

Azerbaijan 2014



Total: 44.26

Quick facts

Population:	9.38 million
Unemployment rate:	6.05 %
GDP:	74.15 billion \$
GDP growth rate:	2.79 %
GDP per capita:	7900 \$

Political Freedom

Free and Fair Elections : 1.43

Azerbaijan doesn't have free and fair elections. The ruling Yeni Azerbaijan party (YAP) led by president Aliyev implemented a practice of pressure, intimidation and violence on the opposition voices and journalists in almost every elections. According to Freedom House, 14 opposition leaders, journalists and activists were arrested a few months prior to elections. New changes in the electoral law as well as amendments to the law on freedom of assembly drastically reduced ability of the opposition to campaign and organize rallies. The Organization for Security and Cooperation in Europe noted "widespread fraud at every stage of the voting process", during and after the presidential ballot.

Absence of Unconstitutional Veto Players : 1.67

The biggest threat to democracy in Azerbaijan comes from the president, his clan and the ruling party. They hold executive and legislative power and strict control over justice system. Because of that, they are almost never found accountable for corruption, which is thus widespread. The use of extralegal tools to suppress the critics of the regime or to derail anti-corruption attempts is common. Also, wealthy oligarchs tightened connections with political elites, as well as a few radical Islamic organizations, such as Gülen movement, Forest Brothers and others, which threaten the country's security, need to be perceived as unconstitutional veto players in Azerbaijan.

Freedom of Press : 1.5

Press is not free in Azerbaijan. The country is ranked on a low 160th place, out of 180, in the Reporters without Borders - World Press Freedom Index. The Aliyev's government almost completely controls media, especially TV and radio which are still the major source of information for the citizens. The government is aiming to suppress all critical voices by shutting down media outlets, or with the imprisonment and harassment of journalists. Violence against journalists is especially intensified in the months before and during the election campaigns. The main source of critical opinion and a rare space for free expression had been the online media, but in 2013 the government expanded the criminal defamation law. It now encompasses online content and comments.

Rule of Law

Independence of the Judiciary : 4.25

In various aspects of rule of law, Azerbaijan is the opposite of the neighbouring Georgia – there is less dependence of the judiciary on the executive branch of government, but much worse record on corruption or on protection of human rights. Even the judiciary is well below EU standards, whereby EU Progress Report 2013 has found further lack of its independence and numerous areas where judiciary was violating the rights of defendants to a fair trial. The right to legal counseling was in some cases denied and rulings were carried without defendants' lawyers. There were illegal detentions, while pre-trial detentions generally have lasted too long. There were cases where presumption of innocence was denied to the defendant. Among the arbitrary arrested there was even a presidential candidate in 2013, not to mention numerous journalists or NGO activists.

Corruption : 2.8

Corruption is pervasive in Azerbaijan. According to Transparency International and its Corruption Perception Index 2013, the country was ranked 127 of 177, with the score 28 (up from 27 in 2012). Huge reserves of oil, natural gas and other minerals and the adjacent revenues are controlled by state-owned companies or by those owned by loyalists of the ruling party (even though foreign companies are also very active). Political system is autocratic, thus there are few obstacles to preservation of an authoritarian, corrupt petro-state. A report of the London-based NGO Global Witness finds that "millions of dollars of revenue disappear into the hands of obscurely owned private companies with the apparent cooperation of the government-controlled state oil company". Access to information on those, by citizens or watchdog groups, is hindered due to the restricted media freedom. According to the Freedom House, the President Ilham Aliyev (the son of the previous leader of the country), a number of state officials and their families have amassed significant personal wealth. There are government plans for combating corruption, though, such as the latest 2012-2015 national action plan. Obstacles to it rest in the immunity of politicians. Yet in 2013, an MP was for the first time stripped of immunity and convicted for corruption. Majority of cases reported and investigated are those of the low-level, such as policemen or medics. Additional problem is awareness. Global Corruption Barometer 2013 has shown that public perceived exactly those low level public servants as the most corrupt: doctors (44%), judges (42%)

and policemen (41%), ahead of public officials (37%) or MPs (28%).

Protection of Human Rights : 4.24

Situation regarding human rights is worrisome. Opposition parties, NGOs, independent media and journalists face serious obstacles in exercising their rights to association and gathering. Granting permissions to organize rallies in public is arbitrary. Many NGOs await registration for years. Especially uncertain is the situation of foreign or foreign-funded organizations. However, there were some improvements in the access of registered NGOs to various government-provided services. Freedom of religion is also restricted. No other brand of Islam except the official is allowed. Under a pretext of fighting extremism, the government became an arbiter in theological issues. It is not better for other religions either: without registration they are not allowed to practice. If they nevertheless do, legal consequences are serious. Several Protestant churches, Jehovah's Witnesses, or dissident Islamic cults were raided and prosecuted. Otherwise legitimate defense of a strongly secular character of state in this case often goes hand in hand with serious violations of human rights, sometimes with a blind eye turned on it by foreign NGOs or other human rights observers. But according to Amnesty International, there are numerous prisoners of conscience, some of them tortured. Freedom House reported that during 2013 youth organizations and movements were especially targeted by the police. Except decriminalization (as of 2001), there is no other legal protection of LGBTs against discrimination. The first "mini" Pride Rally was peacefully held in Baku in September 2013.

Economic Freedom

Security of Property Rights : 6.29

Private property is not well respected in Azerbaijan. Judiciary is not independent from the influence of the powerful political elite which makes distortions in the functioning of the whole justice system. Major concern is implementation of the law on expropriation, which is often used for private gain. The cases litigated against Azerbaijan by the European Court of Human Rights include a high number of cases dealing with property rights. Enforcing contract is not effective due to high number of legal procedures it considers. There are also restrictions on ownership of land for foreign nationals, while in certain cases only state can be the owner of it. The police force is not reliable, and partial attitude of state officials poses a serious threat to administering justice.

Size of Government: Expenditures, Taxes, and Enterprises : 7.65

Government consumption in Azerbaijan at 38,3% of GDP is lower than the average of European countries, but in line with other Commonwealth of Independent States (CIS) countries. Government revenues, however, are much higher due to export of oil and gas, leading to budget surpluses (as high as 20% of GDP in 2009) that are connected to the price levels of these commodities. State sovereign wealth fund Oil Fund of Azerbaijan (SOFAZ) uses some of these funds to maintain and increase their value in order to preserve them for future, but its policies are under question due to strong executive power over it. High oil revenues allow for lower taxes and widespread shadow economy, which represent approximately one third of GDP, due to rentier

state effect. Corporate tax is set at 20% and VAT at 18%. Personal income is progressive, being 14% up to the high threshold and 30% afterwards, while social contributions stand at 25% of the gross wage bringing the tax wedge to high 38% on the average salary.

Regulation of Credit, Labour, and Business : 6.71

Regulation is not favorable to business activities in general. Administrative requirements coupled with bureaucracy cost are high – obtaining construction permits and getting electricity is not only a lengthy process but is also very expensive. High number of procedures and their length create an environment in which favoritism and corruptive activities are endemically present. Starting a business, however, is quick and inexpensive and there are few licensing restrictions. Tax compliance is easier than in many neighboring countries. The minimum wage is low compared to the average wage in the country, but high tax wedge makes labour expensive. Notice period and severance pay for redundancy workers do not increase with their years in tenure, thus avoiding age discrimination in the workforce. Obligatory military service of 18 months for general male population (12 for university students) is long.

Freedom to Trade Internationally : 7.72

Azerbaijan is not a champion of free trade. Non-tariff barriers are high – the process of standardization is expensive, time-consuming and not transparent, which enables partiality and corruptive activities. Standardization procedures are not in line with international agreements, such as General Agreement on Trade and Tariffs (GATT), which is an impediment in the long accession talks for World Trade Organization (WTO) membership that have been held since 1997. A new rule of custom valuation based on the actual cost of goods, which is in line with international standards, is under implementation. Controls of capital remain present, in order to maintain the monetary regime of the national currency manat, which is in stabilized arrangement regime as classified by the IMF. Tariffs on some product remain high – for example, 15% on most agriculture products.