

Azerbaijan 2015



Total: 43.58

Political Freedom

Free and Fair Elections : 1.43

Elections in Azerbaijan abound with irregularities, thus they are not free or fair. Frauds in the tabulation of the votes, use of extralegal tools toward opposition and voters intimidation can be seen in every election. Government, led by the president Ilham Aliyev and his Yeni Azerbaijan Party don't hesitate to use violence and arbitrary arrests when dealing with the opposition. Two prominent opposition leaders were sentenced to prison in 2014 for creating "mass disorders". Situation is even less competitive since some changes to the law on freedom of assembly were adopted. Political parties are forbidden to organize rallies or campaign in public space. Also, media environment during the election campaign is highly restricted. According to the Freedom House, almost 92% of the airtime of the monitored television channels was devoted to the incumbent.

Absence of Unconstitutional Veto Players : 1.67

Although president and his party have effective power to govern, there are some unconstitutional veto players in the country. Radical Islamic movements such as Forest Brothers or Gülen movement, which poses a threat to the national security, and high level of corruption, have to be perceived as such. The system of checks and balances is granted by the constitution. However, in practice, the ruling party holds control over all three branches of power. Because of that, high ranking officials and their friends from the business sector are almost never found accountable for the corruption. A legal amendment from 2012, which allowed companies to hide their ownership structure, blurred the corruption in Azerbaijan even more.

Freedom of Press : 1.3

In Azerbaijan, freedom of the press is not respected in practice. Government holds almost complete control over broadcast, press and online media outlets through financial pressure as well as through partisan members of the main media regulatory body, National Television and Radio Council, who are appointed by the president. Furthermore, they are using various tools to censor media and suppress critical voice in society, such as violence, harassment or intimidation of journalists. Defamation, itself punishable by prison terms or huge fines, since 2013 has been extended to online media, in order to shut down this, scarce, source of criticism towards government. Few organizations which aimed to foster freedom of media in Azerbaijan, as well as Radio Free Europe / Radio Liberty, were forcibly closed during the year. Throughout 2014, eight journalists were arrested and taken to prison.

Rule of Law

Independence of the Judiciary : 4.17

The only aspect of the rule of law where the situation in Azerbaijan is still bearable, and to it better than in the other two Caucasus countries, is the position of the judiciary vis-a-vis the government. There is still a certain degree of separation of powers i.e. judicial independence in an otherwise clearly authoritarian regime whose reliance on a Soviet-style vertical organization of power is increasing. However, European Commission, in its latest report on Azerbaijan, as of March 2015, warned at a few disturbing precedents. There were court rulings in absence of lawyers and defendants. Trials against civil society activists have had more procedural or judicial shortcoming than other trials. There is a pressure on defense lawyers who counsel anti-government dissidents, even by some of their colleagues. The problems at which EU has pointed out indicated an increase in politicization of judiciary.

Corruption : 2.9

Azerbaijan is overwhelmed by corruption. The situation is worse than in somewhat comparable Georgia, Armenia or Turkey. Corruption starts at the top of the government, where the President's clan is enjoying privileges and amassing enormous wealth, and springs down to numerous ordinary public servants who receive bribes. The improvements in 2014 were neglect. Some institutional changes might, however, bring – though limited - progress in future. For instance, the Anti-corruption Department of the Prosecutor-General's Office was in 2014 upgraded to a directorate-general. In absence of other changes, this reform will not bring a turnabout. Transparency International has put Azerbaijan, in the Corruption Perception Index 2014 ranking, to the place 126-132 (of 175 countries). The score 29 was just slightly better than the 28 obtained in 2013, when Azerbaijan was ranked 127-135 (of 177).

Protection of Human Rights : 4.19

Freedom House has noticed a sharp downward trend regarding respect for human rights in Azerbaijan. Besides the decline in political rights and civil liberties, many of the human rights are increasingly breached. Maplecroft's index shows, and human rights watchdogs confirm, the frequency of arbitrary arrests, even of the highest ranking opposition figures or renowned NGO

activists or journalists. The torture or other ill treatment in custody is common. The activities of human rights` watchdogs and defenders, especially if they are foreign-funded, are ever more sabotaged. NGOs are often fined and their assets are frozen. Many individual critics of the regime, such as popular Internet bloggers, encounter official or unofficial harassment. Religious freedom is limited, while members of the non-registered faith communities or of non-official Islam cults are prosecuted, often on charges of extremism or other anti-constitutional activity. Freedom of opinion and expression is on a low level indeed. There is no legal protection of LGBT people. Among rare success, protection of children against forced labour or militarization is well arranged. To it, treatment of international migrant workers and refugees is better than in comparable countries.

Economic Freedom

Security of Property Rights : 6.14

Private property is not well respected in Azerbaijan. The influence of the political elite over the judiciary is overwhelming, making legal proceedings partial and the whole legal system ineffective. An example of malfunctioning of the system is the implementation of the law on expropriation, which can be used for private economic gains, by unnecessary appropriation or low compensation. The cases litigated against Azerbaijan by the European Court of Human Rights include a high number of cases dealing with property rights, a majority of which concerns the restriction of right to use property in an internationally disputed area (mostly in Nagorno-Karabakh province) but which is under Azerbaijan's control. Ineffective enforcement of contracts, due to a high number of slow legal procedures it entails, limits the possibility of property rights' protection in court. Restrictions on ownership of land by foreign nationals are upheld and state farms and cooperatives still dominate the sector.

Size of Government: Expenditures, Taxes, and Enterprises : 7.39

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 the export of oil and gas, leading to budget surpluses (as high as 20% of GDP in 2009), which are tied to the price levels of those commodities. These non-tax revenues allow for generous state programs coupled with lower taxation levels than otherwise anticipated, and contribute to high levels of shadow economy (approximately 1/3 of the annual GDP), which is tolerated. Much of the oil revenues are invested through state sovereign wealth fund Oil Fund of Azerbaijan (SOFAZ) in order to maintain and increase their value and preserve them for the future. However, transparency and accountability of the oil fund is under question, due to strong influence of politics onto economic life in general. Many of investment decisions of the fund are not considered lucrative. Although large scale privatization process has been implemented, the state still owns many companies, not only in oil or public utility sector. The overall level of subsidies and social transfers is high. Corporate tax is set at 20% and the 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 a high 38% on the average salary.

Regulation of Credit, Labour, and Business : 6.79

Although named the top reformer on the Doing Business list by the World Bank in 2007/2008, many areas of business regulation in Azerbaijan are yet to be transformed in order to guarantee good business environment. 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 as compared to the average wage in the country, but the overall tax wedge due to high social security contributions makes labour expensive, contributing to the spread of shadow economy. Notice period and severance pay for redundancy workers do not increase with their years in tenure, thus avoiding age discrimination in the workforce and making the labour market flexible. Working-hours regulation is also flexible. The long mandatory military service of 18 months for general male population (12 months for university students) incurs high costs onto the private sector, but also for the workers, due to disruption in human capital accumulation.

Freedom to Trade Internationally : 7.6

Azerbaijan is not a champion of free trade. Partiality and corruptive activities within the customs are invigorated by high non-tariff barriers, especially the process of standardization, which is expensive, time-consuming and not transparent. 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 about World Trade Organization (WTO) membership, which have been held since 1997. Reformed custom valuation based on the actual cost of goods (in line with international standards), is under implementation and is expected to lower trade barriers. Documentation process for both import and export involves a high number of procedures and long time frame. In order to maintain the monetary regime of the national currency manat, which is in stabilized arrangement regime as classified by the IMF, some forms of controls of capital remain present. However, the value of manat has plummeted due to falling oil prices and subsequent decrease in export volume. High tariffs are still present, especially in the field of agriculture products.