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OVERVIEW OF CORRUPTION AND ANTI-CORRUPTION IN AZERBAIJAN

QUERY

Can you provide an overview of corruption and anti-corruption in Azerbaijan?

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SUMMARY

With a context characterised by limited independent media, a marginalised political opposition and a poor human rights records, Azerbaijan faces major challenges of endemic corruption. Deeply entrenched patronage networks permeate all spheres of public life and hamper the long term economic and social development prospects of the country.

Economic and political powers are largely concentrated in the ruling elite, creating a blurred line between political and business interests. While the country's natural resource wealth has largely contributed to economic growth and political stability in the last decade, it is also considered a major source of corruption and driver for political patronage networks. Public financial management, political processes, the judiciary and the police count among the sectors considered to be most vulnerable to corruption.

In recent years, the government has been credited internationally for taking important steps against corruption. In 2009, Azerbaijan became the first compliant country in the Extractive Industries Transparency Initiative. Other important legal and institutional developments have taken place in the areas of public sector reform and money laundering, among others. These efforts have started to pay off, translating in a significant decrease in citizens' perceptions of corruption in many sectors, as reflected by the recently launched *Global Corruption*

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Responded: July 2013

Barometer 2013. However, the government's human rights track record continues to fuel a culture of impunity – undermining the effectiveness of recent anti-corruption reforms.

1 OVERVIEW OF CORRUPTION IN AZERBAIJAN

Background

Azerbaijan gained independence from the Soviet Union in 1992 in the context of a war with neighbouring Armenia. When the first government collapsed in 1993, the country was left in a state of political instability, failed institutions and economic devastation. This resulted in the emergence of a parallel system of economic distribution based on informal networks, patronage and vested interests that persist in various forms until today (Bertelsmann Foundation 2012). President Heydar Aliyev came to power in 1993 and managed to secure a ceasefire with Armenia, kick-start the economy and restore domestic stability and a functioning state, while creating an authoritarian regime in a tightly controlled political environment.

His son Ilham Aliyev took over in 2003, maintaining a vertical power system characterised by patronage networks, disregard for civil and political rights, and repression of political dissent (Freedom House 2013). The opposition boycotted the 2008 presidential elections and president Aliyev was re-elected with 87 per cent of the votes. Presidential powers have since been strengthened further, while the repressive nature of the regime has intensified (Bertelsmann Foundation 2012; Freedom House 2013a). The National Assembly is dominated by the president's New Azerbaijan Party (YAP) and has very limited oversight or public debate function, power vis-à-vis and independence from the executive branch (Freedom House 2013b). Presidential elections are due to take place in October 2013. As term limits for the presidency were lifted in 2009, president Aliyev can potentially be re-elected indefinitely.

Azerbaijan is characterised by the co-existence of formal institutions with an informal system, whereby entrenched interests within the elite limit the powers of the president and often constitute an impediment to reforms. Originally mainly regionally-based

interest groups, these informal networks are increasingly evolving towards becoming more business-focussed entities, which are closely linked to the political power (Bertelsmann Foundation 2012).

In addition to stifling political dissent, the regime sustains itself through a deeply entrenched system of political patronage fed by the significant inflows of oil revenues (Freedom House 2013a). Economic and political powers are largely concentrated among the president, his family and a small group of oligarchs, creating a blurred line between economic and political interests (Freedom House 2013a).

Azerbaijan's natural resource wealth has fuelled economic growth in the last decade, which greatly contributed to the stability of the regime, as well as to gains in poverty reduction. However, the country has largely failed to diversify its economy and invest adequately in non-oil sectors (Freedom House 2013a). This heavily oil-reliant regime is currently challenged by falling prices and a downturn in oil production, which led to a dramatic drop in [GDP growth](#) rates (from 34.5 per cent in 2006 to 2.2 per cent in 2012). However, this drop will be offset to a significant extent in a couple of years due to expected revenues from gas production (Centre for Economic and Social Studies 2011).

A dispute over the Nagorno-Karabakh region continues to fuel tensions between Armenia and Azerbaijan. The region is internationally recognised as part of Azerbaijan, but the country has not exercised power over most of the region since the beginning of the 1990s and representatives of both governments have been holding peace talks on the region's disputed status. Despite numerous international mediation efforts, negotiations have come to a stall.

Extent of corruption

Against this backdrop, external observers, citizens and companies perceive corruption to be endemic and deeply institutionalised – permeating all spheres of public life. Transparency International's *Corruption Perceptions Index 2012* ranks Azerbaijan 139 out of the 176 countries assessed, with a score of 27 on a scale from 0 (highly corrupt)

to 100 (very clean).

The World Bank *Worldwide Governance Indicators 2011* confirm this assessment, with the country performing extremely poor in terms of control of corruption (10 on a 0 to 100 scale) and voice and accountability (11.7). Although they score below average (37.9 and 27.8, respectively), regulatory quality and political stability are the only areas of governance assessed by this World Bank exercise for which the country has managed to significantly improve its scores in the last decade.

Until recently, citizens' experiences with corruption were consistent with these findings. Forty-seven per cent of respondents to the Transparency International *Global Corruption Barometer Report 2010-2011* had paid a bribe in the twelve months preceding the survey. While no data is available on citizens' experience of corruption for 2013, the situation seems to have significantly improved in the past two years, as 41 per cent of *Global Corruption Barometer 2013* respondents felt that corruption had decreased over the last two years and "only" 27 per cent felt that it had increased (compared to 52 per cent in 2010-2011).

Companies interviewed for the World Bank's *Enterprise Survey 2009* largely share this experience of bribery. Fifty-two per cent of the firms report having faced at least one bribe payment request, and more than 25 per cent consider corruption to be a major constraint. Similarly, corruption is perceived to be the most problematic factor for doing business in the country by companies surveyed for the World Economic Forum's *Global Competitiveness Report 2012-2013*. These findings suggest that corruption represents a major obstacle to foreign investment and economic development in the country.

Forms of corruption

Bureaucratic corruption

An inefficient government bureaucracy and weak legal institutions create fertile grounds for bureaucratic forms of corruption in the country. Although salaries were increased in 2011, civil servants' salaries are traditionally low, and unjustly and dramatically differ across sectors, creating

incentives for bribe extortion (US Department of State 2012). According to the US Department of State's *Investment Climate Statement 2012*, although some reforms are being undertaken, the regulatory system is plagued by a persistent lack of transparency, informal bureaucratic controls and allegations of corruption, which makes it opaque and unpredictable and creates opportunities for bribery.

This is confirmed by the findings of the World Bank 2009 enterprise survey which indicates high levels of "petty" bribery across most sectors and public services. More than 52 per cent of the firms surveyed reported being expected to make gifts or informal payments to public officials "to get things done," 71.4 per cent to get a construction permit, 54 per cent to get an electrical connection, and 43 per cent when meeting a tax official. These findings are consistent with the Global Corruption Barometer's 2010-2011 data, where an average of 47 per cent of the respondents reported having paid a bribe to access the 9 services assessed, which includes licensing (40 per cent), health (46 per cent), customs (44 per cent), judicial (44 per cent) and police (56 per cent) services.

However, the recently launched *Global Corruption Barometer 2013*'s data indicates that the situation may have considerably improved across many institutions, especially the police. For example, while no data on experience of corruption is available, 41 per cent of citizens perceive the police to be corrupt or extremely corrupt, compared to 54 per cent in 2010-2011,

Grand corruption

As in many post-communist countries, one of the country's major corruption challenges is the blurred line between business and political elites, with widespread conflicts of interest and predatory behaviour by monopolistic interests closely connected to the political elite. According to the 2012 investment climate statement, government officials often favour well-connected companies and individuals or discriminate against others, especially foreign companies, when deciding on policies, regulatory burden and contracts (US Department of State 2012a).

While the constitution does not allow members of parliament, cabinet ministers or judges to own businesses, such provisions do not exist for the president or relatives of government officials (Freedom House 2013a, 2013b). According to Freedom House (2013a, 2013b), investigative reports published by foreign media in 2012 revealed considerable private assets allegedly controlled by the president and his family, including monopolies in key (and lucrative) sectors of the economy, and pointed to business dealings of presidential circles in the gold or construction industry. For example, according to the 2012 country report on human rights practices, an investigative journalist reported that the Eurovision concert hall was built by a sub-contractor in which the presidential family had hidden ownership stakes (US Department of State 2012b). According to Freedom House (2013b), these reports led the president to sign legal amendments aimed at protecting the confidentiality of corporate structures and ownership arrangements.

Similarly, major private businesses are run by government officials or a small group of politically connected oligarchs who use their political connections and economic powers to hamper their competitors' operations and influence the market in their favour (US Department of States 2012a).

Political corruption

Since the early 1990s, elections are considered by international observers to be neither free nor fair. They are described as marked by irregularities and fraud, including ballot stuffing and fraudulent tabulation of votes (Bertelsmann Foundation 2012; Freedom House 2013b), and typically do not meet international standards.

The 2008 presidential and 2010 parliamentary elections were no exception. In 2008, although progress had been noted towards meeting international standards, particularly in terms of technical aspects of election administration, the Organization for Security and Co-operation in Europe (OSCE) concluded that the election process failed to meet some central OSCE commitments. In particular, the election was characterised by a lack of robust competition, a restrictive media environment and the non-participation of some

opposition parties (OSCE 2008).

Monitors of the 2010 parliamentary elections also concluded that the elections did not meet international standards. The campaign had been marred by restrictions on media freedom and freedom of assembly. It was characterised by an "uneven playing field" and a biased registration process, with many opposition candidates unable to register themselves (Al-Jazeera 2010, OSCE 2010). There have also been reports of political violence, voter intimidation and pressure exercised on election candidates and observers (Freedom House 2013b; US Department of State 2012b).

In terms of political party financing, the government introduced public financing for political parties in 2012, but observers point towards unequal distribution of these resources, favouring the ruling party and discriminating against opposition parties (Freedom House 2013a).

According to the 2012 report on human rights practices, members of the ruling party often enjoy preferential treatment, especially in terms of being granted public positions, while members of the opposition are more likely to experience official harassment and arbitrary arrest. At the regional level, there have been instances reported where local authorities apply pressure to prevent party activities, meetings and events. In some cases, the police has dispersed small gatherings or detained participants for questioning (US Department of State 2012b).

Patronage networks

As already mentioned, the system relies on deeply entrenched and complex patronage networks to sustain itself. The regime is characterised by a high concentration of power, neo-patrimonial forms of administration and the use of patron-client relationships to maintain the political status quo (Guliyev 2012). While the president has a firm grip on the government, he relies on the support of multi-faceted rent-seeking elite to preserve his power, leading to a situation where domestic politics is less shaped by a traditional opposition-government contest but rather by the complex dynamics and power struggles among the ruling elite (International Crisis Group 2010).

Little is known about the specifics of such informal networks and the division of power. However, the regime has demonstrated political skills in managing conflicting interests and maintaining a delicate balance among rival factions of the ruling elite, while developing vested interests in preserving the political status quo (Guliyev 2012; International Crisis Group 2010). The government does this by distributing rents, power, key positions and favours in exchange for loyalty, political support and a share of the profit, facilitating the emergence of what some observers describe as a neo-feudal system. Oil revenues have provided the government with further opportunities to sustain and expand these patronage networks on which the incumbent regime is based (Guliyev 2012).

Sectors most vulnerable to corruption

Public finance management

Budget

Azerbaijan scores 42 out of 100 in the *Open Budget Survey 2012* (International Budget Partnership 2012), which is below the score of other countries in the region such as Georgia, Kazakhstan or Russia. This indicates that the government provides only limited information on budget processes, limiting citizens' participation in budget deliberations, as well as curtailing opportunities to hold it accountable for the management of public resources. According to Global Integrity (2011), while the budget debate in parliament is conducted in a transparent manner, in the absence of real opposition representatives in the parliament, there are no significant debates around any substantive issues and the process is mostly formal in nature. In addition, the budget hearings do not allow for much citizen input.

Azerbaijan is also the weakest performer in the region for budget oversight. In particular, budget oversight by parliament is limited and the International Budget Partnership recommends a number of measures for improving this situation, including the creation of a specialised research office, formal pre-policy debates prior to the tabling of the executive's budget proposal, and granting the legislature the authority to amend this proposal and scrutinise all audit reports.

Procurement

While figures vary across organisations and estimates, public procurement represents an important share of the state budget in Azerbaijan and offers many opportunities for corruption. The total value of public procurement transactions is estimated by some to represent 10 to 15 per cent of the state budget (OECD Anti-Corruption Network for Eastern Europe and Central Asia 2010). Freedom House (2011) estimates that state investments could have accounted for 34 per cent of the 2010 budget.

Public procurement is regulated by the Public Procurement Law 2001, which provides for basic standards of transparency and competition. However, there is a broad consensus in the various reports that the procurement legislation is not very effective in practice. While conflict of interest provisions exist for procurement officials, they are not effectively enforced in practice (Global Integrity 2011). According to Global Integrity (2011), while the National Strategy on Increasing Transparency and Combating Corruption 2007-2011 foresees the creation of a blacklisting mechanism to prohibit companies found guilty of violating procurement law from participating in future procurement bids for a certain period, it remains possible for big companies, which belong to the ministers and public servants, to participate in formal tenders, despite breach of the law.

The OECD Anti-Corruption Network for Eastern Europe and Central Asia's 2010 *Monitoring Report of the Istanbul Anti-Corruption Action Plan* points to further weaknesses in procurement processes. For example, the quality of the dissemination of information is not satisfactory, with key information published in a vague or imprecise manner or fully omitted by the State Procurement Agency. Furthermore, there are no criteria for the establishment of tender commissions available for the procuring agencies, and no independent review mechanisms.

While the law requires competitive bidding for major procurements, in 2009, a high share of procurement (about 30 per cent of the entire value of public procurement transactions) were single source value tenders, due to the country's financial and budget

system and relatively late release of funds to the procuring agencies (OECD Anti-Corruption Network for Eastern Europe and Central Asia 2010). Companies surveyed in the World Economic Forum's *Global Competitiveness Report 2012-2013* report that well-connected companies and individuals often receive preferential treatment in awarding processes (3.6 on a 1 "always" to 7 "never" show favouritism scale). In the World Bank 2009 enterprise survey, 14.2 per cent of the companies surveyed reported being expected to make a gift to secure a government contract, representing an average of 1.1 to 2 per cent of the contract value.

Transparency International monitoring of Azerbaijan's commitment to the European Neighbourhood Policy recommends developing further the legal and procedural framework to bring it in line with recognised international standards, strengthening the independence of the state procurement agency and establishing a system for on-going collection of data on procurement activities, which is accessible to the public (Transparency International Azerbaijan 2011).

Revenue collection

According to the World Economic Forum's 2012-2013 *Global Competitiveness* report, tax regulations are among the most problematic factors for doing business in Azerbaijan. Furthermore, according to Global Integrity (2011), in spite of some recent measures such as the computerisation of tax declarations, training and the adoption of the Code of Ethics of Tax Officers, revenue collection remains one of the areas most vulnerable to corruption. Tax regulations are not uniformly enforced. Well-connected individuals can evade or pay fewer taxes and tax officials regularly demand bribes from business owners. More than 43 per cent of the firms surveyed within the framework of the World Bank's 2009 enterprise survey report being expected to make a gift when meeting with tax officials.

The police

The *Global Corruption Barometer* 2010-2011 identifies the police as the sector most affected by corruption, with 56 per cent of the respondents reporting having paid a bribe to the police in the 12

months preceding the survey. The police often levy informal fines for minor violations or extract money from local citizens for protection (US Department of State 2012b). In particular, traffic police are known for routinely extracting bribes from citizens.

The government has taken important steps to address this situation, including by raising salaries and firing about 30 traffic police officers in Baku for accepting bribes in 2012 (US department of State 2012a). Such efforts reportedly only resulted in a temporary decrease in bribe taking (US department of State 2012b). In 2011, the government also reported having taken action against employees of the minister of internal affairs who oversees the local police, including dismissals, demotions and disciplinary actions (Business Anti-corruption Portal 2013). After a smart transport system and cameras were introduced all over the capital city, traffic police corruption is perceived to have greatly improved in recent years. As already mentioned, reforms have translated into a significant decrease in citizens' perception of police corruption in the last two years, as reflected by the Global Corruption Barometer's 2013 data.

In practice, the Ministry of Internal Affairs is politicised and not adequately insulated from political interference (Global Integrity 2011). Arbitrary arrests and detention are frequent, particularly targeted at political opponents of the regime (Freedom House 2013b), and the police are also frequently used by the government to suppress popular protests against the regime, as demonstrated during the Eurovision Song Contest in May 2012, where the police arrested 70 protestors participating in a flash rally (Freedom House 2013a). Police abuse of suspects is reportedly common during detention and interrogations, reflecting the country's overall poor record in human rights practices (Freedom House 2013b; US Department of State 2012b).

Judiciary

While formally independent, the judiciary is considered as corrupt, inefficient, influenced by political considerations and subject to political interference from the executive (Bertelsmann Foundation 2012; Freedom House 2013b). Salaries of judicial staff are reportedly low (Transparency

International Azerbaijan 2011), which is likely to fuel corruption and bribery, as illicit payments are perceived as the only way to achieve reasonable living standards. Sentences can be shortened, fines can be reduced, investigations can be suspended and evidence can disappear for negotiated amounts of money (Global Integrity 2007). While the Global Corruption Barometer 2013 data suggests that the situation has improved slightly over the past two years, 42 per cent of the respondents continue to perceive the judiciary as “corrupt or extremely corrupt” (compared to 46 per cent in 2010-2011).

According to Freedom House (2013a), the judiciary is often used by the regime as a tool to protect its own business and political interests. Prosecutors often target political opponents and human rights activists, and cases against regime critics are often characterised by procedural irregularities and due process violations (Freedom House 2013a).

Some efforts have been undertaken to raise judicial standards through training, modernisation of court procedures and increased funding. However, a report by Transparency International Azerbaijan monitoring the country's commitment to the European neighbourhood policy confirms that the justice sector continues to suffer from weak enforcement, lack of transparency and independence. The executive is considered to exercise strong control over judicial appointments in the absence of adequate safeguards against favouritism in the selection and appointment process of judges (Transparency International Azerbaijan 2011).

Oil and extractive industries

Oil wealth has made Azerbaijan one of the world's fastest growing economies over the last 10 years and, in some years, has accounted for almost half of the country's GDP (Caspian Information Centre 2011). Large oil revenues allowed the government to increase the minimum salaries and pensions and reduce poverty through social transfer programmes from the state oil fund of Azerbaijan (“SOFAZ”), but some observers question the sustainability of poverty reduction gains, as oil revenues cover up to 70 per cent of state budget expenditures (Ciarreta and Nasirov 2011). Some analysts believe that SOFAZ is controlled by the presidential bureau and

vulnerable to fraud and misappropriation by senior politicians and officials (Business Anti-corruption Portal 2013).

The oil sector is considered a major source of fraud and corruption. Most reports on the oil sector in Azerbaijan highlight the industry's extreme lack of transparency, which enables rent-seeking behaviours by the ruling elite, who are believed to misuse their public positions to siphon off oil and gas revenues. In the late 1990s, for example, a corrupt scheme involving public officials and companies close to the ruling elite made possible the under-reporting of barrels processed in a Baku refinery. Only 60 per cent of the barrels were allegedly declared, while the remaining barrels were shipped and sold illegally in Armenia and Georgia (Meissner 2011).

However, major progress has been made on revenue transparency, with the country becoming the first participating country to be fully compliant with the Extractive Industries Transparency Initiative (EITI) principles in 2009. In 2010, Azerbaijan scored 75.1 in the [Revenue Watch Index](#) which assesses government disclosure by governmental bodies in 41 resource-rich countries. However, in spite of progress, Azerbaijan received a “weak” score of 48, ranking 28th out of 58 countries on Revenue Watch Institute's 2013 [Revenue Governance Index](#), largely due to the country's poor performance on corruption control, accountability and democracy (Revenue Watch Institute 2013). Revenue Watch Institute further comments that while the Azeri government provides detailed data on most revenues and subsidies, it does not provide comprehensive information on the licensing process, contracts, exploration and the rules governing transfers from SOFAZ.

According to some reports, while progress has been made on the revenue side, rent-seeking in the oil sector often takes place on the expenditure side through public investments. A 2011 report mentions the embezzlement of public investments carried out through the state budget, the state oil fund (“SOFAZ”) and the state oil company (“SOCAR”). For example, according to analysts, this is done by regularly awarding public contracts to construction companies that are more or less directly associated with the ruling elite and, in some cases, just

founded during the tender process. These companies then allegedly embezzle significant portions of the public finances assigned to them (Meissner 2011).

2 ANTI-CORRUPTION EFFORTS IN AZERBAIJAN

Overview

The government recognises that corruption is a problem in the country and has taken important anti-corruption steps in recent years, including: the adoption of the state programme on combating corruption in 2004 – aimed at addressing patronage and cronyism in job appointments; the creation of the Commission on Combating Corruption in 2005; the adoption of a code of ethics for civil servants; and the launch of a national strategy on increasing transparency and combating corruption in 2007.

Anti-corruption efforts have been largely welcomed at the national and international levels and many local and internationally renowned sources recognise tangible progress in recent years. TI Azerbaijan's above-mentioned monitoring report on the European neighbourhood policy recognises substantial progress made in the fight against corruption, including the creation of a database of corruption-related offences and government efforts to tackle money laundering (Transparency International Azerbaijan 2011), while GRECO's 2013 *Third Round Evaluation Report* welcomes the country's efforts to address the 2010 *Second Round Evaluation Report's* recommendations to combat corruption more effectively in the country, especially with regard to party funding (GRECO 2013). However, while recognising that (small) anti-corruption steps have been taken, Freedom House (2013a) argues that the plan has still failed to produce significant and notable results. These improvements are also reflected in citizens' perceptions of government efforts against corruption in the 'Global Corruption Barometer, 2013' where 69 per cent of the respondents found government efforts to be effective or very effective.

The government launched an anti-corruption campaign in 2011, which translated into incrementally raising public service salaries, the

opening and re-opening of criminal cases against public officials involved in bribery, arrests, and the establishment of a corruption hotline for reporting corruption cases (US Department of State 2012). The president also approved the National Action Plan to Combat Corruption for 2012-2015 and a National Plan to Promote Open Government and committed to improve e-governance in the country.

The legal framework

The legal framework against corruption is assessed as strong by Global Integrity which gives a score of 100 out of 100. The Criminal Code criminalises major corruption offences such as active and passive bribery, extortion, attempted corruption, bribery of foreign officials, money laundering and abuse of office, and also forbids public officials to receive gifts for a value exceeding US\$55.

A Law on Rules on Ethical Conduct of Civil Servants was adopted in 2007, but the conflicts of interest draft law has been stuck in the parliament after the first reading. Legislation has been also been introduced requiring a wide range of public officials to disclose their assets on a regular basis. However, the mechanism in place to review declarations submitted by public officials is not efficient in practice. The Azerbaijan Anti-Corruption Commission is supposed to collect asset declarations from a very exhaustive list of government officials, but there is no clear procedure in place by which the commission assesses the asset declarations and the cabinet of ministers has failed to design a form for those declarations to date (Business Anti-corruption Portal 2013; Michael and Mishyna 2007).

According to Global Integrity (2011), while there are reporting mechanisms in place in many departments in the forms of websites or hotlines, there is no specific legal protection for whistleblowers. In other words, no specific protection is provided to civil servants or private sector employees reporting corruption cases other than general security measures for witness protection prescribed by the Law on State Protection of Persons Participating in Criminal Proceedings.

The Constitution recognises a fundamental right of

access to information and a Freedom of Information Law was passed in 2005, which is ranked 11 of the 93 countries in the [2012 Right to Information Rating](#). An independent oversight body to control compliance with freedom of information requirements was created, that is, the Ombudsman. However, all observers agree that at the moment *de facto* this is not an effective mechanism (Transparency International Armenia, Transparency International Azerbaijan, Transparency International Georgia 2012).

In 2009, the parliament passed a law on the Prevention of the Legalisation of Criminally Obtained Funds or Other Property and the Financing of Terrorism. The government is credited to have made significant progress in the area of anti-money laundering (AML) through the newly established Financial Monitoring Service (see below) (US Department of State 2012). The MONEYVAL Committee of the Council of Europe on AML/Counter Financing Terrorism has even recommended the country's development as a model legislative system to be treated as an example by other states.

In terms of its international commitments, Azerbaijan ratified the Council of Europe Criminal and Civil Law Conventions in 2004 and the United Nations Convention against Corruption in 2005. Azerbaijan is also a state party to the United Nations Convention against Transnational Organized Crime since 2003. As already mentioned, Azerbaijan is a fully EITI compliant country since 2009.

The institutional framework

While there are a number of anti-corruption institutions in place, significant practical challenges remain: law enforcement agencies are not able to initiate investigations independently, they are not adequately protected from political interference and have largely avoided prosecuting public officials for corruption, especially high-ranking officials, while in some cases, lower-ranking officials are arrested for corruption (Bertelsmann Foundation 2012; Global Integrity 2011).

The Commission on Combating Corruption (CCC)

The CCC was established in 2005 and is composed of 15 members respectively appointed by the president, parliament and the Constitutional Court. However, according to analysts, the commission has not been granted adequate powers. It only has the mandate to request information from state agencies and to make recommendations (Michael and Mishyna 2007). The role of the commission is limited to activities that include participating in the formation of the policy on corruption and coordinating the activity of public institutions in this area, analysing the state and effectiveness of the fight against corruption, collecting asset declarations, and receiving complaints by individuals. According to Global Integrity (2011), the commission is not protected from political interference.

Prosecutor General's Office

A special Anti-Corruption Department (ACD) has been set up within the Prosecutor General's Office to detect and investigate cases of corruption. It became fully operational in 2005. The ACD is staffed with 40 prosecutors and investigators and deals mainly with the detection and prosecution of corruption offences, as well as with the recovery of proceeds of crime. As of 2007, more than 150 people had been charged with corruption in close to 70 investigations ([International Association of Anti-Corruption Authorities](#)). According to Global Integrity (2011), the general prosecutor's office has a sufficient budget to carry out its mandate. The Department for Combating Corruption under the General Prosecutor's Office and the Unit for Special Investigation Measures on Corruption Crimes under the Ministry of Internal Affairs work closely with the ACD to investigate and prosecute corruption committed by law enforcement officials.

Ombudsman

The Ombudsman was established in 2001 by the Constitutional Law on the Human Rights Commissioner and is responsible to restore human rights and liberties violated by officers of public authorities and municipalities, but cannot investigate the president, members of parliament or judges

(Business Anti-Corruption Portal 2013). The commissioner is elected for seven years by parliament from three candidates nominated by the president. In practice, as other institutions, the ombudsman is not protected from political interference (Global Integrity 2011). In addition, the government largely ignores or gives superficial attention to its findings, reports and recommendations.

The Chamber of Accounts

The Chamber of Accounts is the supreme state financial budget control body. It supervises and approves the execution of the state budget, the inflows of funds generated by state property, and the use of state funds allocated to legal entities and municipalities. It reports quarterly to parliament. While the audit agency has professional and experienced full-time staff, in practice, members of the chamber are appointed based on the interests of the presidential administration by parliament and cannot be considered as fully independent (Global Integrity 2011).

Financial monitoring services (FMS)

The Financial Monitoring Services (FMS) was established in 2009 as Azerbaijan's financial intelligence unit under the Central Bank of the Republic of Azerbaijan, with the mandate to implement, coordinate and strengthen anti-money laundering activities in line with international standards. This has been welcomed as a positive step in the fight against money laundering (US Department of State 2012a). The FMS is responsible for monitoring and analysing suspicious transactions across the banking and finance sector, and is making progress in data collection, storage and analysis. However, the lack of inter-agency cooperation and inadequate training, constitute significant obstacles to its capacity to effectively fulfil its mandate (US State Department 2013).

Other stakeholders

The media

Although freedom of the press is guaranteed by the

constitution and censorship was abolished in 1997 (Bertelsmann Foundation 2012), the government exercises strict control over the media, including the four main TV channels. The government also controls the approval of broadcasting licences (Freedom House 2013b) and several stations, including local stations of international networks which have been banned since 2009. Although the print media is considered to be freer, the majority of papers are owned by the state and most media practise self-censorship and avoid reporting on sensitive issues (US Department of States 2012b).

Journalists are commonly threatened, harassed and assaulted, and can also be legally intimidated. According to Freedom House (2013b), several journalists have been allegedly jailed on false or fabricated charges. Libel and defamation are criminal offences which are punished with large fines and up to three years' imprisonment and are often used to intimidate and silence journalists and independent media (Freedom House 2013a; US Department of States 2012b).

Against such a backdrop, it is extremely difficult for journalists to report about corruption cases involving the ruling elite. For example, according to Freedom House (2013a), the investigative journalists who uncovered the business dealings and interests of the president's family were targeted by a smear campaign by the authorities.

Reporters Without Borders 2013 [World Press Freedom Index](#) ranks Azerbaijan 156 out of the 179 countries assessed, while the European Parliament Human Rights Committee in its [2013 resolution](#) on Azerbaijan "condemns the harassment, intimidation, and violence against journalists and others peacefully expressing their opinions; (and) calls on the authorities to immediately release from prison or pre-trial detention those detained on politically motivated charges, including six journalists, a social media activist."

Civil society

Similarly, although the law guarantees freedom of association, civil society faces major challenges in the wake of tightening control over civil society and the country's poor democratic and human rights credentials (Bertelsmann Foundation 2012).

Organisations are required to register with the Ministry of Justice through cumbersome and time-consuming procedures. The ministry frequently rejects the registrations of NGOs or delays accreditation (Freedom House 2013a, 2013b). The government also has the right to dissolve NGOs. Other measures can be used to hamper NGO operations, such as tax controls and various forms of legal restrictions, which include levying penalties for petty bureaucratic offences. In 2012, for example, parliament amended the Law on Freedom of Association, the Criminal Code and the Code of Administrative Offences to increase penalties for organising and participating in unauthorised public meetings and rallies (Freedom House 2013a). Independent NGOs also increasingly have to compete with government-organised NGOs which receive significant funding from the President Council on State Support to NGOs. Foreign NGOs are also targeted by legal restrictions and attempts to control their activities through demanding registration processes (Freedom House 2013a).

As already mentioned, there is a tradition of crushing public protests, and widespread practice of intimidating and putting outright pressure on independent NGOs, as well as harassing individual activists, as reflected by government's reaction to the protests that took place around the Eurovision song contest.

Against this background, NGOs working on sensitive issues like corruption are likely to face greater pressure from the authorities. In spite of such challenges, there are a number of governance and anti-corruption NGOs active in the country. TI Azerbaijan, for example, issues regular reports on the state of corruption in the country and runs five legal advice centres which provide free and confidential advice to witnesses and victims of corruption. More than 30,000 complaints have been lodged since the first centre opened in 2006.

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