

Azerbaijan

Capital: Baku

Polity: Presidential (dominant party)

Economy: Capitalist-statist

Population: 8,200,000

GDP per cap at PPP: \$2,936

Private sector as % of GDP: 60

Ethnic Groups: Azeri (90 percent), Dagestani (3 percent), Russian (3 percent), Armenian (2 percent), other (2 percent)

Nations in Transit Ratings and Averaged Scores

	1997	1998	1999	2001	2002	2003
Electoral Process	5.75	5.50	5.50	5.75	5.75	5.75
Civil Society	5.00	5.00	4.75	4.50	4.50	4.25
Independent Media	5.50	5.50	5.50	5.75	5.50	5.50
Governance	6.25	6.25	6.25	6.25	6.00	5.75
Democratization Scores	5.60	↑5.55	↑5.50	↓5.56	↑5.44	↑5.31
Constitutional, Legislative, and Judicial Framework	5.50	5.50	5.50	5.25	5.25	5.25
Corruption	na	na	6.00	6.25	6.25	6.25
Rule of Law Scores	na	na	5.75	5.75	5.75	5.75

NOTE: The ratings and scores reflect the consensus of Freedom House, its academic advisors, and the author of this report. ↑↑ and ↓↓ indicate score changes of .25 or more; ↑ and ↓ for changes of less than .25. The opinions expressed in this report are those of the author.

INTRODUCTION

Eleven years into its independence, Azerbaijan keeps its pace of slow progress toward the establishment of a liberal democratic society. Compared to a decade ago, the country has made great strides in securing independent statehood and building the legal foundations of a democratic system. In practice, however, vestiges of the past remain strong in a strictly presidential system of government, a powerful executive body, and an economy that has not yet completed the transition to a market economy.

Azerbaijan's main problem remains the frozen armed conflict with Armenia over Nagorno-Karabakh, a predominantly Armenian-populated region of Azerbaijan. The conflict has led to enormous social problems among refugees and internally displaced persons. It also has created significant economic problems, particularly rising unemployment, the severing of trade ties, and the slow pace of foreign investment, due largely to the country's reputation for conflict and instability. The general security situation of Azerbaijan is also burdened by the conflict, which foreign powers, especially Russia, have used to leverage influence in the region.

Nagorno-Karabakh and seven adjoining, formerly Azeri-populated areas have remained under Armenian occupation since 1994, the year a cease-fire was brokered. The cease-fire has held since then, in spite of the lack of peacekeeping forces, and cemented Armenian occupation of close to 20 percent of Azerbaijan's territory. Every year of deadlock in the stalled negotiations to the conflict exacerbates the situation of more than 1 million displaced people in Azerbaijan. These include 220,000 Azeris driven from Armenia in 1987 and 1989; 60,000 Azeris evicted from Nagorno-Karabakh between 1989 and 1992; 50,000 Meskhetian Turks who fled ethnic violence in Uzbekistan in 1989 and were again forced to flee from Nagorno-Karabakh; and more than 700,000 Azeris living in the regions surrounding Nagorno-Karabakh who were cleansed out by Armenian forces in 1993 and 1994.

Unlike previous years, 2002 was characterized by a pessimistic tone in negotiations, few meetings between leaders of the two countries, and an increasing Azerbaijani perception that the conflict is unlikely to be solved through peaceful negotiations. In a meeting with his Armenian counterpart in fall 2002, Azerbaijan's president, Heydar Aliyev, offered Armenia

the restoration of economic links—long sought by Yerevan—in exchange for the return of four of the occupied regions to the south of Nagorno-Karabakh. In making the offer, Aliyev retreated from his insistence that economic ties could be made only after Armenia withdrew all its troops from Azerbaijan's territory. Yet the Armenian side refused, prompting an increase in militaristic attitudes in Azerbaijan. International interest in the conflict also subsided in the aftermath of September 11, 2001, as global attention focused on antiterrorism, not conflict resolution.

Azerbaijan's foreign relations were dominated in 2002 by the strengthening of U.S.-Azerbaijani security cooperation. With the waiving of the infamous section 907a of the Freedom Support Act, which had denied U.S. government-to-government assistance to Azerbaijan, the U.S. Department of Defense began a long-awaited process of military cooperation with Azerbaijan, with specific interest in the coastal and maritime defenses in the Caspian Sea. Azerbaijan continued to pursue its pro-Western foreign policy, cooperating fully with the United States in the military campaign in Afghanistan and in the struggle against terrorism generally. While doing so, Azerbaijan also made sure to entertain relations with Russia and Iran. President Aliyev signed a Caspian Sea border demarcation treaty with Moscow, and his visit to Iran, postponed several times, finally took place. On the whole, Azerbaijan's foreign policy has further strengthened the country's crucial geopolitical role in Central Eurasia.

Azerbaijan's economy showed further signs of strength in 2002. Foreign Direct Investment flows grew, nearing approximately \$1 billion a year, as they were before the 1998 drop in oil prices. Azerbaijan has low inflation and cautious budgetary policies, with a deficit of 3 to 4 percent of Gross Domestic Product (GDP). Yet investments are heavily concentrated in the oil and gas sector, while the rest of the economy is still growing very slowly. Fears that Azerbaijan will become excessively reliant on energy and suffer the "Dutch disease" are strong, but efforts to diversify the economy have been relatively slow. A major achievement in 2002 was the beginning of the construction of the long-awaited Baku-Tbilisi-Ceyhan oil pipeline, with a groundbreaking ceremony in Baku in September. Oil is expected to flow to Ceyhan in Turkey in 2005, followed by the laying of a parallel natural gas pipeline to Erzurum.

The internal scene in Azerbaijan during 2002 was characterized by an increase in speculation about succession scenarios. President Aliyev, who is 80 years old, was in good health throughout the year, but speculation that he is planning to groom his son Ilham, currently the Vice President of the State Oil Company of the Azerbaijan Republic (SOCAR), intensified as the latter was given increased exposure and a heightened international

role. Aside from his position at SOCAR, which has allowed him to take credit for the success of the Baku-Ceyhan pipeline, Ilham Aliyev is the deputy chairman of the ruling Yeni Azerbaijan Party (YAP). He is also head of the National Olympic Committee of Azerbaijan and has strongly supported sports in Azerbaijan. Building sports complexes around the country and investing resources in sports, the younger Aliyev is portrayed as a person who gets results. For example, Azerbaijan's three gold medals in the Sydney Olympics were a source of great prestige, and the victories were credited largely to him.

Finally, Ilham Aliyev is the head of Azerbaijan's delegation to the Parliamentary Assembly of the Council of Europe (PACE), a position that helps him defend Azerbaijan's interests abroad. Parliamentary speeches frequently laud the efforts of Ilham and the Azerbaijani delegation at PACE. Ilham Aliyev's increased status was also clear in 2002 when he carried out a high-profile visit to Washington and was received by Vice President Dick Cheney among others.

The average Azerbaijani family continued to struggle in 2002 with daily economic and social difficulties, as increased GDP barely trickled down to the masses. The average income of Azerbaijanis continued to be in the \$50 to \$100 range. People in the regions outside of Baku experience particular hardship, due to lack of jobs and basic utilities such as gas and electricity. While visiting Sheki at the end of the year, President Aliyev promised to raise the salaries of teachers and other state-paid employees.

The most important domestic development during the period covered by this report was the August 2002 referendum on a set of constitutional amendments intended to bring Azerbaijan in line with the standards of the Council of Europe (COE). Nongovernmental organizations (NGOs) and opposition leaders considered some of the amendments as clearly positive. They denounced others, though, as intended to suppress democratic politics and prepare for a "directed" succession. These include amendments providing for the abolition of the proportional voting system and the elevation of the prime minister over the Speaker of Parliament in the order of succession to the presidency. The conduct of the referendum also showed that Azerbaijan is failing to move toward a freer and fairer electoral system and that the government needs to redouble its efforts in that respect. Nevertheless, membership in the Council of Europe began to produce results in 2002, with an important process of dialogue between council authorities and the Azerbaijani government beginning to form. Azerbaijan also joined the European Convention on Human Rights, agreeing to its protocol on the abolition of the death penalty, and implemented important legal reforms.

DEMOCRATIZATION

Electoral Process

1997	1998	1999	2001	2002	2003
5.75	5.50	5.50	5.75	5.75	5.75

The 1992 presidential election that brought Abulfaz Elcibey to power in Azerbaijan was reasonably free and fair. No election held since then, though, has met either of these criteria. Since Aliyev came to power, all elections have seen high levels of fraud and manipulation to engineer a suitable outcome. Yet one can characterize the electoral system as a stable one, because all the elections in the past nine years have been conducted on time, without delays or postponements. Prior to 1993, the electoral system had been operating on a rather chaotic basis, with presidential elections taking place in 1991, 1992, and 1993. But since 1993, parliamentary, municipal, and presidential elections have taken place on a regular basis, as stipulated in the Constitution. Both the public and political parties know when to expect the next elections, and this allows them to be better prepared for them.

The Parliament has passed laws on presidential, parliamentary, and municipal elections as well as on the work of the Central Election Commission. In this sense, the electoral system has been operating on a solid legislative basis. However, these laws have been the subject of heated debates, as they contain many gaps and contradictions and create obstacles for the participation of political parties in the elections.

The year 2002 witnessed perhaps the greatest number of changes to Azerbaijan's electoral system in the past several years. As a result of the national referendum, which was initiated by President Heydar Aliyev and held on August 24, 39 changes or amendments to 23 articles of the Azerbaijani Constitution were made. Among these articles, several deal directly with the electoral process. For instance, prior to the referendum, elections to the Milli Mejlis (Parliament) were held in both majoritarian (100 seats) and proportional (25 seats) parallel systems. The referendum abolished the proportional party list elections, thus leaving all 125 seats in the Parliament to be filled in majoritarian constituencies. The implication of this change is that political parties as such no longer can compete for Parliament. Given the division of the opposition, this will mean that parties will either weaken significantly or be forced to unite. At the very least, this will mean seat adjustments in the single-member constituencies.

When the Council of Europe admitted Azerbaijan in 2001, the country undertook an obligation to adopt a unified election code at least six months prior to the next elections (the October 2003 presidential elections). In 2002, under pressure from the Council of Europe, the president's office

finally started work on a draft of the code, which will serve as a unified document for the country's entire electoral system and will aim to eradicate contradictions and gaps among various laws related to elections. At year's end, the draft code had not been submitted to Parliament. However, throughout the second half of 2002, the president's office was engaged in a dialogue with the Council of Europe, the Organization for Security and Cooperation in Europe (OSCE) through its Office of Democratic Institutions and Human Rights, the U.S. embassy in Baku, and the International Foundation for Electoral Systems (IFES) on ways of improving it. The draft of the election code was finally made public in November, hence providing opportunities for political parties, NGOs, and the public to debate it or to offer commentaries or opinions. However, this failed to happen because almost all of the opposition parties evaluated the document as "undemocratic" and boycotted the OSCE-sponsored roundtable discussion of the draft, demanding instead the creation of an Agreement Commission that would reconcile the differences of the opposition and the ruling party over the document.

Although there are nearly 40 political parties in Azerbaijan, the majority of them are small and unknown to the public. The ruling Yeni Azerbaijan Party has remained the largest, with a membership base of close to 300,000. However, it is quite clear that YAP widely uses administrative tools and involuntary methods of recruiting new members. Among the pro-governmental parties, the Ana Vatan (Motherland) Party is the second largest and has several deputies in the Parliament. In general, political parties conduct their own fund-raising, but due to the general poverty in the country, party members cannot even pay their dues (1 percent of the salary). Therefore, in most cases, parties are dependent upon a few large contributors or operate with limited capacity.

The largest opposition parties in the country are Musavat, the Azerbaijan Democratic Party (ADP), the Azerbaijan National Independence Party (ANIP), and the Azerbaijan Popular Front Party (APFP). Each party claims to be center-right, advocating a democratic form of governance, the development of a liberal market economy, and close ties with the West. Each party also has a membership base of 30,000 to 40,000 and is represented through branch offices in most of the districts of Azerbaijan. All of these parties have fairly well developed platforms and organizational structures, yet their most significant feature is the fact that their identities are closely linked to those of their leaders. Strong leadership and little inner party opposition or debate are representative of all four parties.

In addition to these four parties, smaller center-right political parties such as the Civil Solidarity Party (represented in Parliament), Adalat (Justice), and Tereggi (Progress) are functioning. There are also several left-wing parties, such as the Social-Democratic Party, Vahdat, the Communist Party, and the Islamic Party of Azerbaijan. With the exception of the Islamic

Party, whose popularity has been growing in recent years, the left-wing parties are weak and poorly organized. In general, though, political parties unfortunately do little to offer alternative concrete policies, beyond criticizing the policies of the government and the president. As a result, the opposition takes little or no initiative, leaving that to the government. Some opposition parties are represented in Parliament, where they are given a chance to voice criticism and suggest changes to bills, but mostly they are ignored by the pro-government parliamentary majority.

The authorities, in fact, continue to create obstacles to the activities of the opposition political parties. In 2002 alone, several members of ADP and Musavat were arrested, and in October 2002 police destroyed the Yasamal district branch of ADP. Parties have even more difficulties in the outlying regions of Azerbaijan, away from Baku, where local executive committees prohibit any large-scale meetings, assemblies, or public relations work. In Baku, opposition parties regularly hold street rallies and demonstrations. However, authorities allow these demonstrations only on the outskirts of the city, and there have been numerous cases of clashes between police and demonstrators, injuring several people.

The authorities have additional methods to pressure the opposition parties and limit their activities. In 2002, ANIP was forced for the second time in two years to move out of its headquarters. The government often harasses businessmen who advertise in opposition newspapers or make donations to political parties. The authorities also create obstacles in the registration process for opposition parties, often simply refusing to register them.

The majority of the population remains largely out of politics. In the most recent demonstrations, organized by opposition parties in October 2002, fewer than 10,000 people participated. Parties have difficulty recruiting new members, because most people have lost faith in them. Distrust for the entire political class, be it the government or the opposition, is widespread; political education and culture are still very rudimentary; and harassment by authorities is a powerful factor keeping people out of political activity. Moreover, the necessity of simply making ends meet keeps people focused on day-to-day life.

Azerbaijan is a unitary state in which the Constitution provides equal rights for all of its citizens, including numerous ethnic minorities. There are no political parties created on the basis of ethnicity. Considering the past trouble with ethnic separatism in the north, where the Lezgin minority lives, and in the south, where the Talysh people live, the government is extremely sensitive to the politicization of the minority question. There are, however, several prominent members of minorities in all three branches of government. For instance, Minister of Defense General Safar Abiyev and Asya Manafova, the chairwoman of Parliament's Natural Resources Commission,

are of Lezgin ethnicity. Hadi Rajabli, the chairman of Parliament's Social Policy Commission, is Talysh. There are also Russian and Ukrainian deputies as well as an ethnic Georgian Supreme Court judge.

In 2002, for the first time since the adoption of the Constitution in 1995, voters participated in a national referendum on constitutional amendments. The referendum was considered the first test of the country's electoral system since its admission to the Council of Europe and provided hope that Azerbaijan could make real progress in its obligations to international institutions like the COE and the OSCE. Prior to the referendum on August 24, the political parties became engaged in active public debate over the proposed changes. With the help of the OSCE and IFES, both the ruling and the opposition parties as well as independent NGOs and experts participated in five televised roundtable discussions to offer commentaries on the proposed amendments and some of the most contested points.

For instance, the opposition was against the abolition of the proportional system of elections to Parliament, as well as the proposal to give lower-level courts a right to cancel the registration of political parties. Most important, though, they disagreed with the proposal to make the prime minister, rather than the Speaker of Parliament, the caretaker president in the event the president ever became unable to carry out his duties. The opposition argued that the prime minister is not an elected official and, therefore, would not truly represent the people. Mostly, however, they argued it would be easier for the president to appoint his son prime minister than the Speaker of Parliament.

Both broadcast and print media widely covered the referendum. A week prior to the event, the authorities organized a large-scale GOTV (get-out-the-vote) campaign with the participation of pop stars and other celebrities. The referendum failed to fulfill the hopes for democratic development, though, and the voting process was sharply criticized by the international community and the domestic opposition. The day after the referendum, U.S. State Department spokesman Richard Boucher said: "Based on what we've heard from the U.S. embassy and other international observers...there appear to have been widespread irregularities, such as voter list fraud, multiple voting, ballot box stuffing."

According to the Central Election Commission, 88.47 percent of the country's overall voting population participated in the referendum, which officially was recognized as valid; 97 percent of the votes were in favor of the proposed amendments. The opposition refused to recognize the official results, countering that its own monitoring activities (carried out jointly by ADP, APFP, Musavat, and ANIP) revealed voter turnout of only 20.3 percent, a level that would invalidate the referendum (the required quorum is 50 percent). The referendum showed the strong power of the administrative branch of the government to serve the ruling party. It also

engendered unity among Azerbaijan's fragmented opposition parties, something that they had been lacking for a long time.

The last elections to Parliament were held in November 2000. Prior to the vote, significant improvements had been made in the country's election laws, specifically giving the opposition the right to participate in the work of central-, district-, and precinct-level commissions. Yet independent observers noted large-scale voting irregularities such as ballot stuffing, multiple voting, voter list fraud, and electronic ballot stuffing. International organizations declared the voting process neither free nor fair. Although official figures put voter turnout at 68 percent, observers reported turnout at only about one-third of the electorate.

As a result of these elections, the ruling YAP received more than 70 percent of the votes and gained the majority of seats in Parliament. Among the opposition parties, only APFP, the Communist Party, and the Civil Solidarity Party officially garnered enough votes to pass the necessary 6 percent threshold. Hence approximately a dozen deputies in the Parliament represent the opposition. By contrast, the official results gave the Musavat, National Independence, and Democratic Parties between 1.5 percent and 5 percent of the vote; observers, however, noted much stronger showings for all of these parties. Today, Parliament's party breakdown is as follows:

<u>PARTY</u>	<u>SEATS</u>
Yeni Azerbaijan Part	76
Popular Front Party	6
National Independence Party	2
Ana Vatan Party	2
Civil Solidarity Party	2
Communist Party	2
Social Welfare Party	1
Yurddash Party	1
Alliance for Azerbaijan	1
Independents	30

Similarly, the presidential elections of 1998 were characterized as fraudulent. Six large opposition candidates boycotted the election, but the leader of ANIP, Etibar Mamedov, ran against President Aliyev. Aliyev received over 75 percent of the vote. The next elections will be held in October 2003, and Aliyev has announced his plans to seek reelection. This election is likely to determine Azerbaijan's future, and opposition candidates are already beginning the scramble for a common, unified candidate.

Generally speaking, Azerbaijan's electoral system remains one of the areas of democratization in which the least progress has been made. Voter turnout is often a result of administrative pressures, and large-scale voting

irregularities are widespread in all elections. Voters are generally ignorant of party platforms and vote purely on their trust of personalities.

Civil Society

1997	1998	1999	2001	2002	2003
5.00	5.00	4.75	4.50	4.50	4.25

The civil society sector of Azerbaijan made little progress in 2002, owing mainly to the refusal by the Ministry of Justice to freely register new NGOs. The move was interpreted as a way to keep the NGO sector under government control, especially after local human rights NGOs sent very critical antigovernment reports to the Council of Europe. Currently, only 400 organizations out of nearly 1,500 registered with the Ministry of Justice are involved in the implementation of full-time projects, as reported by the American organization Initiative for Social Action and Renewal in Eurasia. Ministry of Justice officials reported that there are 1,368 NGOs registered with the ministry. Of these, 26 were registered in 2001 and 31 in 2002. Less than 30 percent of all NGOs are based outside the capital city. There is little data on the percentage of the population that is active in the NGO sector.

Some of the major women's groups are Women and Development, the Society for Women Rights Defense (named after D. Aliyeva), and Merhemet. Ethnic minorities also have established NGOs and cultural centers such as the Samur Lezgin Cultural Center, the Vatan Center of Meskhetian Turks, the Society for Jewish Women, and the Resource Center for National Minorities. Since the admission of Azerbaijan into the Council of Europe in 2001, an increasing number of conferences, seminars, and roundtables take place in the NGO community on the topic of developing interethnic and inter-religious dialogue and tolerance. One of these major conferences, titled "Dialogue Among the Ethnic Minorities of Azerbaijan Republic," was held from July 8 to 11, 2002, by the Society for Humanitarian Research, the Azerbaijan Demographers' Association, and the Young Lawyers Union, with the financial support of the Council of Europe. Delegates from more than 20 organizations representing national minorities and several local human rights organizations took part in the conference. Such events assist in the development of networks among NGOs; they also contribute to the exchange of ideas and provide groups with skills and training.

The activity of NGOs is regulated by a law that Parliament adopted in 1992 and modified in 2000. The law allows all citizens to found NGOs and requires the Ministry of Justice to register them within 10 days, given the accuracy of all required paperwork. In practice, this procedure is seldom followed. There is no difference in income taxation for the employees of NGOs and for-profit organizations. NGOs in Azerbaijan do not pay taxes

on grants but must pay a 27 percent tax on any profit they make on commercial activities. In addition, donations to local NGOs are not subject to tax exemptions. This does not provide incentives for local businesses to donate and thus discourages domestic charitable activities.

The political culture in Azerbaijan leans toward a strong state model that provides very little support for local participation in solving economic and social problems. In addition, although NGOs continue to show interest in engaging in the political decision-making process, their attempts to do so have produced few results. For example, in the summer of 2002, 150 NGOs from around the country formed the nongovernmental coalition Free Elections, Free Will, the main objective of which was to contribute to the creation of a free election system and increasing public awareness of the country's electoral system. However, on the basis of the Law on NGOs, the coalition and other NGOs were not allowed to monitor the national referendum on August 24, 2002. The law, passed in 2000, gives the right to monitor elections only to local NGOs that receive less than 30 percent of their funding from foreign entities. In practice, this disqualifies the overwhelming majority of Azerbaijani NGOs, given the low levels of domestic funding.

Azerbaijani NGOs remain largely inexperienced in NGO management. Often, these organizations have few or no staff educated in Western methods of grant management, proposal writing, and accounting. Since the mid-1990s, the NGO Resource and Training Centers, which receive funding from the Initiative for Social Action and Renewal in Eurasia-Azerbaijan (ISAR), the UNDP, and the Open Society Institute, have attempted to strengthen civil society through capacity building of local NGOs. Similarly, in 2002, Catholic Relief Services started the Azerbaijan Civil Society Development Program. Funded by the United States Agency for International Development (USAID), this two-year program is designed to help domestic NGOs become independent institutions that truly represent the interests of a defined constituency. Selected NGOs will receive training in institutional development, project management, human resources management, financial management, and gender mainstreaming.

Local NGOs rely heavily on financial support from international donor organizations. In 2002, the Eurasia Foundation alone provided nearly \$765,000 in grants to 22 local NGOs and public interest groups. Some of their principal funding recipients are the 215 KL Independent TV Company (a project to support the normalization of relations between the police and citizens); the Yayim Association (a project to support broader distribution of newspapers and other printed materials); and the Engineering Charitable Society (a project on the involvement of small enterprises in recycling). The Eurasia Foundation also gave funding to the Azerbaijan Union of Youth to open the NGO Support Center in Sheki, which will contribute to the development of civil society in northwestern Azerbaijan.

The government has always been critical that the accounting and financial reporting of domestic NGOs is largely nontransparent. In spring 2002, to address this fact, Parliament discussed new amendments to the Law on Grants that would require the registration of all grant agreements with a government body and prohibit the implementation of projects funded by unregistered grants. The amendments also provided for the establishment of an appropriate state administrative body that would make annual reports to the media on the total amount of grants received and sent abroad by the citizens of Azerbaijan.

These amendments caused significant dissatisfaction with both local and international NGOs and led to the formation of a coalition, NGOs Against Amendments, on May 15, 2002. The coalition held several meetings with representatives of the media and international organizations to voice strong disapproval for the amendments as attempts by the authorities to control the NGO sector. As a result of these efforts and the lobbying by international organizations, the president did not sign the amendments into law.

In 2002, the NGO sector also made progress in generating public awareness. According to a survey conducted by ISAR, 16 percent of the population in 2002, compared to 11.5 percent in 2001, is aware of the term *NGO* and can name at least one nonprofit organization. ISAR's efforts to improve public awareness of the NGO sector through NGO fairs also continued in 2002 with the organization of the third annual NGO Exhibition in Baku in June. Media coverage of the NGO sector has been rather stable, yet relations between NGOs and the government have experienced little improvement over time. The authorities are largely intolerant of nonprofit organizations, especially in the districts outside of Baku. This is so because they feel threatened by the fact that NGOs have financing outside the government's control and that most groups are run by politicians in opposition parties.

There are a few trade unions in Azerbaijan, such as the Azerbaijan Free Trade Unionist Confederation, the League of Protection of Labor Rights of Citizens, and the Trade Union for the Protection of the Rights of Oil Workers. However, given the legacy of the Soviet Union, their activity is neither free nor extensive. Only the Trade Union for the Protection of the Rights of Oil Workers is very active, and often in confrontation with SOCAR. Trade unions in Azerbaijan do not play a major role in the political decision-making process and do little advocacy for their members.

Public advocacy and research is weak in Azerbaijan, yet there are signs that this is improving. A number of interest groups express their opinions and provide their recommendations on a wide range of domestic issues, mostly related to legislative bills and government policies for resolving the Karabakh conflict. Among the most recent attempts made by interest groups to participate in the political process was the founding in August 2002 of the Center for Democratic Control over the Army. NGOs have also shown

interest in discussing the unified election code and the amendments to the Constitution. A number of them have actively participated in roundtables organized by the OSCE's Baku office and made suggestions for changes to the amendments. Several NGOs such as the Free Consumer Union are engaged in large-scale public advocacy. There are only a few independent think tanks and sociological research centers in the country.

According to information provided by the Ministry of Education, only 1 percent of the nation's 4,500 high schools are private, whereas more than 40 percent of higher education institutions are private. The current Law on Education prohibits the participation of political parties and similar groups in the education system. The majority of educational institutions, however, host local representatives of the governing party as speakers. Moreover, in clear violation of the law, the ministers of health and, albeit to a lesser degree, education exert strong pressure on individual doctors and teachers to join the ruling YAP.

Independent Media

1997	1998	1999	2001	2002	2003
5.50	5.50	5.50	5.75	5.50	5.50

One of the only areas in the democratization process in which Azerbaijan made progress in 2002 was in the media. The biggest change was the noticeable decrease in cases of physical violence against journalists and legal attacks against newspapers that followed a meeting between President Aliyev and the editors of major newspapers. In that meeting, Aliyev made a personal promise to protect the media from such actions. In return, Azerbaijan's committee for journalists' rights, Ruh, conferred upon President Aliyev its "Friend of the Media" award. Moreover, Parliament began debating a law on liberalizing public television, and President Aliyev issued a decree on providing state loans for private media outlets.

Nevertheless, harassment of the media remains a serious area of concern in Azerbaijan. In particular, several new legal cases were brought against *Yeni Musavat*, the leading opposition paper, in December 2002. Likewise, the country's broadcasters, which are the only media outlets to reach a national audience, remain under the government's control.

There are 518 registered mass media in the country, including 372 newspapers, 113 magazines, 25 information agencies, and 8 television and radio companies. Official censorship was abolished in 1998, and for the time being, newspapers and magazines are published without major obstacles. Azerbaijan's print media represent a wide spectrum of political views. The largest and most popular opposition newspaper is *Yeni Musavat* (circulation 14,000). It is read both in Baku and in the regions and is highly popular

even among members of the government. Other opposition newspapers include *Hurriyet* and *Azadlig*, which has shut down periodically owing to financial problems. *Zerkalo* (circulation 4,500), *Echo* (circulation 6,000), and *525-Gazet* are generally neutral. *Xalg Gazeti* and *Azarbaycan* are pro-governmental and largely unpopular.

The president's decree in 2001 to change all publications in the country from the Cyrillic to the Latin alphabet did not really damage the printed media. Quite the contrary: *Yeni Musavat* reported that its readership even increased. There are also a few English-language newspapers in Azerbaijan, aimed mostly at foreign citizens and the business community.

Most newspapers are read in the capital, but individuals living outside Baku can access them within a few days of publication. The circulation of opposition newspapers in the regions is limited. In addition, due to financial problems, many people are simply unable to buy newspapers; indeed, people often share one newspaper. In 2001, the newly appointed mayor of Baku, Hajibala Abutalibov, started a cleanup campaign in the capital that resulted in the destruction or relocation of the kiosks of the private distribution company Gaya. This caused damage to the private newspaper distribution industry and strengthened the government distribution system. In 2002, the distribution process largely stabilized.

Most of the independent and opposition newspapers experience severe financial problems. In particular, private companies try to stay away from advertising in opposition newspapers, which damages the financial independence of these newspapers. Often, the staff of the newspapers does not receive salaries for several months in a row. To improve the situation, President Aliyev signed a decree in March 2002 on issuing long-term favorable state loans for media outlets. Since government media are already subsidized, only private media outlets, mainly print media, are eligible. It is expected that media outlets will receive 17 billion manats in loans once their applications are reviewed. President Aliyev also instructed the Cabinet of Ministers in August 2002 to announce that newspapers will no longer have to pay taxes, except on income from advertising, and that the government will refund taxes paid by newspapers in the past three years. The government also will freeze their debts to the state printing house.

A national Council on the Press is expected to be established in January 2003, according to Arif Aliyev, the head of the Yeni Nesil journalists' union. Lawsuits against journalists and newspapers have been a common tactic in pressuring those entities. This process decreased somewhat in 2002. Yet Parliament also passed a law requiring media outlets to reveal their sources in case any reported news contains highly sensitive military or national security information.

Unlike the printed media, the broadcast media remains largely controlled by the government. There are two state TV channels that fulfill the function

of the mouthpiece of the government, and they are the only channels that broadcast to the whole country. ANS-TV, Lider-TV, A-TV, and Space are independent channels, but they maintain close ties to the government. There are also several television channels in other regions, such as Gubt-TV and Khayal-TV in Guba and Mingechevir-TV in Mingechevir, as well as several Turkish and Russian TV channels. However, broadcasts of the Russian NTV channel have been blocked since mid-2002 owing to the company's large debt to the Azerbaijani government.

A significant development in this area has been the preparation and submission for parliamentary debate of the draft Law on Public Television. The draft law has been reviewed by European experts and has already passed the second reading and creates much hope for the liberalization of the broadcast media in the country. Opposition parties and NGOs are expected to be allocated airtime on public television.

There are several radio stations in the country, including ANS, Lider, and Space. They are largely independent and focus mainly on entertainment rather than politics. Azerbaijanis can also listen to Radio Free Europe and Voice of America. Some of the major journalists' unions are Yeni Nesil; the Journalists' Trade Union–Juhiaz, led by Azer Hasret; the Baku Press Club; and the Committee on Protection of Journalists' Rights–Ruh. There are also several news agencies in the country, most notably Turan, Sherg, and MPA. They provide the majority of information for the newspapers and magazines.

The Internet industry continues to grow in Azerbaijan, but recent data from the International Telecommunications Union revealed that Azerbaijan holds one of the last places in the Commonwealth of Independent States (CIS) on percentage of the population with access to the Internet. For example, only 0.32 percent of 12,000 computers in the country are connected to the Internet, as compared to 0.9 percent and 0.5 percent in Armenia and Georgia, respectively. There are many Internet cafés in Baku, and their number is growing in the regions as well. There is little pressure or control from the government on Internet service providers, but many ISPs are still not happy about the monopoly of the Ministry of Communications in this field. The development and expansion of the Internet has contributed positively to the growth of independent media.

Governance

1997	1998	1999	2001	2002	2003
6.25	6.25	6.25	6.25	6.00	5.75

With the exception of the former Nagorno-Karabakh Autonomous Oblast and the 7 surrounding, occupied districts of Kalbajar, Gubadli, Fizuli,

Zengilan, Lachin, Agdam, and Jabrail, which have been under Armenian military occupation for over 14 years, Azerbaijan has developed a fairly stable administrative division of the country. Azerbaijan is divided into 65 districts in which the president appoints the head of the executive committee. Although Azerbaijan is a unitary state, as defined by the Constitution, the Nakhichevan exclave has retained the status of an autonomous republic since the Soviet period. It has its own Constitution, Parliament, elected officials, and local administrative laws. Baku, the country's capital, has a mayor who is not elected by the people but, rather, is appointed by the president.

Parliament continues to be the rubber stamp of the executive office. There is a legal basis for Parliament to overrule the president's decisions, but in practice many presidential decisions are made with Parliament's approval, as the ruling YAP controls a majority of legislative seats. The implementation of laws is the strict responsibility of the Cabinet of Ministers, and the Parliament has little capacity to enforce the implementation of laws. Parliament has an Audit Chamber, but its mandate is rather weak.

All three branches of government operate rather openly but remain bureaucratic institutions with little access for the people. There is almost no independent auditing of their financial activities. However, the State Oil Fund of the Azerbaijan Republic (SOFAR) did contract with the international firm KPMG to audit its financial documentation, and the results of the audit were without major shortcomings. SOFAR also publishes its annual financial report in major newspapers. The media attends sessions of the Parliament, and television channels provide good coverage of parliamentary debates. All laws are published in the governmental newspapers the day after their passage.

The Constitution of Azerbaijan contains provisions for the election and activity of municipalities, whose powers consist of imposing local taxes and payments, approving local budgets, and retaining ownership of municipal property. Municipalities are also responsible for maintaining, approving, and implementing local programs for social security, social development, economic development, and the environment. The President signed the Law on Municipalities on July 2, 1999. According to this law, municipalities implement local self-governance in the country. The number of municipality members varies from 5 to 19, depending on the size of the local government area. Any citizen of the country who has permanent residence in the relevant electoral district may nominate him- or herself, or be nominated as a candidate, for membership on a municipality.

When the first municipal elections took place on December 12, 1999, 35,600 people had registered as candidates. Of these, 54.4 percent had nominated themselves; political parties nominated over 40 percent. The voting was conducted to elect members for 2,667 municipalities within individual constituencies. The election results in some municipalities were invalidated

owing to fraud in the voting process and counting that could influence the results of the election.

Although two years have passed since the first municipal elections and the formation of the first municipalities, these local government bodies still struggle for independence from regional governors and the central government. The main point of contention is the vagueness in the language of the law in terms of financing the municipalities and their major functions. Some municipalities fight with their governors over advertisements and billboards that are an important source of revenues. Others fight over what activities they can engage in. So far, the activity of most municipalities has been limited to areas such as hiring staff, collecting taxes, doing minor public works projects such as building parks and roads, sponsoring athletic events and concerts, and funding some social welfare programs. However, the general public and local press retain a negative impression of their municipalities, owing mainly to their complete dependence on the executive power. The majority of the members of municipalities are in fact members of YAP.

The civil service to a large extent operates in a Soviet manner and is plagued by inefficiency and corruption. There have been some attempts in recent years to carry out structural reforms and to introduce a testing system for hiring the civil servants. Such tests have been held for judges and employees of the Tax and Foreign Ministries. Yet low wages and political interference still dominate the civil service. And although an Academy of Public Administration has operated under the president's authority since 2000, hiring in the civil service is still based on bribery and nepotism.

RULE OF LAW

Constitutional, Legislative, and Judicial Framework

1997	1998	1999	2001	2002	2003
5.50	5.50	5.50	5.25	5.25	5.25

In the Azerbaijani Constitution, there is a clear division of power among the three branches of government. However, Azerbaijan, similar to many other CIS republics, remains a country with strong presidential power. The president appoints the prime minister and the cabinet, issues decrees, and signs laws. The president also may dissolve the Parliament and call for new elections to the legislative body. In practice, the executive exercises direct influence over the legislature, especially as the ruling party firmly controls the Parliament. Effectively, in this sense, the role of the legislature as the rule-making institution is shared with the executive. Much of the initiative on legislation comes from the executive, with Parliament in such cases acting

like a rubber stamp. In practice, the Parliament also exercises no oversight of the government's activities.

The 1995 Constitution of Azerbaijan provides for an independent judicial system. However, in practice judges and courts depend heavily on the executive branch. The President appoints the judges of the Supreme Court and the Constitutional Court, subject to confirmation by Parliament. Lower-level judges are directly appointed by the president.

The majority of legal cases are tried in district and municipal courts. The Supreme Court may also act as a court of first instance, depending on the nature and seriousness of the crime. The government appoints prosecutors to offices at the district, municipal, and national levels who are ultimately responsible to the minister of justice. The Constitution prescribes equal status for prosecutors and defense attorneys before the courts. In practice, though, the prerogatives of prosecutors outweigh those of defense attorneys. The Constitution also provides for public defenders (Article 61). Investigations often rely on obtaining confessions rather than obtaining evidence against suspects. Judges and prosecutors are widely believed by the people to be corrupt.

The Constitution provides a full range of civil rights and freedoms to the citizens of Azerbaijan. Among these are rights to property (Article 29), intellectual property (Article 30), national and ethnic identity (Article 44), and use of one's mother tongue (Article 45). Although the government respects most of these rights in practice, it frequently obstructs the rights to free assembly and free association. There have been numerous cases of political parties being prohibited from conducting street rallies, and the registration process at the Ministry of Justice has often been an impediment.

Judicial reform came to fruition only at the end of the 1990s. New criminal, civil, and family codes and a code on administrative violations were all adopted in 2000 to replace Soviet-era laws. The Constitutional Court of Azerbaijan, created in 1998, is the highest judicial body in the country. Upon request from high state bodies, its nine members interpret the Constitution. The Constitutional Court has yet to prove its independence from the executive branch, because most of its decisions have been on matters that are neither sensitive nor provocative. However, the Court does have a good record of cooperation with international organizations and the Constitutional Courts of other countries.

Membership in the Council of Europe has proven to be a noticeable benefit. Parliament has already ratified the European Convention on Human Rights, enabling Azerbaijani citizens, unhappy with the rulings of local courts, to apply directly to the European Court. Moreover, the increased cooperation between Azerbaijani authorities and the Council of Europe has led to the continuous supervision of Azerbaijan's democratic development by the COE.

Azerbaijan clearly pays close attention to the Council of Europe, which is one of its main links (along with membership in NATO's Partnership for Peace) to multilateral Euro-Atlantic institutions. The importance Azerbaijan vests in the COE is evidenced by the fact that the delegation to the Parliamentary Assembly of the Council of Europe is led by Ilham Aliyev, the president's son.

In conformity with its obligations, Azerbaijan has signed 31 COE conventions, bringing much of its legislation in line with European standards. The institution of an ombudsman, part of the 2002 constitutional amendment package, and a revised code of criminal procedure are additional examples of the council's influence. The COE is directly involved with Azerbaijani authorities in the drafting of a new and unitary electoral code in the country. In summer 2002, Parliament adopted a law that increases the legislative body's influence over the government. In particular, the prime minister is now obliged to provide an annual report to Parliament.

Azerbaijan has indeed made a number of concessions, though often grudgingly, to COE demands. The issue of political prisoners has been one of the hottest, with Baku denying that it holds any. Under pressure from the council, Baku finally agreed to revisit the cases of former government officials who were convicted on charges on corruption. The COE and some human rights organizations consider these individuals political prisoners. It should be noted that credible allegations of treason have been voiced against several of these individuals, including Alikram Humbatov, who in 1993 briefly tried to establish a separate state in the Talysh areas of southern Azerbaijan. It is also the Council of Europe that has prompted the transformation of state television into public television.

In August 2002, the most significant revision to the Azerbaijani Constitution since its inception in 1995 was put to a national referendum. Of the 39 amendments under consideration, a number were clearly positive developments. Every citizen now has the option to file complaints with the Constitutional Court against the acts of executive authorities. For conscientious military service objectors, there is now the option of alternative civilian service. In the past, only alternative military service was possible. Finally, the amendments provide for the appointment of an ombudsman by the president.

At the same time, the package of amendments included several controversial measures, related mainly to the electoral system and to the succession of executive power. First, the parallel existence of a majoritarian and a proportional vote in parliamentary elections has been removed, and Azerbaijan is now scheduled to elect its Parliament solely through single-member constituencies. This amendment minimizes the role of political parties, since they will no longer be fielding candidates on party lists. The opposition and most foreign observers argue this measure has no place in constitutional amendments designed to bring Azerbaijan in line with European standards,

as it represents a step back compared to the current system. Instead, they see the amendment as intended to deal a blow to the very base of participatory politics in the country.

A second amendment that has been widely criticized transfers the duties of the head of state, in the event of the president's resignation, death, or incapacitation, to the prime minister instead of the Speaker of Parliament. The opposition alleges that this amendment was engineered to facilitate a dynastic succession from President Aliyev to his son Ilham. Similar allegations were made when Ilham Aliyev was placed at the top of the Yeni Azerbaijan Party's party list in the parliamentary elections of 2000, when it was widely assumed that he would be elected Speaker of Parliament and therefore enter the legal line of succession. To date, though, there is no sign that Ilham Aliyev will become prime minister of Azerbaijan.

One difficulty with the opposition's lack of support for some of the amendments is that none of the amendments are actually contrary to democratic principles. For example, many countries, including the United States and the United Kingdom, have stable political systems and use the first-past-the-post electoral system. Likewise, given that many of the amendments were clearly improvements, the opposition and independent analysts have had a difficult time making a strong case that the amendments were intended to crush political opposition and impose a dynastic succession. Nevertheless, in the Azerbaijani political scene, it is clear that the opposition had a point, especially with regard to the electoral system. Given the country's relatively undeveloped political culture, the removal of the proportional system will certainly affect the opposition, which is rather fragmented. Most countries using the plurality vote system have well-developed two-party systems. In the absence of such a stable political system in Azerbaijan, it is clear that the ruling party will greatly benefit from this change.

The referendum on constitutional amendments was held as planned in spite of numerous requests (including by the U.S. State Department) to postpone it. Official figures on the morning of the referendum showed that 88 percent of eligible voters had cast their vote. Of these, 97 percent were in favor of the amendments. Although independent observers noted widespread irregularities, including voter list fraud and ballot stuffing, it is not believed that these activities affected the results of the referendum. That is, since the opposition maintained a united boycott of the referendum, most of the people who actually cast a vote were likely to have voted for the package.

However, it is the voter turnout figure that raises concern. In a country characterized by high levels of popular political apathy, a turnout rate of 88 percent seems highly unrealistic. Opposition sources believe that actual turnout was probably less than 20 percent, despite the fact that many employers around the country ordered their employees to vote or face possible termination. In sum, while little substantial criticism can be made of the contents

of the constitutional amendments, the conduct of the referendum did not show any improvement over earlier elections. Instead, it formed another link in a series of deeply flawed elections in Azerbaijan.

Corruption

1997	1998	1999	2001	2002	2003
na	na	6.00	6.25	6.25	6.25

Azerbaijan has the reputation of being a thoroughly corrupt country and has long found its place in the bottom tier of surveys of corruption released by the World Bank and Transparency International. Nevertheless, there are some encouraging signs.

Although Azerbaijan's legal system prohibits government officials from involvement in the country's economic life, the spirit of these laws is not honored and the family members of prominent political and government figures are equally prominent in business. The population of Azerbaijan, according to a series of surveys by Transparency International, widely perceives their country's officials at all levels of government to be corrupt. In the last published survey, Azerbaijan ranked 10th from the bottom of among approximately 100 countries surveyed.

World Bank and United Nations data on actual corrupt practices corroborates this picture. A recent study of the UN Inter-regional Crime and Justice Research Institute found that 19 percent of the residents of Baku had experienced corruption, compared to under 1 percent in most Western European cities. Azerbaijan also ranks high on the indicator for state capture, the phenomenon of special interest groups hijacking the state and its offices for their narrow interests by manipulating policy and obtaining beneficial decrees or decisions. In a World Bank study on the so-called purchase of legislation, decrees, and judicial rulings, Azerbaijan actually ranked first in the former Communist bloc, followed tightly by Moldova, Ukraine, and Russia. Two in five firms operating in Azerbaijan reported having been directly affected by illicit private influence on state institutions. In 2002, the World Bank conducted a new corruption study, looking mainly at the influence of corruption on the business environment. The initial results of the study indicated a decrease in corruption in Azerbaijan. For instance, the results showed that whereas in 1999, 59.9 percent of businessmen had to pay bribes, in 2002 this number had decreased to 27.5 percent.

It should be noted that the booming oil industry in Azerbaijan has created a more vibrant business climate than in most former Soviet states, a factor that may have intensified competition and increased the incentives for and occurrence of corruption in the country. This notwithstanding,

the image of Azerbaijan in all available studies of corruption is clear: corruption is a major problem pervading most walks of Azerbaijani society. It is a significant impediment to the economic and social development of the country and has generated widespread political apathy.

Few credible anticorruption programs have been undertaken, and Azerbaijan has failed to join the Criminal Law Convention on Corruption and the Civil Law Convention on Corruption, as it had committed to do when joining the Council of Europe. There have been court cases against prominent public figures, including former Speaker of Parliament Rasul Guliyev and former Foreign Minister Hasan Hasanov, who are accused of corruption. However, while there is no doubt that these individuals were involved in high-grade corruption, such court cases appear to be politically motivated.

Nevertheless, Azerbaijan seems to be making some progress toward achieving greater transparency. The main example of this is the State Oil Fund of the Azerbaijan Republic, which was established in December 1999. The SOF carries enormous economic importance in the country because it is expected to amass most of the revenues from oil production and related economic activities. The SOF has already accumulated more than \$450 million, and by 2006 its income is estimated to reach nearly \$2 billion annually. Given these enormous sums of money, the potential for corruption is obvious. However, the structure and actual record of the SOF has not corroborated fears that the fund would become a principal vehicle for elite corruption. In fact, the SOF has gained respect for its accountability and transparency. The Azerbaijani SOF is independent from the state budget, and its assets are held and administered by a separately formed independent legal entity.

There are plans to use dividends from the fund on strategic infrastructure and socioeconomic projects. To date, dividends have been used mainly to relieve the situation of internally displaced persons from the Armenian-occupied territories. The SOF publishes quarterly reports on its revenues and expenditures and makes the results of regular audits available to the public. Ernst & Young conducted an audit of the SOF in early 2002 and found that “the financial statements...present fairly, in all material respects, the financial position of the Fund...in conformity with International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants.”

Some experts consider the SOF the most well-structured entity of its kind in the region, specifically making corruption in the energy sector considerably more difficult. Nevertheless, the International Monetary Fund and some domestic observers have questioned the fact that the fund is under the control not of Parliament, but of the president. This fact matters little at present, given the executive's tight control over Parliament,

but it is an issue that is likely to gain in importance in the future. Considering the magnitude of corruption in Azerbaijan, though, the creation of the oil fund appears to be a positive sign in an otherwise troubled environment.

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