

PROBLEM OF CORRUPTION IN AZERBAIJAN

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Just like in many countries with the transitional and developing economy, in Azerbaijan too the problem of corruption seriously retards the process of reforms, attraction of foreign investment and development of local private enterprise.

Numerous corruption-related publications, public statements by politicians and prominent figures of the country in mass media, street polls, as well as periodical discussions on the highest state level during meetings at the President's office and those of the National Assembly illustrate the presence of a rampant epidemic of bribery.

In a move to analyze the problem within the framework of the project, "Assistance in the development of entrepreneurship and market economy in Azerbaijan", implemented in 1999 by the Entrepreneurship Development Foundation with the aid of the Center for International Private Enterprise, CIPE, a number of surveys were carried out. In particular, an expert survey on the problem and a monitoring of local press over a year were conducted.

A. RESULTS OF AN EXPERT SURVEY.

The survey was conducted in June-August 1999. 263 people took part in it, who represented, besides the capital city Baku, such cities as Sumgayit, Nakhchivan, Ganja, Shaki, Ali Bayramli, and Lankaran.

Among experts there were: 20 deputies of the National Assembly, 16 leaders of major political parties and heads of professional and business associations, 25 editors and economic columnists from the most influential mass media and news agencies, 48 businessmen, 25 lawyers and employees of the law-enforcement bodies, 15 economists and specialists, as well as a group of doctors, teachers and some other categories of the population.

During the expert survey, an attempt was made to identify the opinion of experts on the following themes:

- assessment of the level of corruption in Azerbaijan by various foreign institutions;
- types of corruption in the country;
- frequency of cases of extortion;
- the spread of corruption on various levels of state administration systems;
- changes in the corruption situation in the 90s;

- level of corruption in various spheres of state administration, social, economic and public entities;
- reasons of corruption in Azerbaijan;
- role of state power bodies in Azerbaijan in the attitude towards corruption;
- role of private enterprise in connection with the spread of corruption;
- public mood in the attitude towards corruption;
- role of legislation;
- share of business revenues spent on bribes;
- yearly proportions of corruption on the country scale;
- prospects in combating corruption in Azerbaijan;
- which public, economic and political institutions of Azerbaijan can initiate an anti-corruption struggle;
- which primary measures could contain corruption.

Results of the expert survey on some of these aspects of the problem have produced the following picture:

A1. Attitude to the assessment of the level of corruption in Azerbaijan

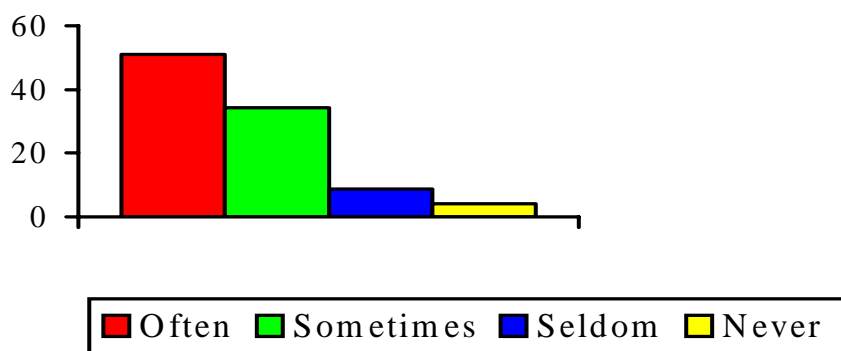
More than 80% of respondents have shared the opinion of experts from influential international financial and research organizations, which attribute Azerbaijan to countries with a very high extent of corruption. Only 5% have brought this statement to question, but no one has categorically denied such a negative feedback.

A2. Types of corruption in Azerbaijan

Almost 86% of respondents have indicated the domination of corruption in the form of direct extortion on part of government officials and only 14% have regarded it as a voluntary remuneration for assistance in the solution of a certain problem.

A3. Frequency of extortion

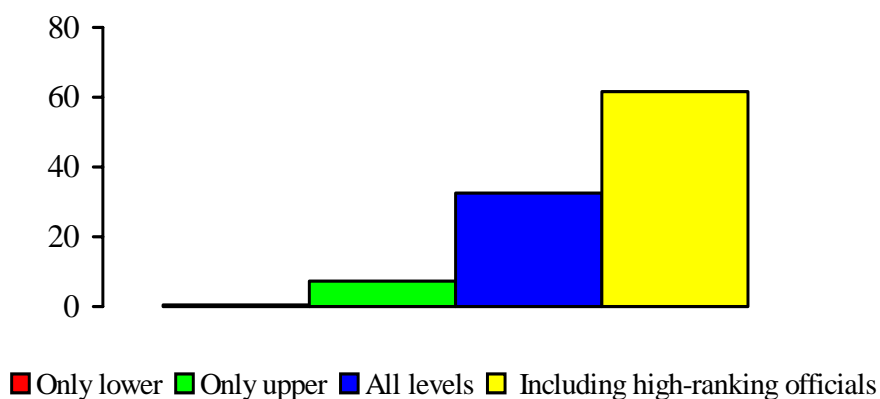
Answers were distributed in the following way:



As is seen from the diagram, the overwhelming majority of respondents has directly encountered facts of corruption and can make judgements about it either based on their personal experiences or on the one of their acquaintances.

A4. Spread of corruption on various levels of state administration system

Answers were distributed in the following way:



A5. Changes in the corruption situation in the 90s

Summary of the respondent answers has illustrated that corruption-related situation in the country keeps aggravating.

A6. Level of corruption in various spheres of state administration

Respondents were asked to evaluate (on a 10-point scale) the extent of corruption in various state administration bodies. In their opinion, the most corrupt are the Customs Service, Traffic Police, Ministry for Interior, Tax Service and the State Committee on Property (Privatization). Least corrupt, according to experts, is the Ministry for National Security. In addition to these bodies, the general list also included: Prosecution bodies, Executive Power offices of cities and provinces, judicial bodies, Ministry of Finance, President's executive office, Cabinet of Ministers, Ministry of Defense, Ministry of Justice, housing system and the National Assembly.

A7. Reasons for corruption in Azerbaijan

Respondents arranged the reasons in the following sequence (in order of descending importance):

1. Corruption of top government officials;
2. Low salaries of all government officials;
3. Dependence of judicial bodies on executive power;
4. Imperfection of laws;
5. Absence of public control;
6. Poor development of private property institute;
7. Heritage of the Soviet system;

8. Inefficiency of state power mechanisms;
9. Moral degradation of the society;
10. Vicious circle of bribe-givers and briber-takers;

A8. Role of private enterprise in connection with the spread of corruption

The survey has demonstrated that only an insignificant minority of respondents is inclined to blame the spread of corruption on private business. Half of respondents think that private business is the object of extortion and bribery, while over 40% are confident the development of private business will lead to an improved social and economic environment and promote decrease in the extent of corruption.

A9. Public mood in the attitude towards corruption

Over a half of respondents believe that the mood of intolerance towards corruption has already been triggered in the public opinion in Azerbaijan, together with the realization of the need for a resolute struggle against it. Opinions of the others have equally split, between those inclined to think that the society has put up with the problem of corruption in Azerbaijan as an eternal and inevitable evil and those thinking that the society has postponed solution of the problem of corruption for the future.

A10. Legislation and corruption

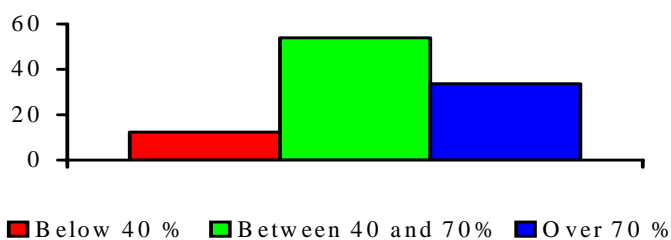
Answers of respondents concerning the existing legislation were distributed as follows:

- laws of Azerbaijan are adequate with the requirements and do not provoke corruption – 2.3%;
- laws of Azerbaijan are imperfect, therefore, they precondition corruption – 40%;
- ambiguous norms capable of provoking corruption are deliberately included into the laws of Azerbaijan – 51.%;
- difficult to give exact evaluation – 6.7%

Thus, more than half of respondents, and two thirds of lawyers, think that the norms preconditioning and laying groundwork for extortion and corruption are deliberately introduced into laws in Azerbaijan in the process of their preparation.

A11. Share of business revenues spent on bribes

Opinions of respondents are reflected in the below diagram:



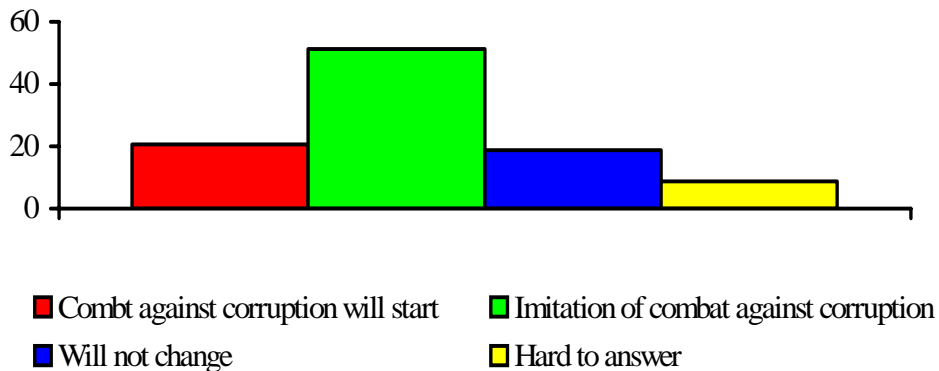
As is seen from the diagram, corruption payments make up a significant portion of private business earnings, which makes almost every business unprofitable and inflicts damage to the state budget, as payment of such volumes of bribes makes it impossible to pay taxes either.

A12. Assessment of yearly proportions of corruption on the country scale

In the opinion of respondents, the volume of overall corruption income is commensurable with the income part of the state budget.

A13. Prospects in combating corruption in Azerbaijan

Answers to the question whether respondents think it is possible to succeed in combating corruption in the foreseeable future were distributed in the following way:



A14. Which public, economic and political entities of Azerbaijan can initiate an anti-corruption struggle

Respondents have arranged the most important state and public entities in the following sequence (in the order of descending importance):

1. Press and television
2. Political parties
3. Business associations
4. Non-Governmental Organizations
5. Law-enforcement bodies
6. Trade Unions
7. Religious entities

Press, parties, business associations and non-governmental organizations, as centers of crystallization of an antic-corruption combat, were mentioned a lot more frequently than trade unions and religious entities.

A15. Primary measures capable of containing corruption

Based on the survey, the following expert assessments (on 10-point scale) have been obtained:

- Judicial reform aimed at establishing an independent judicial system – 7.4
- Arraigning the most corrupt government officials close to the top dignitaries and their family members – 7.1
- Introduction of a rule requiring high-ranking dignitaries to annually declare their property and incomes – 6.8
- Punishment of high-ranking law-enforcement officers for failing to take measures at combating corruption – 6.7
- Adoption of a special anti-corruption program of the government – 6.6
- Institutional reform in the system of administration (reducing the number of state bodies, shrinking down the administrative personnel in the government, reconsideration of the functions and obligations of government officials) – 6.3
- Increasing the salaries and pensions for government administration and law-enforcement officials – 6.2
- Toughening of the criminal penalty for extortion – 6.1
- Reconsideration of the legislation in the direction of augmenting the anti-corruption effect – 5.7
- Reducing the number of situations envisioning direct contact with government officials – 5.5
- Introduction of a special system of inspections for employees of the law-enforcement, customs, financial and tax bodies requiring them to undergo a “lie detector” test – 4.9
- Establishment of a special anti-corruption body under the national assembly – 4.6
- Exemption of bribe-givers from penalty in case of consent to cooperate with justice – 4.4
- Establishment of a special anti-corruption body under the president – 3.8

B. RESULTS OF THE MONITORING OF LOCAL PRESS.

29 editions were selected for the monitoring. These were mainly editions representing some interest for Azeri readers. The selection was made in a way enabling the editions occupying differing positions to have equal representations: 1) independent press; 2) governmental; 3) pro-governmental; 4) opposition. In diving the editions in groups, we based our views both on the objective data (mainly on information who the founder of the edition is) and on subjective (the line newspapers pursues, which is determined by its content).

Weekly circulation of surveyed editions constitutes almost a million copies (969,460). The number of issues per week is 110.75 (the fraction results from the fact that some editions are published once a month, while others once in two weeks). In other words, a average (excluding week-ends) of 22 editions were published per day.

Most of all, there were independent editions selected for the survey – 13. In addition to the fact that these newspapers frequently publish corruption-related materials, they are less than other subject to conjuncture (which does not at all mean that they are absolutely not prone to it). 5 governmental newspapers and 4 pro-governmental ones were selected. The last 9 can be viewed within the frames of one and the same group, as pro-governmental newspapers are often more governmental than the governmental ones proper. 8 opposition newspapers were chosen.

The biggest weekly circulation is produced by independent press – about 470,000 copies. It also has biggest chances of reaching the reader – 47.25 issues per week. Coming then is the opposition press – almost 272,000 per week, 27 issues per week. Governmental and pro-governmental have a total circulation of 230,000 copies per week, while the number of issues per week is 36.5.

Throughout the monitoring, there was a total of 1,377 (see table 1) publications on corruption. Their breakdown by months and editions is contained in table 1. As is evident, the biggest number of publications was registered in January-March, which is explained by the following. In early January 1999, the president’s decree “On modernization of the state management system and elimination of artificial obstacles in the way of entrepreneurial development”, which for some time was actively speculated upon, especially by the official press. The latter issues a lot of optimistic commentaries. 4 official newspapers have published 91 corruption-related articles over the surveyed period, including 65 in January-March.

Table 1. BREAKDOWN OF CORRUPTION-RELATED PUBLICATIONS BY GROUPS OF EDITIONS AND MONTHS

	XII-98	I-99	II	III	IV	V	VI	VII	VIII	IX	X	XI	Total
Independent	68	94	94	101	81	63	47	53	46	38	42	26	753
Governmental	11	35	20	10	9	2	2	2	0	0	0	0	91
Pro-governmental	4	6	8	5	5	2	1	0	0	0	0	0	31
Opposition	51	62	65	74	56	55	44	33	25	8	15	14	502
Total	134	197	187	190	151	122	94	88	71	46	57	40	1377

The opposition and independent press were also widely commenting on the decree, as the number of publications in this period has also increased, though not as drastically. In comparison with the following three months, for example, the increase made up approximately a third (see table 1).

A decrease in the number of corruption-related publications was observed in the last 3 months of the survey. This can be explained by the fact that the political life of the country was offering more acute topics, in particular, the ambivalence in the opposition camp and especially the up-coming December municipal election and the election-related procedures (signing of the law on elections by the president and formation of

election commissions), as well as the November summit of the OSCE in Istanbul, where signing of the Karabakh peace treaty was expected to take place.

Table 2 contains distribution of publications by genres. As is seen, there are mostly information materials. These are mainly article dwelling upon facts of corruption, trials of corruption-related cases, and activities dedicated to the discussion of the problem. Analytical stories assess the facts altogether, reasons and consequences of corruption as a phenomenon and comment on principal decisions. It is the abundance of such commentaries that analytical articles published in January-February are characterized with (96 out of a total of 206), as the president's mentioned decree was adopted and actively discussed at that particular time.

Table 2. BREAKDOWN OF CORRUPTION-RELATED PUBLICATIONS BY GENRES AND MONTHS

GENRES	XII-98	I-99	II	III	IV	V	VI	VII	VIII	IX	X	XI	Total
Analytical	22	58	40	32	31	10	11	11	7	9	9	6	246
Information	75	90	104	113	81	69	56	48	50	27	33	25	771
Interview, etc	37	49	43	45	39	43	27	29	14	10	15	9	360
Total	134	197	187	190	151	122	94	88	71	46	57	40	1377

As is seen from table 1, independent press has published the greatest number of corruption-related articles – 753 out of 1,377, or 55%. This fact represents importance for the following reasons: in choosing topics governmental newspapers are fully governed by their publishers, thus ignoring public interest in the theme they touch upon. Opposition papers are trying to combine the interest of their publisher (or unofficial sponsor) with that of a reader. For independent newspapers, it is first of all public interest that matters first of all (though they too are prone to conjuncture factors). The fact that independent press writes on corruption a lot can be viewed as an indicator of actuality of the topic for the society.

Table 3. as is evident, there are more articles fitting in the classification of an information story – below 4,000 symbols (about 700 words). There are 684 articles, or almost half, of this size. Such articles are mainly about facts of corruption, reports from court hearings, letters from readers... Materials of a medium size (4,000-8,000 symbols, or some 700-1,400 words) are often analytical. They constitute less than a third of the total number. A fifth is made up of big-sized publications, often interviews covering an entire newspaper page (A-4 in format), which are not necessarily completely dedicated to corruption. In such interviews, it is not so much the theme as the person being interviewed who represents a particular interest. There are very few people who could avoid the topic of corruption when talking about present-day life in Azerbaijan.

Table 3. BREAKDOWN OF CORRUPTION-RELATED PUBLICATIONS BY SIZE AND MONTHS

	XII-98	I-99	II	III	IV	V	VI	VII	VIII	IX	X	XI	Total
Below 4,000 symbols	72	85	92	69	76	58	64	53	32	31	28	24	684
4,000-8,000 symbols	37	72	57	73	49	47	17	20	23	10	18	11	434
Above 8,000 symbols	25	40	38	48	26	17	13	15	16	5	11	5	259

Total	134	197	187	190	151	122	94	88	71	46	57	40	1377
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The analysis of the following questions was carried out as part of the monitoring:

- attitude of the authorities towards corruption
- attitude of the opposition
- reasons for corruption
- forms of corruption
- prices
- consequences of corruption
- view of international organizations
- reaction to corruption-related publications.

Below are brief results of the analysis of these questions.

Attitude of the authorities towards corruption.

Presence of corruption is acknowledged by the official authorities. The press is writing both of individual facts of corruption, acknowledged by the representatives of the regime, and of the fact that some of them admit the existence of the system. Opposition press is excitedly talking of facts of bribery and corruption, especially quoting representatives of the authorities, who admit the presence of corruption in the form of a system.

Attitude of the opposition.

In public consciousness, corruption is occupying the place of an increasingly important problem. Accordingly, the opposition is actively using the anti-corruption thesis in its struggle for popularity and power.

Reasons for corruption.

Particularly frequent are publications concerning the very existence of corruption in the country and new corruption-related findings. Some publications, however, are making attempts to disclose the reasons behind corruption and its high level in Azerbaijan.

Forms of corruption.

A bribe to a government official in Azerbaijan does not have to be in the form of money going from one pocket into another. There are also forms of bribery, which are allegedly outside the area of direct benefit of the bribe-taker.

The press reports of overt cases of corruption, which many regard as a result of absence of any struggle against the vice. Otherwise, the main heroes of such publications could not have afforded such an open ignoring of laws and public opinion.

Prices.

Sometimes the press published reports enabling readers to make judgements on the amount of bribes on various government levels and for various types of services.

Consequences of corruption.

Newspaper refer to corruption as one of the main (and sometime as the main) reason for Azerbaijan's economic problems. Also bound with corruption is the shortage of investments in areas not connected with the oil and oil-related businesses.

Some publications indicate the damage corruption inflicts to the public consciousness, moral values of the society and upbringing of the younger generation.

View of international organizations.

Any statements related to corruption in Azerbaijan and published by foreign media will shortly afterwards, if not immediately, appear in Azerbaijani newspapers.

Reaction to corruption-related publications.

Newspapers provide a multitude of corruption instances. Criminal cases could be started on many of them. It happens quite seldom though when newspapers wait for such reaction. Sometimes, cases of refutation take place, on other occasions the accused party takes the accuser to court provided the former is sure that the ruling will be in its favor. If representatives of the regime are blamed, they are very likely to achieve a ruling in their favor. As a rule, newspapers fail to prove that the Law "On press" does not prohibit criticism.

C. WHAT TO DO?

In order to contain corruption, consistent and hard work both on part of the legislative body, the government, the judicial system, mass media, and political, religious and public organizations is required. Among the most important directions of this work, in our opinion, are:

- institutional reforms;
- strengthening of state control;
- modernization of the personnel policy;
- modernization of the legislative system;
- reform in the system of salaries;
- broad public monitoring of the problem

Institutional reforms.

It seems necessary to push ahead with the reforms in the direction of reducing the role of the government in the solution of various economic and social management issues. Reduction in the number of the government's economic and social power institutions and shrinking down the government bodies will be important elements of the reform. For example, why do we need the housing management departments (which have practically retained their status from the USSR times) at a time when housing fund is being broadly privatized, state-owned enterprises converted into joint-stock property, and private enterprises for garbage collection and other services established. It goes without saying that it is time for a profound reform in this sphere. This is already being done in other CIS countries.

The less the role of the government in the solution of various issues, the fewer opportunities for bribery. However, even in places when contacts of the private sector with the government is inevitable (including individual citizens) it is recommended not to use the form of a direct face-to-face contact with the government official, but to exercise the means of an indirect communication (regular and electronic mail, for example). Why are entrepreneurs required to submit reports to various government institutions in person? In all developed countries, all issues of this nature are dealt with through mail.

At the same time, it should be indicated that the reducing role of the government does not at all suggest a need for an unreasonable liquidation of all government institutions and state programs. We are talking of their reform and modernization only. As it has been figuratively indicated in the World Bank's report: "If police is corrupt, it does not mean it has to be abolished".

In general, any institutional changes in the economy, aimed at invigorating competition and weakening the monopoly of the state, contain bribery opportunities.

Strengthening the state control.

It is necessary to set up institutions of independent control over corruption, which would have all the necessary credentials for investigating corruption allegations and forwarding them to judicial bodies. In various countries it is done in different ways, either by establishing independent commissions or by setting up an institution of commissars for combating corruption. Such a role could be played by a special commission under the National Assembly, for example.

An important deterring role could be played by independent audits of the government's financial performance. As international experience has shown, absence of such inspections can serve as a corruption motive for the government bodies licensed to dispose of secret funds and out-of-budget means.

Modernization of personnel policy

World Bank's annual report for 1997 refers to "establishment of a law-obedient bureaucracy" as one of the measures at containing corruption. This means that hiring and promoting in service must not be based on political, relative and localistic protectionism principles, but on personal business and professional qualities, as well as fair salaries.

Modernizing the legislative system.

In this direction it seems necessary to:

- adopt the law on state service
- adopt the law on freedom of information
- adopt new laws and, if necessary, amendments to the Constitution, in order to ensure a complete independence of judicial bodies
- adopt the law distinctly defining the responsibilities of local executive power bodies
- clarity of procedures for consideration of citizens' complaints
- adopt the law on auditing the financial performance of the government by an independent auditing company appointed after a tender
- introduce distinct provisions into laws and normative documents concerning penalties of government officials in case of their failure to fulfil their direct responsibilities
- introduce the necessary changes into laws and normative acts targeting an improved clarity and explicitness of certain previously ambiguous provisions; rule out a possibility for government workers to self-interpret or administer arbitrariness of such provisions
- make all laws and normative acts easy to access. In all cases of required personal visits to certain government institutions, the latter have to provide clearly defined instructions, examples and explanations

- enact normative acts stimulating inner control at government institutions. For example, using the experience of the USA, we could introduce the regulations on remunerating government workers who report on signing of unprofitable contracts and agreements.

Salary reform.

It is necessary to consistently increase the salaries of government workers to a reasonable level. This is probably one of the most serious tasks in the combat against corruption in Azerbaijan. The slow salary growth tempo over the last several years, explained by the government's aspiration to achieve stability of the national monetary unit at the expense of low salaries, has promoted a situation when a considerable increase in salaries can result in macro-economic instability. Therefore, the salary reform must go in parallel with modernization of the management system (shrinking down the administrative personnel) and improvement in tax collection.

Broad public monitoring.

The following appear to be effective in this sphere:

1. To establish special organizations for listening and investigating into complaints of citizens, so-called ombudsmen. As world experience has demonstrated, this measure can promote a higher sense of responsibility of government workers and reduce cases of extortion on their part;
2. To step up the work of public organizations combating corruption. The main condition in this is their ability to obtain the necessary information about the government's work. Laws on freedom of information adopted in the USA and a number of European states play an important role in the organization of public control. Such laws provide citizens with the right to ask the government for any information about itself.
3. To establish a national coalition of various public institutions combating corruption.

CONCLUSION.

Struggle against corruption in Azerbaijan, just like in other countries infected with the epidemic, is an all-national task today, which needs to be undertaken without delay. It is beyond a doubt that it is extremely complicated, multi-faceted and requires considerable investment of time and effort on part of the Azerbaijan society. But it is also for sure that a failure to take measures to limit corruption will give a further impetus to the illegal activities with subsequent global repercussions for the society.