other aspects of environmental compliance assurance

61. The moratorium on planned environmental inspections of private entities increases the importance of promoting voluntary compliance with regulations through other methods such as training and assistance. It also heightens the need to catch non-compliant behaviour through effective tools such as ambient monitoring, self-monitoring by companies and public monitoring. Penalties must also be dissuasive enough to prevent non-compliance, while regulations must be clear and effective to promote compliance. This chapter will consider these aspects of environmental compliance assurance in Azerbaijan.

### 3.1. Other monitoring mechanisms to identify non-compliance

62. Azerbaijan carries out ambient environmental monitoring and has self-reporting requirements for companies.

#### **3.1.1. Self-monitoring and reporting by regulated entities should be verifiable and become digitised**

63. Companies in Azerbaijan must submit annual self-monitoring reports to the Ministry of Ecology and Natural Resources (MENR) on emissions of harmful substances into the air, water use, wastewater discharges and hazardous waste management. Failure to do so may lead to administrative penalties. State and private business entities co-ordinate the reports with the MENR and submit them to the State Statistics Committee directly. The State Agency for the Use of Mineral Resources receives self-monitoring reports from mining companies, which it reviews with help from the State Geological Fund.

64. The self-monitoring system covers a high number of sites, creating the potential for a good understanding of pollutant flows. In Baku district alone, 600-700 sites had to file annual data returns, which is high compared to EU countries.

65. However, there is no way to verify the accuracy of self-monitoring. The quality of the reports is unlikely to improve unless operators get feedback. If companies know the reports are unlikely to get checked, they are unlikely to put much time into compiling the data. The self-monitoring system would work much better with a mechanism to verify reports.

66. Moreover, the system is paper-based. This makes it difficult to make a numerical or a statistical assessment at either a site level (e.g. to identify fraudulently manipulated data using Benford's law) or across sites (e.g. to quantify local, regional or national levels of emitted chemicals). Data should be collected electronically, which would require an online system that could assess and collate data. Such a system could standardise submitted data, checking quality and authenticity automatically. It could also

verify compliance rates of enterprises. Electronic data collection would yield important information to support activities such as permitting, local air quality monitoring and state of the environment reporting.

### **3.1.2. Ambient monitoring needs to be increased through more monitoring stations and fully exploiting resources**

67. Analysis suggests that Azerbaijan lacks a sufficient number of automated air monitoring stations to cover the entire country. Modelling capability for water exists but not for air quality. Moreover, the environmental monitoring network has not increased since the introduction of the moratorium in 2015.

68. The number of monitoring stations should be increased to cover the entire territory of Azerbaijan, including more automated stations. Improved environmental monitoring will help both to identify instances of non-compliance and to analyse the impact of the moratorium on compliance behaviour. The Caspian Complex Monitoring Department of the MENR is already automating air monitoring stations and plans to have 25 new air monitoring stations in place by 2026, 5 of which have already been installed.

69. The Caspian Complex Monitoring Department, which monitors the Caspian Sea and the shoreline, has a ship that carries out expeditions three-four times a year to monitor air, water, surface water, soil, rainfall and radioactivity against written normative pollution standards (Figure 3.1). Each expedition lasts approximately 15-20 days. The department shares a monthly newsletter on its activities with the MENR.

**Figure 3.1. Monitoring vessel of the Caspian Complex Monitoring Department of the MENR**



Source: (Makhmudov, 2022<sup>[10]</sup>).

70. The ship can take environmental samples, which it sends to the AzeLab laboratory for analysis. If the department identifies pollution that exceeds permitted levels, it informs other agencies of the MENR such as the State Environmental Security Service (SESS), and public and private companies in the area. The ship can also be deployed if it receives authorisation for an ad hoc check following a complaint. Otherwise, the ship stays in the port. Considering this vessel is an expensive asset, Azerbaijan could explore how to achieve more value from it. For example, it could hire the vessel to other agencies, carry out more sampling or take part in university research. In addition, when an expedition is shortened due to bad weather, the missed days could be reinstated into the expedition programme.

71. The department also has two land mobile monitoring stations (Figure 3.2), which can measure air pollution and do preliminary analysis of water through sensors. The mobile stations are only deployed in case pollution has exceeded permitted levels. They are not used for continuous 24/7 monitoring. It would be useful to deploy these monitoring stations more frequently.

**Figure 3.2. Mobile laboratory of the Caspian Complex Monitoring Department**



Source: (Makhmudov, 2022<sup>[10]</sup>).

72. Finally, as the department recently took over monitoring activities of the MENR hydrometeorological department, it needs sufficient resources to conduct monitoring for all of Azerbaijan. It must develop a coherent and resourced plan to ensure adequate monitoring for this expanded mandate.

### **3.2. Environmental permitting considerations for compliance assurance**

73. The 2016 Law No. 176-VQ on Licences and Permits defines procedures and requirements to issue, suspend and cancel permits and licences in Azerbaijan. Annexes 1-3 list activities that require permits and licences, while Annex 3 lists permits issued for entrepreneurial activity.

74. According to the law, the Ministry of Economy issues licences after receiving opinions from relevant institutions. These include the State Environmental Expertise Agency of the MENR (which sets out the maximum allowable concentrations (MACs). The agency also manages environmental impact assessments, and issues environmental “passports”<sup>3</sup> and “opinions”<sup>4</sup>).

75. Various government institutions issue permits based on the field of activity. The MENR issues permits to legal entities and individuals with stationary sources that emit harmful substances into the air and have harmful physical effects (e.g. air pollution); for hunting; for use of water bodies for special purposes; and for trade in zoological collections or endangered species. The Rules for Issuing Special Permits for the Release of Harmful Substances into the Air and Harmful Physical Effects from 13 July 2002 establish a three-year validity period for permits. The State Agency for the Use of Mineral Resources issues natural resource use permits.

76. Permit fees vary depending on the hazard category of the applicant entity according to three documents. These comprise the Decision of the Cabinet of the Republic of Azerbaijan “On approval of the “Rules of State Registration of Harmful Substances Discharged into Atmospheric Air and Harmful Physical Effects”, “Rules for Issuing Special Permits for Discharge of Harmful Substances into Atmospheric Air and Harmful Physical Effects”; and “Rules of Determination and Use of Amount of Payments Received for Special Permits for Discharge of Harmful Substances into Atmospheric Air and Harmful Physical Effects”, #112, dated 13 July 2002. They range from AZN 99-792 (approximately EUR 54-436). Applicants must submit to the MENR the following documents: a letter; a copy of the enterprise’s founding document; a project for regulating the release of harmful substances into the air and the state statistical report;<sup>5</sup> and a plan of measures designed to achieve permissible pollution levels.

77. The Ministry of Economy maintains a Unified Registry of Licences and Permits in accordance with the Resolution of the Cabinet of Ministers No. 347 from 16 September 2016. The registry is on an online portal (<https://lisenziya.gov.az/>).

78. The permitting regime has positive features such as variable fees, a possibility for online application of some permits, publication of permits on an online portal and a fixed validity period for certain permits (notably, three-year validity for air emissions). Building on these elements, Azerbaijan could benefit from additional action to improve environmental compliance of operators and the work of environmental control institutions:

- Update MACs, which date from the Soviet period.
- Address gaps in legislation regulating permitting for water discharges, waste and greenhouse gas emissions. This legislation should be developed and integrated with other environmental legislation. In a welcome move, the draft Law of Azerbaijan “On the Management of Greenhouse Gases Released into the Atmosphere” was in approvals at the time of writing.
- Introduce data sharing between the MENR and other ministries and agencies on permitted sites and their emissions. Data-sharing agreements would allow exchange of information on known locations, addresses, discharges, etc. related to permitted sites.
- Provide tools, techniques and training to regulators to enhance modelling capability. Regulators lack data, modelling tools and know-how, which leads to a lack of control over permitting instruments. With respect to emissions of airborne pollutants, for example, permit conditions are calculated primarily by stack diameter. However, regulators have no capability or competence for monitoring stacks. Azerbaijan should review all significant emissions sources and discharge points to identify data gaps and the need for further monitoring to produce data that can support drafting permit conditions to protect the environment. Regulators should gain the tools, techniques and competence to carry out modelling of all significant sources of pollution.
- Develop integrated permitting so that all significant sites receive a single permit covering all environmental media.
- Cover lower risk sites by General Binding Rules fixed in legislation.

### 3.3. Awareness-raising activity to promote voluntary compliance

79. The MENR recognises the importance of raising awareness and carries out many environmental campaigns aimed at the general public. These activities include a school lesson on life lessons which includes environmental topics; tree planting and battery-collecting campaigns; and awareness-raising activities in schools targeted at young children. It carries out some campaigns jointly with the private sector. The MENR has a public council involved in monitoring and awareness-raising activities, as well as in public participation in policy making. The public council is made up of representatives of 15 non-governmental organisations (NGOs) elected by civil society and independent experts from 30-40 applicants. The MENR frequently co-operates with NGOs during project implementation.

80. The Division of Environmental Education and Communication of the MENR is dedicated to sharing information and raising awareness. Highlights of its awareness-raising activities include the following:

- a weekly event called “Expert Hour” in which a new expert provides information on a specific subject for one hour each week
- “one question one answer” articles on social media, which provide detailed answers to environmental questions on topics like hunting
- press releases about significant environmental issues
- clean-up campaigns with the participation of volunteers
- promotion of MENR activities on social media
- wide use of the website and social media, including frequently asked questions (FAQs)

81. Other departments of the MENR also raise awareness about environmental concerns. Each regional department of the MENR has an awareness-raising unit, which is required to report annually on its activities. The SESS organised roundtables on medical waste in 2022. It also recently took part in a meeting organised by the American Chamber of Commerce to answer the questions of entrepreneurs. The SESS is considering creating brochures. The Caspian Complex Monitoring Department of the MENR publishes weekly bulletins on identified environmental incidents.

82. However, most awareness-raising activity of the MENR focuses on public awareness about environmental issues. The SESS and regional departments of the MENR could provide more explanatory and support activity to the private sector on compliance with environmental regulations. They should target groups such as those related to hunting and fishing to raise awareness about specific issues.

83. In addition, the SESS could create its own dedicated website as the main information platform on environmental compliance assurance matters. This could provide news on environmental compliance and non-compliance (some information on illegal fishing and poaching is already shared through the news section of the MENR website). The website could also provide access to inspection plans and reports; activity reports of the SESS and regional departments of the MENR; environmental laws and regulations; the enforcement guidance policy document (setting out penalties for environmental non-compliance and when they should be applied); and the risk assessment methodology for planning inspections. The website could contribute to promotion of voluntary compliance through naming-and-shaming non-compliant companies or praising those companies that comply with regulations or go beyond compliance.

### 3.4. Penalties against non-compliance and enforcement of compliance

#### 3.4.1. Penalties for environmental non-compliance

84. Two key laws govern penalties against environmental non-compliance in Azerbaijan: the Code of Administrative Offences (Section 6, Chapter 25) and the Criminal Code (Section 10, Chapter 28). Box 3.1 provides details on these laws, while Figure 3.3 and Figure 3.4 show statistics on administrative and criminal cases, respectively.

85. Azerbaijan is revising or updating several laws on environmental penalties. With respect to revisions of the Criminal Code and the Administrative Offences Code, Azerbaijan has two aims. First, it wants to increase the social responsibility of citizens in the protection of greenery. Second, it seeks to implement an effective criminal and administrative liability mechanism for illegal cutting, destruction or damage of tree or shrub plantations. These amendments to the Codes are at the stage of co-ordination with other state institutions. In 2022, Azerbaijan significantly updated a Decree of the Cabinet of Ministries “On the application of payments for natural resources, payments for the discharge of polluting substances into the natural environment and the use of the funds generated from those payments” no. 122 from 3 March 1992. It has been renamed the “Decree of Cabinet of Ministries ‘On the application of environmental pollution charges’”.

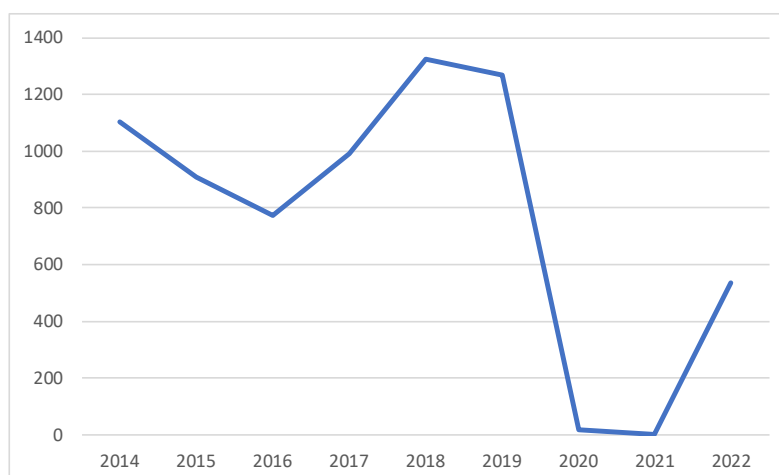


### Box 3.1. Environmental provisions of the Code of Administrative Offences and the Criminal Code

Chapter 25 of the Code of Administrative Offences (articles 233-275) deals with administrative violations of regulations on protection of the environment, nature management and environmental safety. It establishes administrative fines for environmental offences by individuals, officials and legal entities. For example, fine levels for exceeding maximum permissible emission standards for discharges of harmful substances into the environment range between AZN 2 500-4 000 (approximately EUR 1 360-2 200) for officials and AZN 10 500-12 500 (approximately EUR 5 500-6 804) for legal entities. Fine levels for legal entities for damage, deforestation or felling of trees or shrubs not related to the forest fund are particularly high, at AZN 25 000-45 000 (approximately EUR 13 900-25 000). The law does not fine companies according to size or scale of activity. In a few cases, such as for illegal use of natural raw materials, the law provides for an increased fine for repeated environmental violations.

Chapter 28 of the Criminal Code of Azerbaijan (articles 247-261) covers violation of legislation on environmental protection rules during work performance; violation of rules on handling ecologically dangerous substances and waste products, pollution of the atmosphere (air); and violation of rules on protection and use of subsoil, among other areas. The Criminal Code establishes penalties such as fines, corrective works, limit of freedom, banning from certain posts or engaging in certain activity, and imprisonment. The Ministry of Economy can withdraw licences from non-compliant companies according to the Law on Licences and Permits. The most severe sanction is in article 248.3 of the Criminal Code for production of prohibited types of hazardous waste; transport, storage, burying and the use of radioactive, bacteriological, chemical substances and wastes in violation of rules on handling ecologically dangerous substances and waste products. The article also provides sanctions for action that leads to pollution of the environment, harm to human health or mass death of animals – when such activities cause death or widespread disease among people. Violation of actions prohibited in article 238.3 is punishable by imprisonment for three to eight years. In addition, perpetrators are sometimes required to compensate for environmental damage. The amount of compensation is calculated during the investigation process.

**Figure 3.3. The number of administrative penalties imposed on individuals and legal entities in Azerbaijan during 2014-22**

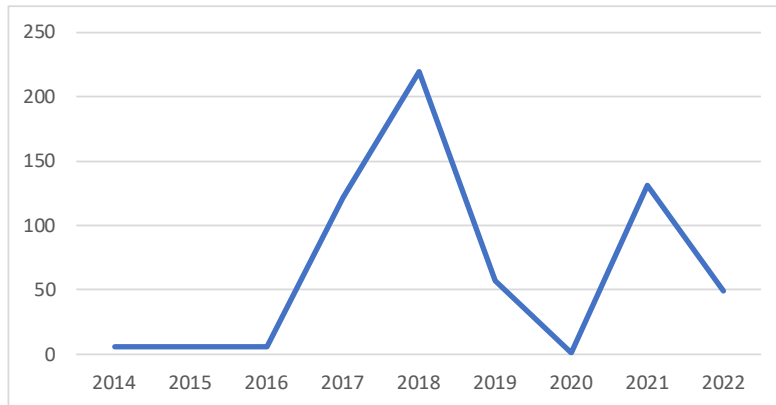


*Note:* There are no available data for 2021.

*Source:* Statistics from the MENR of Azerbaijan.



**Figure 3.4. The number of criminal cases referred to the Prosecutor General's Office in Azerbaijan during 2014-22**



Source: Statistics from the MENR of Azerbaijan.

86. Inspectors of the SESS and regional departments of the MENR impose fines for environmental non-compliance according to the Code on Administrative Offences. In case of potentially criminal non-compliance, they collect materials and send them to law enforcement bodies for evaluation. They send materials to the police when the perpetrators are unknown, and to the Prosecutor General's Office of Azerbaijan when the perpetrators are known. Administrative fines can also be imposed based on monitoring data collected from the vicinity of an enterprise without an inspection. The MENR generally decides on the penalty with advice from the police. The police can also impose certain penalties, for example, for littering or discharging sewage water. In 2022, regional departments of the MENR sent 510 cases to the police to identify perpetrators.

87. The SESS and regional departments of the MENR can use action plans with instructions to bring companies into compliance when there is no evidence of environmental damage. In 2022, the regional departments of the MENR delivered 860 action plans with mandatory instructions to 680 individuals and officials to eliminate detected non-compliance. In 2019, the SESS issued an action plan with recommendations and timelines to the public company AzerGold. Usually, the company reviews the action plan and can comment on its feasibility before it is adopted. Action plans indicate the possibility of a fine if the company does not comply with recommendations. Fines for non-compliance with the action plan are prescribed by the Code of Administrative Offences.

88. According to article 25 of the Law of Azerbaijan on Licences and Permits, a licence or permit can be suspended for several reasons. For example, suspension can occur when a permit or licence holder fails to comply with instructions of licensing and permitting authorities. It can also be suspended by relevant control authorities if the holder fails to eliminate violations of licence and permit conditions. Licences and permits can be revoked, among other instances, when the court makes such a decision and when incorrect information is found on documents submitted in permit and licence applications.

89. Money collected from environmental fines is channelled into funds including an environmental protection fund, which is the MENR's budget line for environmental protection activities.

### **3.4.2. Analysis of environmental penalties in Azerbaijan**

90. The system of environmental penalties has several useful features:

- A variety of penalties is used depending on circumstances.

- An internal electronic document system in the MENR registers sanctions and enforcement action (the Penalty Protocols Management System).
- Environmental fine levels have recently increased, leading to a stronger dissuasive effect on polluters. The previous updates took place in November 2016. Some fine levels for illegal tree cutting were doubled or tripled. The Prosecutor General's Office and the Forestry Development Service of the MENR consider fine levels to be sufficient.
- The Administrative and Criminal Codes are being revised.
- In some cases, action plans are used to bring companies into compliance prior to issuing administrative fines.
- A 14-member department for non-criminal proceedings, established in the Prosecutor General's Office in 2020, examines offences by legal and physical persons. The department can issue warnings to private sector companies to stop illegal activity.
- The department for non-criminal proceedings co-operates closely with the SESS and provides some environmental training to its prosecutors, notably by secondment of prosecutors to the SESS and online training.

91. The analysis identified areas for improvement in the penalties for non-compliance and enforcement action in Azerbaijan:

- Index-link environmental fines to inflation.
- Use the full range of enforcement tools, including criminal sanctions which are rarely used.
- Use criminal sanctions against industrial/waste sites, including those under public control, if necessary. The vast majority of criminal sanctions appear to have been imposed in forestry, fishing and hunting. Although these can have significant environmental impact, the impact from large-scale industrial sites can be far more devastating.
- Revise the Criminal Code of Azerbaijan to provide certain definitions to make its application easier. Specifically, it should define "essential harm" in article 248, define "pollution or other change of natural properties of air" in article 251 and define "significant change" in article 255.

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# Annex I. Stakeholders met during the mission to Baku, Azerbaijan

The report authors met the following stakeholders during the mission to Baku, Azerbaijan, during 13-17 March 2023, to gather information for the report:

- Ministry of Ecology and Natural Resources of Azerbaijan:
  - Environmental Policy Division: Mr. Faig Mutallimov, Head, and Ms. Gizilgul Hasanova, Senior Advisor.
  - State Environmental Security Service (SESS): Mr. Sadig Darafarin, Head of the Division on Environmental Protection; Mr. Atakhan Badalov, Head of the Legal Division of the SESS; Mr. Bakhtiyar Seyidov, Chief Advisor – Inspector; Mr. Akif Kahramanov, Chief Advisor – Inspector; Mr. Elshad Hajiyev, Chief Advisor – Inspector; and Mr. Rafiq Adilov, Head of the Subdivision at the Regional Ecology and Natural Resources Office No. 11.
  - State Environmental Expertise Agency: Mr. Sanan Rasulov, Senior Expert of the Department of Expertise of Projects and Environmental Normative Documents; Mr. Fariz Gasimov, Head of the Department of Regulation of Nature Use; Mr. Asif Adilov, Head of Expertise Department for Import-Export Operations; and Mr. Rovshan Jabbarov, Senior Lawyer.
  - Caspian Complex Monitoring Department: Mr. Ceyhun Muradov, Deputy Head; Ms. Rena Allahverdiyeva, Chief Expert; Mr. Eljan Yunuszade, Leading Expert.
  - Law and Human Resources Division: Anar Almammadov, Head of the Legal Provisions Subdivision.
  - Natural Resources Management Division: Mr. Kanan Karimli, Deputy Director of Environmental Management Department; Mr. Amil Sefiev, Head of Subdivision.
  - Biodiversity Development Service: Mr. Vusal Jabbarli, Head of Division of Organisation of Protection of Biological Diversity.
  - Forestry Development Service: Mr. Sehran Ganbarov, Senior Consultant, Forestry Development Service, Forestry Protection Department.
  - Division of Environmental Education and Communication: Ms. Sayyara Mammadova, Head of the Division and Co-ordinator of the Aarhus Convention.
  - AzeLab LLC, Ministry of Ecology and Natural Resources: Ms. Ramina Abdullayeva, Head; and Shahla Latifova, Deputy Head.
- Ministry of Economy:

- Policy and Regulation of Entrepreneurship Development Division: Mr. Zaur Nuruyev, Deputy Head; Mr. Nurlan Karimov, Senior Advisor.
  - Ms. Gular Abbasova, Advisor, Department of Cooperation with International Organizations.
- Ministry of Justice: Mr. Seymur Ismailov, Head of the State Registry Department; and Mr. Anar Guliyev, Expert of the State Registry Department.
- Ministry of Internal Affairs: Mr. Tamraz Aliyev, Police Colonel, Head of Division in the General Public Security Office.
- Prosecutor General's Office of Azerbaijan: Mr. Elnur Musayef, Head of the Department for Non-Criminal Proceedings; Mr. Vusal Aliyev, Assistant to the Prosecutor General.
- State Agency for the Use of Mineral Resources: Mr. Samir Idayatov, Chairperson; Mr. Elchin Majidov; Deputy Head of the Board; Ms. Ramila Nazarova, Head of Organisation of Geological Expertise; Mr. Zaur Saidi, Head of the Monitoring and Control Department.
- State Oil Company of the Republic of Azerbaijan (SOCAR): Mr. Azer Aliyev, Head for Environment and Energy Transition; Mr. Fuad Yusufu, Deputy Head, Decarbonisation and Management of Environmental Projects; Mr. Hikmət Zeynalov, Deputy Director of the Environmental Monitoring Department; Mr. Rakif Gafarov, Senior Engineer of Decarbonisation.
- Mining company "Azergold": Mr. Farid Murtuzov, Chief Ecologist, Health, Safety and Environment Department; Ms. Konul Shirin, Deputy Head of the Ecology Unit of Health, Labor Safety and Environment Department; Mr. İlkin Bağirov, Expert, Ecology Unit of Health, Labor Safety and Environment Department.
- REC C Azerbaijan: Mr. Yashar Karimov, Director of the Azerbaijan Branch Office of REC C.

# Annex II. Sample environmental inspection questions used in Azerbaijan

- Is there an opinion of the state environmental expert on the implementation of the activity?
- What are the harmful effects on natural water bodies during the operation of the enterprise, as well as during waste processing?
- Is there a discharge of wastewater into water bodies?
- Is there an environmental impact assessment of the discharge of industrial and domestic wastewater into the environment?
- Are the quantitative and qualitative parameters of pollutants released into the atmosphere, the parameters of organised (measurable) and unorganised (non-measurable) sources legal?
- What is the status of hazardous and safe waste management in the enterprise?
- Is the provision, use and registration of atmospheric gas cleaning and dust capture devices carried out in an appropriate manner?
- Does the enterprise have gas cleaning and dust collection devices and are the parameters of organised and unorganised sources legal?
- What are the harmful effects on natural water bodies during the operation of the enterprise, as well as during waste processing?
- What is the status of the quantity and quality indicators, treatment and legal disposal of the generated wastewater?
- Are necessary measures taken to prevent and eliminate harmful physical effects on the environment (noise, vibration)?
- What is the status of accounting and reporting, management, quantity and conclusion of contracts of hazardous, safe and household waste of industrial origin?
- Quantitative and qualitative indicators of the formed wastewater, treatment. Is the assessment of the impact on the environment carried out during the discharge of industrial and domestic wastewater into the environment?
- Is there discharge of wastewater into water bodies for the implementation of economic or other activities that are determined to be ecologically dangerous?
- Are there devices and equipment that prevent the pollution of water bodies, littering and harmful effects of water?

- Are there cases of water pollution in water catchment areas from violating the regime of protection of water bodies?

Source: MENR.

# Annex III. Guidance on carrying out environmental inspections based on international practice

## Good international practice for environmental inspections

There are a few overarching points regarding planning and carrying out of environmental inspections based on good international practice:

1. Occasional inspections alone will not assure compliance. A package of compliance assurance tools and approaches should be used in combination with operator data returns, sampling, adequate response to public complaints or environmental incidents; appropriate, fair and timely enforcement when significant non-compliance is identified; education, promotion, etc.
2. There is no “one size fits all” form of inspection. Each inspection should be tailored to the risk, sector, activity, uniqueness, etc. of the entity being inspected. Ideally, an inspection is based on the permit but should also look at other areas perhaps not covered within the permit (e.g. waste handling is usually not covered by a water media permit). Checklists can be useful as long as they are not slavishly followed. The inspector must always have access to the latest version of the permit; compliance cannot be assessed without it.
3. The risk assessment process should be appropriate to the activities regulated and the resources available. It is generally better to inspect high-risk activities more often than ensuring all low-risk activities get programmed – but less frequent – inspection. Rather than inspect all low-risk activities, inspection of a random sample could give an idea of performance in the sector or of the activity type. If widescale significant non-compliance is identified, a programme to inspect all the activities should be considered.
4. The regulatory organisation should include its priority topics (or those of the organization to which it reports such as the ministry or government) e.g. reduction of climate change impacting emissions or an increase in biodiversity, etc. in the risk assessment process. If it fails to do this, the regulatory organisation will be unlikely to meet its goals or contribute to higher-level national goals.
5. The inspection process is usually split into three components: preparation, onsite execution and write-up. Preparation is the component most often overlooked but can take as long as execution depending on the complexity of the site and the amount of information to be assessed. Preparation includes:
  - reading the permit, and any decision documents, and identifying the risks to the environment
  - reading previous inspection reports, identifying previous issues, and whether enforcement action has been taken; determining whether this should be an audit inspection (a detailed and forensic examination of operations), a targeted inspection (focusing on one or more areas of interest/concern), or a general inspection (an overview of the whole operation)



- creating an inspector's own checklist to help focus on key areas as an inspector walks round the site, and prompting questions, but not following the checklist blindly – inspectors should change their focus as issues arise
  - arranging paperwork to make it easier to process on return to the office
  - identifying previous contacts at the site
  - familiarising oneself with the location and layout of the site so one knows how to get there and where to go
  - checking the health and safety risk assessments for the site, noting whether any risks have been identified and whether the inspector has the necessary controls to reduce the risk, such as personal protective equipment (PPE)
  - determining PPE expected at the site (e.g. high visibility clothing, safety boots, hard hat, hearing protection, safety glasses, mask, gloves, waterproof trousers, change of trousers, sunscreen) and ensuring the inspector has it or that the operator can supply it
  - determining whether inspectors need to sterilise their boots to ensure biosecurity at agricultural sites, and if they generally need their own equipment or can use equipment at the site
  - identifying any known violence and aggression at the site and subsequently managing any risk such as attending with two officers (e.g. inspectors or managers), using a vehicle that cannot be identified and/or requesting police attendance
  - ensuring inspectors have an identity/authorisation card, notebook and pens, charged mobile phone, and camera with a charged battery
  - determining whether inspectors will need sampling equipment, such as pole/bucket, bottles, evidence bags
  - if an inspector is working alone, or remotely, considering the need for safety cover so the inspector's manager knows the inspector is safe and well
6. In Europe, a routine planned onsite inspection would normally take less than two days on site for a higher-risk, more complex site, and perhaps only a few hours for lower risk activities. Inspectors must try to stick to their plan and not let the site operator divert them unless they notice significant non-compliance that has to be dealt with immediately.
7. Reporting can be done in the field or back at the office usually within two weeks of the activity (as long as all significant non-compliance is communicated at the time of inspection). The norm is a short report (between one and ten pages depending on the scale of activity), ideally written in clear language that the operator can understand.
8. When on site, a number of protocols (some of which are also part of preparation) should be followed, including:
- always assessing health and safety risk for any planned inspection activity
  - checking previous health and safety risk assessments for the site to be inspected, noting any identified risks and if the inspector has the necessary controls to reduce the risk, such as PPE
  - determining PPE expected at the site, such as high-visibility clothing, safety boots, hard hat, hearing protection, safety glasses, mask, gloves, waterproof trousers, change of trousers, sunscreen
  - determining whether inspectors need to sterilise their boots to ensure biosecurity at agricultural sites
  - making sure inspectors are up to date with necessary vaccinations or immunisations
  - checking for any history of violence and aggression at the site to be inspected and, in the face of a risk, taking action to manage the risk such as informing colleagues of the upcoming visit,

attending with two officers (e.g. inspectors or managers), using an unmarked vehicle, or requesting police attendance

- leaving the premises if feeling threatened or intimidated in any way and contacting the police immediately in case of a safety threat
- following health and safety advice provided by the operator of the inspected site
- backing into a designated parking site to permit a swift exit if needed
- never doing any activity for which an inspector has not been trained or does not have the appropriate PPE
- if working alone, informing the manager about arrangements and reporting a safe return once back
- always carrying official identification/warrant card and a charged mobile phone; producing one's warrant card when entering a site
- reporting any new health and safety risks identified, and recording any violence or aggression experienced
- reporting a safe return once back in the office.

#### Useful resources on inspection guidance:

- Various IMPEL guidance documents covering a range of activity, media (e.g. waste) and overarching: [Tools | Impel](#)

Particularly relevant is the [IMPEL Guidance for the implementation of the IED in planning and execution of inspections](#)

- [National Pollutant Discharge Elimination System \(NPDES\) Compliance Inspection Manual](#)
- [European Commission Practical Manual on Permitting and Inspection of Waste Management Operations](#)

#### Risk assessment: The IMPEL IRAM tool

The [Supporting the Implementation of the Integrated Risk Assessment Method \(IRAM\) | Impel](#) is probably the only risk assessment system used in more than one country. Risk assessment is by no means an exact science and as such should always be regarded with a huge dose of caution.

According to the IRAM method, risk = hazard (impact) x likelihood. Most risk systems are in effect hazard systems as they do not deal well, if at all, with likelihood. Likelihood is usually at best based on antecedent knowledge such as previous compliance history.

The web tool and database are available at <https://iram-impel.nrw.de/lip/authenticate.do>.

## Endnotes

<sup>1</sup> The Charter of the State Agency for the Use of Mineral Resources of Azerbaijan states that one of its duties is to “carry out inspections in order to control compliance with legislation in the field of underground use and its protection, to issue mandatory instructions and to take other measures resulting from it”.

<sup>2</sup> According to Article 28 of the Law “On the Regulation of Inspections Conducted in the Field of Entrepreneurship and the Protection of the Interests of Entrepreneurs”, restrictive measures can be imposed if a discovered violation poses a significant and direct threat to human life or health, the environment, and property interests of the state or causes significant damage; when it is impossible to eliminate a violation immediately; and when the possibility of restrictive measures is stipulated by law in the area of control of an inspection body. Restrictive measures can comprise stopping individual production processes; stopping production; stopping the sale of goods; prohibition of production of goods; banning the sale of goods; removal of goods from circulation; recall of goods; processing, reprocessing, repurposing of goods; removal of a member (members) of staff; suspension of works and services.

<sup>3</sup> An enterprise can prepare an optional environmental passport, which is validated by the State Environmental Expertise Agency of the MENR. The passport includes data on an enterprise’s natural resource use and environmental impact. Each enterprise uses the passport to create a database on environmental issues.

<sup>4</sup> An environmental opinion is a mandatory document equivalent to an environmental permit. An environmental opinion, based on state ecological expertise, is valid for five years. It contains conclusions on feasibility of implementing projects and on permissible levels of environmental impact.

<sup>5</sup> The 2 TG (air, water, solid waste) statistical report required for the issuance of the “Permit for Discharge of Harmful Substances into the Atmospheric Air and Harmful Physical Effects” indicates the total amount of waste discharged and placed into the environment by an enterprise in a year.



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## Environmental inspections and compliance assurance in Azerbaijan

Ensuring compliance with environmental regulations is key for countries to achieve their environmental goals and reduce pollution.

An effective environmental compliance assurance system (CAS) comprises good-quality environmental regulations and permits; an adequate institutional arrangement, including an environmental inspectorate; robust monitoring of compliance; functional enforcement action and proactive promotion of voluntary compliance. Effective and timely inspections are crucial for monitoring and promoting companies' compliance with regulations as well as for ensuring an agile response to non-compliance.

This document aims to help environmental authorities of Azerbaijan prioritise and plan activities to strengthen environmental compliance. It analyses the framework for environmental inspections in the country and other aspects of Azerbaijan's environmental compliance assurance system. Finally, it recommends further improvements based on good international practice.

This report is part of a series of environmental CAS country reviews undertaken within the EU funded EU4Environment programme that promotes a green economy and environmental improvement in the EU's Eastern Partnership countries.

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