

Azerbaijan

And

Corruption

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Introduction to Azerbaijan

In 1991, Azerbaijan broke away from the U.S.S.R. and has since attracted considerable attention from investors, politicians and ordinary citizens.¹ One reason is that it is a secularized Muslim country slightly smaller than Maine, bordering on one side the Caspian Sea and on the other fronts Iran, Armenia, Georgia and Russia itself. Another is its relationship, past and present, with oil: in the 1800's it was a mining ground for the Rothschilds; throughout Soviet times it provided the republics with energy; and today, it is a feeding frenzy for oil businessmen in Turkey, Iran, the Russian Federation and, of course, the U.S. The country has also continuously fought a border war with Armenia over a mountainous region known as Nagorno-Karabakh; for its efforts it has suffered a U.S. embargo on aid and can in no way send trade or connect infrastructure with Armenia. Some say the Russians now, as in Soviet times, have done their part to increase tensions in Nagorno to persuade the two sides to come back to the Federation or at least return to Moscow for their chief aid and business deals – especially when it comes to oil. And then, just to add another element into the mix, Azerbaijan is considered one of the top most corrupt countries in the world, along with Nigeria. This is staggering, when one considers that Azerbaijan is not even the size of Maine while Nigeria is 2.5 times the size of California.

There are many reasons why Azerbaijan is so corrupt: theories include a country-wide patronage system ruled over by President Heydar Aliev as well as extensive bureaucratic corruption. Others believe corruption stems from a way of life that dates back to the Soviet era. Azerbaijan will only continue to increase in importance as the

¹ “Azerbaijan: Country Analysis Briefs.” June 19, 2002. eia.doe.gov/emeu/cabs/azerbjan.html.

Baku-Tbilisi-Ceyhan pipeline begins transporting oil and as international companies such as Exxon-Mobil, BP and others find and begin drilling on Azerbaijan's oil fields. It will also increase in importance with President Bush's recent decision to include Azerbaijan in both his anti-terrorism efforts and its position close to Iraq, in case of war in the next several years. Thus as business and government investment increase, it becomes more important for those interested in dealing with Azerbaijan to understand why and how Azerbaijan is so corrupt.

What is corruption?

Corruption is "widely defined as behavior which deviates from the formal duties of a public role because of personal financial or status-gains; or violates rules against the exercise of certain types of private-regarding behavior."² It also "breaks down trust, confidence and the rule of law," as well as decreases the morale of citizens and discourages foreign investment, writes Robert Klitgaard, a well-known researcher on corruption studies.³

Corruption affects every sector and level of the government, from the top executive, legislative and judiciary branches all the way down to regional and local officials. Police, budget institutions and banks can all be implicated. Even those who work with the government can be suspect, such as donor agencies. And the amount and types of corruption that do show up can be dizzying in their variety. A recent survey by Governance and Anti-Corruption section of the World Bank listed everything from patronage and nepotism, to bureaucratic/administrative corruption (licenses, permits,

² Klitgaard, Robert. Controlling Corruption. Berkeley, CA: University of California Press, 1988. pp13-51.

³ Klitgaard. 1988.

phone connections, etc.), to powerful interest groups and elite influence on the laws, policies, and regulations of the country. It also listed corruption in procurement; budget leakages, embezzlement, and diversion of public funds; stealing of public assets (including from state enterprises); corrupt privatization; and corrupt leadership.⁴

General corruption, besides being separated into the distinctions noted above, may also be separated into neopatrimonialism, a type of political corruption, and into administrative corruption. Recent developments in the literature of corruption have begun to separate corruption into administrative corruption versus political as when a high-level official uses his power to influence the development of the state, to grant contracts to his preferred companies, and who follows in his line (high-level nepotism);⁵ this is in contrast to an official who simply takes a bribe to speed up a visa approval or to waive inspection of a good at customs. There are definite links between the two different types of corruption, although they may or may not directly impact each other; there are no studies that have proven that corruption reduced in one area will reduce corruption in the other or what the exact relation is between the two.

Only recently have international aid organizations begun to explicitly identify corruption as a key factor in the success or failure of their programs, examining corruption both within their own organizations and the government of the country aid recipient. Examples include the IMF, the World Bank and Transparency International, who are targeting corruption with specific anti-corruption initiatives, programs and

⁴ World Bank Institute. Mini-Governance Survey. http://www.wbigf.org/hague/hague_survey.php3

⁵ Eisenstadt, S.N. Revolution in the Transformation of Societies. New York: Free Press. 1978. 71.

conventions (such as the OECD Anti-Bribery Convention, in the process of ratification by member states) along with packages in improving government transparency.

This paper will examine different anti-corruption programs and how realistic they are in light of high-level corruption. It will also attempt to identify the types of corruption these programs are aimed at reducing and how realistic they are in their priorities and goals in the context of their government. This analysis will then be used to examine the programs set up by Transparency International as well as other host organizations set up in Azerbaijan, to examine their strengths and weaknesses and probable success rate in the context of a government with clientelist networks and a neopatrimonial ruler.

Some important ideas to consider in formulating an anti-corruption campaign

There are several things to keep in mind in formulating a successful anti-corruption campaign. As Robert Klitgaard points out, to initiate a successful anti-corruption campaign one must identify who gains and who loses from these policies.⁶ The most disruptive sources of corruption must be identified as well as prioritized, as it is difficult to root out all forms of corruption without ending up a dictatorial state like Singapore's. However, not only the most disruptive sources of corruption should be identified; but keeping in mind Klitgaard's advice to identify who gains and who loses, types and places where corruption may be found should be prioritized as well into what is most realistic against to campaign. If, for example, a high official takes the most amount of money from the state budget but is also impossible to remove from his post, this form

⁶ Klitgaard. 1988.

of corruption should be placed lower on the list of priorities of an anti-corruption campaign.

One must identify not only the types of corruption that are most prevalent but also the environment in which they flourish: public or private, low state capacity, democracy and economic growth or degree of institutional development.⁷ Putting these manifestations of corruption into context helps not only in terms of understanding how the corruption comes about, but provides a baseline for comparing corruption. Doing so allows one to identify the similarity of environments and of other factors when deciding whether to utilize policies used by anti-corruption campaigns in other countries.

A successful anti-corruption campaign must push transparency, “competition,” and “accountability.”⁸ Peter Eigen, chairman of Transparency International, writes that one must “minimize situations in which corruption is prone to occur...with a raft of practical measures.”⁹ A successful campaign must seek to increase reporting of corruption, combat corruption where it is presently found, combat laws that legally encourage corruption, as well as seek to institute laws that minimize the opportunities for corruption and aid in their enforcement. Opinions differ on how to do this of course: Eigen, for example, supports a situation where punishment plays a secondary role to prevention, with laws and administration that limits the opportunity for corruption. Others propose higher legal incentives, i.e. higher wages or greater bonuses given out on the basis of merit; more comfortable furniture; and a more open society. There is little

⁷ Muço, Marta. “Low State Capacity in Southeast European Transition Countries,” Balkan Reconstruction. London: Frank Cass. 2001. 41-53.

⁸ Klitgaard. 1988.

⁹ Eigen, Peter. “Field Reports Combating Corruption Around the World,” Journal of Democracy 7.1. http://lib3.tufts.edu:2084/journals/journal_of_democracy/v007/7.1eigen.html. (1996) 158-168

consensus on what approach to take, besides the shared overall ideas of transparency and accountability, but we will examine these different approaches and their costs and benefits in the next section.

Different approaches in formulating a program to reduce corruption

Those who write about corruption come from widely different backgrounds, and as such their prescriptions for ameliorating corruption vary as well. The literature on the sources and the solutions of corruption can be divided into four main areas: the economic approach, the democratic approach, law enforcement, and ethical management. These different groups can be divided into which approach they advocate by examining their background. Those who support the democratic approach are those with a background in political science while those who advocate the economic approach tend to have trained in economics or work at the World Bank. Those who advocate law enforcement usually come from a police or law enforcement background. Those who advocate the ethical management approach advocate morality programs but also look at both economics and democracy. This approach is slightly different and may be divided into those, such as the World Bank, who look through the lens of ordinary people who are most affected by corrupt governments and those who focus on bureaucracy at its lower levels. These four approaches often overlap, both in their theories as to the sources of corruption and in the practical applications. One such example that will be discussed is the World Bank approach, which focuses on ethical management and social justice and aims to increase good governance, but does so from an economic standpoint.

Economic approach

The economic approach can also be sub-divided into several areas: bureaucratic structure and its cost and benefits (micro-economic approach) and government structure and its cost to private business and foreign investment (macro-economic approach).

Micro-economic approach

Those in the micro-economic field advocate sticking to finding specific measures for specific sources of corruption. Some who advocate this approach come from the academic field, while others do so who have direct experience having worked in NGOs carrying out anti-corruption campaigns or who have simply experienced corruption in their dealings with the host country. In terms of bureaucratic bribery, these academics and organizations advocate, for example, evaluating the wage rate of officials, whether these officials are paid enough and if not, how much to increase the rate by in order to reduce bribery to the optimum minimal level.¹⁰ They also advocate visualizing the bureaucracy as a pyramid, and evaluating as a whole how to reorganize it to increase checkpoints and decrease opportunities for unmonitored bribery. Those interested in the micro-economic approach also suggest looking at the points where the bureaucracy deals with outside agencies and organizations and suggest ways to change their dealings, using increased monitoring and accounting of such relationships.

There are some specific suggestions from the academic literature on combating corruption that comes under the heading of micro-economic measures. One is to look for price indicators of corruption, such as comparing average product prices in one country

¹⁰ Rose-Ackerman, Susan. Corruption and Government: Causes, Consequences & Reform. Cambridge University Press. 1999.

¹⁰Mbaku, John Mukum. Bureaucratic & Political Corruption in Africa: The Public Choice Perspective. Dep't of econ & African education foundation for public policy & market process. Weber State university. Malabar, FL: Krieger Publishing Co. 2000.

with the averages in another; to look at the price of construction projects and whether they are too well-funded and not well-enough designed, to find those who control money there. Another is to give rewards to the “losers:” those seen as corrupt in the government who are forced out must be compensated. Another suggestion given in the literature is that leaders’ powers should be reduced rather than trying to remove them (as in the economic view the optimal level of corruption is not zero), and there should be more physical monitoring of insitutional contracts rather than more papers moving through the organizational systems.¹¹

Another suggestion that falls in the category of micro-economics, though somewhat counter intuitively on a grander scale, is that of creating coalitions and treaties to combat bribery in business transactions, not only among a country’s internal organizations, but in conjunction with other states. One example is the Organization for Economic Co-operation and Development (OECD). Concerned with the system of bribery in developing countries, it created a Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and is attempting to get member countries to ratify it. The OECD too recommends auditing and greater follow-up of information though on a grand scale, with a soon-to-be passed Audit Guideline on the Detection of Bribes. This would educate tax inspectors on detecting suspicious payments and recommend examining in greater detail repeated payments to unusual suppliers.¹²

¹¹ Rose-Ackerman, Susan. 1999.

¹² Milliet-Einbinder, Martine. “Writing off tax deductibility.” *OECD Observer*. May 26, 2000. oecdobserver.org/news/fullstory.php/aid/245/Writing_off_tax_deductibility_.html

Macro-economic measures

In contrast to the micro-economic approach, which advocates trying out measures specifically targeted at corruption, the macro-economic approach advocates creating programs to improve the general economic atmosphere and ignoring corruption for the most part. Organizations such as the World Bank give out aid to strengthen the private sector, increase public sector transparency and governance and fund programs to reduce poverty.¹³ Others such as the IMF focus on monetary stability and reforming financial markets as well as funding grassroots grants to improve monetary stability and economic growth.¹⁴

Democratic approach

While economists laud small-scale bureaucratic restructuring or large-scale financial market restructuring, the democratic approach focuses on the reform of governing structures. Corruption, according to these individuals and organizations, is the outcome of an illiberal democracy or a non-transparent bureaucracy and thus to decrease corruption these sectors must be transformed. They recommend strengthening or restructuring existing institutions: the judiciary, elections, election campaign finance and the structure of Parliament or Congress.¹⁵

They also recommend making the media more independent. Those who support the democratic approach also counsel leaders to bring financial operations up to international accounting standards and define the distribution of government services

¹³ "At a Glance." World Bank. <http://web.worldbank.org>.

¹⁴ "Articles of Agreement of the International Monetary Fund," Article I. International Monetary Fund. <http://www.imf.org/external/pubs/ft/aa/aa01.htm>. Also: "Guidelines on Conditionality." International Monetary Fund. <http://www.imf.org/External/np/pdr/cond/2002/eng/guid/092302.htm>. September 25, 2002.

¹⁵ Little, W. and Posada-Carbo, E. Political Corruption in Europe and Latin America. U. of London: Institute of Latin American Studies. 1996.

more simply.¹⁶ Others recommend that citizens' groups and rights be strengthened (they recommend a charter of rights for citizens) and that the difference between democracy and democratic and fair practice be reduced. They encourage international pressure as well from foreign firms, telling them to refuse bribes and not discount them on tax records as necessary; and in an unusual but welcome alternative to greater pay, they suggest making government offices more comfortable and less overcrowded.¹⁷

Another aspect of the democratic approach is its focus on ordinary citizens as a means to improving governance and decreasing corruption. Gustavo Coronel, author of an article on curbing corruption in Venezuela, describes the majority of those who support his anti-corruption measures:

The vast majority of the people who attend our workshops come from the lower-middle and working classes--people from the lower strata of society. They range widely in age, from 18 to 60, and represent a wide variety of occupations. We see many students, professors, technicians, housewives, retirees, self-employed people, and clerical workers. Rarely have we seen managers, professionals, or executives--that is, people who in our country are considered "important."¹⁸

The democratic approach calls for citizens to get involved in taxpayer committees, advisory boards and citizen's groups, all independent watch-dog organizations that can make sure the government is doing its job.¹⁹ Elections should be monitored by citizen's groups and non-governmental organizations working hand-in-

¹⁶ Tulchin, J. and Espach, R. Combating Corruption in Latin America. Baltimore, MD: John Hopkins U. Press. 2000. Sponsored by Woodrow Wilson.

¹⁷ Miller, W., Grodeland, A. and Koshechkina, T. A Culture of Corruption: Coping with Government in Post-Communist Europe. Central European University Press. 2001.

¹⁸ Coronel, Gustavo. "Curbing Corruption In Venezuela." Journal of Democracy 7.3 (1996) 157-165. muse.jhu.edu/demo/jod/7.3coronel.html.

¹⁹ Klitgaard, 1988. He writes that where Plana failed was in getting the public support for his anti-corruption activities with the BIR.

hand to prevent irregularities in voting – as well as non-corrupt police organizations to prevent violent persuasion of voters.

Others look to the “third sector” for help in solving corruption through the democratic approach. Organizations such as USAID and Transparency International are both subscribers to the view that outside organizations and support, in working with the government, can help restructure and revise government appearances. (USAID, in fact, gives money to Transparency International, so TI might tend to follow US government views.)

Transparency International, for example, works with the government rather than against it; to set up a chapter in the country it must first have direct and clear support of the highest authority. It aims to organize civil society, introduce government watch-dog societies such as Ombudsmen and Anticorruption Bureaus, as well as simplify government regulations (e.g. licenses, permits and preferential positions) and ensure that enforcement of all of these is “predictable and forceful.”²⁰

Law enforcement

The law enforcement approach views corruption as most similar to crime and the solutions to reducing corruption are two-fold: increasing transparency and law enforcement without changing the laws, as well as some reform of the actual laws. Two examples of such organizations are the Independent Commission Against Corruption of Hong Kong and the New York Task Force against Corruption (describe their aims and goals more).²¹

²⁰ Mbaku. 2000.

²¹ Responding to the challenges of corruption. Milan/Rome: ISPAC, UNICRI, Centro Nazionale di Prevenzione Difesa Sociale. 2000.
Laza Kekc, “Former Yugoslav Republic of Macedonia.” Balkan Reconstruction. 2001. 194.

Some also mention redesigning the laws themselves, saying they are too vague and too complex.²² They also encourage worldwide pressure to decrease corruption and offer specific ways to reduce corruption, from rotating officers to creating ethics programs to financial disclosures of public officials.²³ Auditing, ombudsman's offices, and the establishment of a public finance court are also major recommendations from law-enforcement agencies.²⁴ Another way they recommend discouraging corrupt individuals in law, police enforcement and accounting is a more comprehensive education in the rules as well as the ethics of the profession.²⁵

Ethical Management

The fourth viewpoint is the broader headline of ethics. Subsets of this viewpoint include aspects of the other three approaches as well as social justice. This includes concern with officer ethics, government management and concern for the mass constituents of developing countries. In decreasing corruption, one decreases the repression of those less well-off. The UK department for International Development has as its goal the elimination of poverty, and feels corruption should be eliminated to increase chances for fair treatment of the poorest citizens in the host countries.²⁶ Amnesty International has a similar, though not identical view. It does not specifically mention corruption in its mission statement nor in its recent campaigns; however, its

El-Ayouty, Y, Ford, K. and Davies, M. Government Ethics and Law Enforcement: Toward Global Guidelines. London: Praegar. 2000.

²² Punch, Kolthoff, Vijver, Vliet. Coping with Corruption in a Borderless World: Proceedings of the 5th I Anti-Corruption Defense. Deventer/Boston: Kluwer Law & Taxation Publishers. 1993.

²³ Ibid. "Corruption and the Socio-Cultural Context."

²⁴ Ibid. "Organized Crime and Corruption."

El-Ayouty. "UN Involvement in Government Ethics."

El-Ayouty. "Legal and Judicial Reform: Republic of Yemen."

²⁵ Ibid. 194. Also: taken from examples of certified public accountant organization, independent law organizations that certify barristers.

²⁶ Corruption & Integrity Improvement Initiatives in Developing Countries. Management Development & Governance Division, Bureau for Development Policy. NY: UNDP & OECD Development Centre. 1998.

members campaign in each country, calling for justice in cases where people are detained unfairly, newspaper freedoms are threatened, etc. Amnesty works directly for social justice issues, campaigning rather than giving money or working with the government to reform issues; rather, they work on specific issues and aim to help individuals when treated unfairly – so obviously they work on the abuse of power aspect of corruption rather than issues of bribery or fraud.²⁷

The many organizations of the UN, including UNCTAD, UNIDO and UNDP advocate working from an international stance and under the auspices of foreign countries. They sometimes advocate foreign aid from investment firms and discourage more involvement on the part of NGO's and aid donors such as USAID.²⁸ Mainly these UN subsets examine and emphasize ethics and management in developing countries in working with the existing government as well as with private firms or accountants and lawyers.²⁹ They concentrate on creating programs that emphasize ethical management as the key to discouraging corruption.³⁰ The UNDP pushes for regulation clarification, creating ethics programs for bureaucrats, and an end to corrupt programs and laws.

Arguments for and against extrapolating case studies from other countries

²⁷ "Facts and Figures: The Work of Amnesty International." Amnesty International. web.amnesty.org .

²⁸ UNCTD – Investing in pre-emerging markets: opportunities for investment of risk capital in the LDCs – NY & Geneva: United Nations, 1998.

Quote:

“[The] shortage of capital in these countries reps one of the most pressing problems facing the I community today, and unless solutions are found, the marginalization of the LDCs from world trade and global financial flows can only worsen.”

²⁹ Partnerships with the Business Sector : UN Development Programme. undp.org/business/

³⁰ Promoting Ethics in the Public Service. NY: UN, Dep't of Economic & Social Affairs Division for Public Economics and Public Administration. 2000.

Corruption & Good Governance. Discussion Paper 3. Management Development & Governance Division, Bureau for Policy & Programme Support. UNDP. NY: July 1997.

There are two academic schools of thought on designing anti-corruption programs: those who advocate the tailored approach, designing each campaign individually based on unique factors and those who advocate a unified approach, taking all of the theoretical knowledge amassed from past campaigns and studies and using these to apply to a specific country these general principles.

Rose-Ackerman recommends that corruption programs be tailored to individual countries, rather than using a compilation of “best practices” to solve problems in other countries. She argues that the historical, political and economic contexts of the country and the government need to be taken into account before using the case study to design a program for a different country.³¹

Nye advocates generalizing findings from case studies, creating programs and then applying them to other countries. Heidenheimer and Le Vine are also proponents of this argument; they would rather bring a continuity to regional studies of corruption, seeing them as too limited to certain areas and too specific, advocating a generalization of principles that worked in different countries.³²

A combination of these will be taken in this paper, looking at both the context of the government in a successful or failed anti-corruption campaign, and then using these principles to predict the success or failure of different programs run by Azerbaijan citizens, NGOs and bureaucrats. Here, we will evaluate the four main approaches, the weaknesses and strengths of their underlying assumptions or structures and some of their suggestions. This analysis will serve as a guideline in examining the strengths and weaknesses of sample country programs later on.

³¹ Rose-Ackerman, Susan. 1999. 5, 197.

³² Heidenheimer, Johnston, LeVine. Political Corruption: A Handbook. London: Transaction Publishers. 1989.

Costs and Benefits of the Four Approaches

Economic approach

The micro-economic approach examines bureaucratic structures, fiscal policies and auditing offices, anything that underpins the workings of economic structures and that could help make these sectors function better. One of the benefits of a micro, as opposed to macro, approach is that 1) it works on a smaller level and has specific objectives (versus broad ones like reducing the recession cycle) and 2) combating administrative corruption is not as likely to threaten top-level executives in countries. If outside groups were pressuring for corruption reduction, this might be an area where the most success could be had.

As for the macro-economic policies, one of the drawbacks is that organizations who offer help in this area require conditionality, defined by the IMF as “adoption of appropriate policies to resolve a country's balance of payments difficulties, contribute to strong and sustainable economic growth, and enable the government to repay the Fund.”³³ In other words, lots of strings are attached, and the IMF, for example, seems to allow little input from the government themselves on how to measure up to standards within a certain timeline. Often organizations are inflexible and have iron-clad rules about what should be changed in the economic policies as well as government policies. In the past, such inflexibility and refusal to accept input, as well as perhaps overlooking corruption (recent past studies had linked rapid growth in East Asian countries to speed money and other forms of corruption) led to austerity and monetary devaluation in the

³³ “IMF Conditionality: A Fact sheet.” IMF External Relations Department. December 4, 2002. imf.org/external/np/exr/facts/conditio.htm.

Balkans in the 1990's³⁴ as well as in South East Asia.³⁵ Thus a macro-economic approach is not necessarily recommended as a way to decrease corruption, unless international organizations become more flexible and stop condoning corruption, both in their own organization and in the governments they work with. Otherwise, if unsuccessful such an approach may only line more public pockets and increase the size of the underground market as general unemployment increases.

Democratic governance (“good governance”) approach

Depending on how a case is designed or how well organizations work together, democratic governance may be the approach to take in reducing corruption, as its approach is the most direct in increasing transparency and accountability through changing high and low governmental structures. However, in taking this approach, programs must have well-defined goals. Improving democratic governance must also be done in tandem with the government, in order to avoid harassment or murder of uncooperative or combative NGO employees or individual citizens who confront the government.

Though organizations need to get the governments' permission in order to actually and effectively change governing structures, organizations may in other cases want to take a combative approach. This applies in such cases where the government is prosecuting an opposition deputy in the legislative branch of government or an opposition journalist unfairly in order to decrease criticism of or deflect criticism away from a member of the dominant party of government accused of being corrupt. An organization like Amnesty International is needed in such cases in order to serve justice. And though

³⁴ Woodward, Susan. *The Balkan Tragedy*.

³⁵ “The IMF Crisis.” *Wall Street Journal*. 15 April 1998. Available on: Hoover Institution Public Policy Inquiry. imfsite.org/recentfin/crisis.html

it does not directly decrease corruption by waging such campaigns, such an organization returns freedom to the accused, thus allowing them to return to work and continue to expose corruption and injustice – one of the key features of an anti-corruption campaign. Thus one needs both an Amnesty International and a Transparency International, one serving as a non-controversial solution to formulate new laws but having international status behind it, and one to report on what the government is doing, but not fearing to report or combat controversial aspects of the government.

Ethical management

The social justice viewpoint and ethics is unrealistic in that it asks officials to just end known corrupt programs or laws or to institute specific anti-corruption laws. One may be able to influence bureaucratic officials to become more honest through ethics propaganda, but it is unlikely. Even though ethical programs may work in the short run, especially with the support (and oversight) of higher-up officials³⁶, civil servants will quickly return to accepting bribes and demanding influence through their positions if existing laws remain unchanged. Much more efficacious is social activism by both organizations (e.g. Amnesty International) and citizens themselves. Also efficacious is the rooting out of losers, compensating them, and bringing in new actors.

Law enforcement

The law enforcement viewpoint is more appropriate for liberal democracies rather than illiberal ones, which still must work out which laws and rules are most fair and free. It does most probably, however, reduce crime. The suggestion that worldwide pressure can be used to decrease corruption works in some cases, though very few. Cuba, after all, is still run by a Communist dictator, in spite of worldwide pressure to make him step

³⁶ Klitgaard. 1988.

down; apartheid took many years to end as well. Thus the Convention to end bribery in OSCE countries may not work as well as planned, though one hopes that a greater amount of international pressure may.

Case Studies and What We Can Draw From Them

Here, we will examine the actual practice of anti-corruption campaigns, using several successful and unsuccessful case studies to learn what aspects to use and not to use in designing or suggesting anti-corruption ideas later on. Each of these case studies falls under one or more of the wider headings of economics (micro- and macro-), politics, law enforcement and ethical management.

New Zealand: micro-economics and ethical management

A case study that seems to fall principally under micro-economics and ethical management is that of New Zealand's experimentation with private sector management of publicly owned companies (state-owned enterprises or SOEs). This case studies examines the conflict during this time period between a managerial and a constitutional accountability of the Audit Office and the Treasury. The experiment ended up being fairly successful.

The goal of the experiment was to make these state-owned companies more efficient, more transparent, and working like private companies. More importantly, however, is to look at the role of the Audit Office and the Treasury in carrying out this experiment, as their experiences in reducing bureaucracy and increasing oversight can carry over to anti-corruption campaigns when thinking about designing a campaign that can successfully audit and increase transparency in governmental organizations.

There were a few aspects that helped to get the campaign off the ground. First off, the government eliminated an extra accounting committee (the Public Sector Accounting Committee) to unify public and private accounting methods.³⁷ Second, the government threw its weight behind this project. Third, extra outside pressure to reform came from a national private accounting organization. Thus, one can see that outside pressure, government support and a decrease in regulation are factors of a successful anti-corruption campaign, at least to get it started.

There were also aspects of the program that held back reform. The Audit Office only was given the task of instituting this program. The office was understaffed and underpaid, leading the Auditor-General to take on an additional role as controller, setting up a conflict between responsibilities. In designing an anti-corruption program, one should keep in mind that overwhelming one office with too many tasks and not enough staff may lead to greater corruption rather than lesser, in a weak state or a bureaucracy that is already used to taking kickbacks to make their lives easier. Another weakness in the program was that the Audit Office carried out audits of these state companies which should have been carried out by an internationally respected accounting firm. Thus, two things to keep in mind here for an anti-corruption campaign are to design programs that avoid 1) avoid overwhelming and understaffing 2) conflicts of interest and 3) have international backing or support.

Another weakness of the experiment with “privatizing” public companies was that its primary status reports ended up going to the Executive branch of government for

³⁷ Pallot, June. “A Wider Accountability? The Audit Office and New Zealand’s Bureaucratic Revolution.” *Critical Perspectives on Accounting*. (2003) idealibrary.com on doi:10.1006/cpac.2001.0518 Author created this essay based on interviews with the Audit Office and personal experience versus more theoretical studies. She works at the Department of Accountancy Finance and Information Systems, University of Canterbury, Private Bag 4800, Christchurch, New Zealand. 5-7.

evaluation, rather than to Parliament. In a neopatrimonial government, such in Azerbaijan's, such a feature would automatically guarantee executive control of the project; transparency would be lessened, as would decision-making on a wider scale.

Some other recommendations based on a study of this report are for agencies to communicate in order to avoid duplication (one of its other weaknesses) and increase the chances for review to catch unaccounted for corruption (or "overhead"). There must be a periodic review and publishing of audits in the general literature, to be available online, at government sites, and easily found, to avoid control of a project by just one person such as the Executive.

Some other specific suggestions that may be taken away from the program, applicable to economic ideas in designing anti-corruption initiatives directly applicable to the bureaucracy, were that the heads of these state-owned enterprises were to be put on limited-year renewable contracts based on their output of goods and services. This would encourage these employees to look for ways to improve their companies' performances based on merit rather than on who they could bribe for a contract. Another suggestion was to have their Audit Office develop quantitative ways of evaluating performance, based on quantity, quality, timeliness, cost, and location. This would give agencies within the government a tool to evaluate projects and thus rate employees on the merits of their companies' performances.

There is another suggestion that would make corruption slightly easier to find. In terms of reporting results from agency to the public, to the executive or even to the

legislature is the commandment to not be “boring.” Boring, in other words, equals “easily overlooked.”³⁸

Yet another specific and important suggestion is to create financial independence for oversight offices such as an Audit Office. In New Zealand’s case, their Audit Office was originally funded by the Executive Office, which may be why all the reports went straight to the executive rather than legislative branch. Realizing this, Parliament made a move to fund the Office itself.³⁹ This in effect changed the rules of where the report went and made a difference in who saw it and could make decisions on how to further reform state-owned companies.

Malaysia: law enforcement

Coming from more of a law enforcement perspective is the example of Malaysia’s struggles to reduce corruption in its own country. Unlike Singapore, which has a corruption level close to zero but scales high on the abuse of power, Malaysia has a “relatively free” press as well as public support for combating corruption. The Malays created a specific body made up of police officers in the 1950s to combat corruption.

There were several problems to this approach. The law creating such a body was amended in the 1970s because the law body was connected with the police organization and made police officers reluctant to search out corruption in their own department. Thus the organization was made independent of the general police force of Malaysia. The other problem was that the officers tended to prosecute citizens rather than bureaucrats, a

³⁸ Pallot, June. “A Wider Accountability? The Audit Office and New Zealand’s Bureaucratic Revolution.” *Critical Perspectives on Accounting*. (2003) idealibrary.com on doi:10.1006/cpac.2001.0518 Author created this essay based on interviews with the Audit Office and personal experience versus more theoretical studies. She works at the Department of Accountancy Finance and Information Systems, University of Canterbury, Private Bag 4800, Christchurch, New Zealand. 14-16.

³⁹ Pallot. 2003. 17.

rather backward approach since ordinary citizens are most likely pressured to give bribes in order to survive, whereas bureaucrats and police need not. A larger drawback to this program was and still is that the officers go after “the small fish” instead of the big ones; however, in their defense they feel prosecuting the lower bureaucrats does make a difference in the ordinary citizen’s life and increases the morale of ordinary citizens.⁴⁰

Democratic approach: organization and participation

Although not specifically a case study, a good example of the democratic approach in practice can be found in an article by John Bray in the Oil and Gas Journal, which lauds the involvement of ordinary citizens and local businesses in changing government. Bray writes that the answer lies in creating collectives of companies to work with NGOs. He mentions the Makati Business Club in the Philippines, which offers anticorruption advice nationally. Another example is the Confederation of Danish Industries, which has been going to African, the Baltics and China for help in building a library of programs that work to reduce corruption and using this knowledge to help local chambers of commerce set up best practice in reforming laws.⁴¹ A collective approach is great and highlights individual companies less, allowing them to draw strength from each other in looking to reduce corruption. A weakness of such a collective for oil companies and other businesses in general, however, is that reducing corruption is not a first priority for companies out to get business. If the government is corrupt, then by all means they will condone or cooperate with giving bribes and or others (often even if this is illegal, as

⁴⁰ Marican, Y. Mansoor. “Combating Corruption: The Malaysian Experience.” [University of California Press](#). 1979

⁴¹ Bray, John. “Progress solid but uneven in fight against corruption.” Oil & Gas Journal. Vol 100, Iss 34. pp20-30. Aug 26, 2002.

Note: good source: Trade Compliance Center, OECD Anti-Bribery Report 2002, Chapter 9. [tcc.mac.doc.gov](#).

giving bribes is prohibited to U.S. companies abroad) to gain the trust and business of a neopatrimonial government or just generally corrupt bureaucratic system.

New York and Chicago, U.S.: Law enforcement approach

An interesting study to examine is that of New York and Chicago school systems and their experiences in reducing corruption in their janitorial staff. One can examine their report in light of the good governance and ethical management approaches. The study finds that tighter controls, external audits and just replacing top management do little when a culture of corruption is entrenched in an organization; the solutions that he offers have now tentatively worked in the Chicago system and which the New York system has just began to institute (under Mayor Giuliani). A new school chief executive appointed by the mayor was given great powers to institute reforms; he in turn was able to appoint his own middle management. He was able to privatize great numbers of unionized employees as well as hire other outside companies to oversee management, rather than having internal management conduct audits. Also, employees were made to answer to their customers – to parents and to the state. If they failed performance reviews, they were fired; if they repeatedly committed fraud or embezzlement, they were sent to jail. Thus this program follows Singapore's example of no-holds-barred law enforcement approach. The city also set up a fraud hotline and encouraged parents to bring video cameras into schools to document neglect and to use this to confront school administrators.

The problem with this approach was that unless it was supported by a wide mandate from government, there will be no changes, as there was not with this program before recent changes. In the past reforms were made without really carrying them out,

and pushing for these reforms in a government that refuses to change will not do much. However, some good points can be taken from this study: 1) individual points such as setting up a hotline and allowing parents to bring video cameras into the schools. Collective action by individuals can help reduce neglect. 2) According to this author, only sweeping changes will help reduce crime and corruption, especially as regards to top management. This is a specific program and perhaps in governments with state capture, if outside forces are pushing them to change, they can use such reforms to change, for example, something of lesser priority that will still be useful and look good to outside forces, such as schools or lesser government agencies.

Russia: Democratic governance

In terms of democratic governance, some criticisms that have been leveled at it in specific programs are at election monitors, a key aspect of increasing good governance. Academics have leveled the following criticisms: favoring an over-wide scope (more “amorphous” recommendations) because elections are too hard to monitor and prevent fraud; not saying whether elections actually pass an objective standard; and allowing governments to prevent observers pre- and post-election periods.⁴²

Take, for example, the role that election monitors played in Putin’s election. Organizations such as USAID, IRI, NDI as well as others each followed separate and competing strategies with various opposition parties, from what strategies to follow in mounting campaigns to how to get a multi-party coalition to monitor elections to training of actual monitors. Conflicts between various American NGOs helping to monitor and develop election strategies of different opposition parties as well as pressure not to lose

⁴² Clark, Elizabeth S. “Why Elections Matter.” *The Washington Quarterly* 23.3 (2000) 27-40.

face in America may have led to Putin's success.⁴³ This case underlines the importance of determining the motivations and concerns of NGO donors; also, it points to the need for a unified strategy among different organizations concerned with the democratic approach.

NGOs and their approaches

In order to better evaluate the approaches taken by different organizations within Azerbaijan right now aiming to decrease corruption, one might examine the success of the same or similar organizations in post-Communist Russia and their findings in combating corruption there, as the two are both former Soviet republics (and in fact Azerbaijan takes its cues from ringleader Russia). And where there are no current examples from Russia, we will aim to examine similar organizations working in another post-Communist country, such as Eastern European, CIS or Balkan states or China (though that includes many more implicit differences in its case, culture and government).

World Bank

The World Bank has had limited success in reducing corruption, both in its organization in recipient aid countries and in those it deals with. The World Bank is an international lending institution, founded in the 1950's as a result of the Bretton Woods conference. One might examine its self-criticisms (general and specific) in order to evaluate the general effectiveness of its programs. First one might examine some general critiques of the Bank's policies in relation to corruption and its antidote,

⁴³ Mendelson, Sarah. "Democracy Assistance and Political Transition in Russia." *International Security* 25.4 (2001) 68-106.

transparency. William Battaile, senior economist at the Operations Evaluations Department Country Development (OECDM) found that a “weak policy and institutional environment” should be a discriminating factor for the World Bank in whether to lend to a country and an indicator of the risk factor in lending. He found that aiding rather than lending is more efficacious in instituting reforms in a country with a high level of corruption, as evaluated by the Bank’s Country Policy and Institutional Assessment.⁴⁴ On the other hand, Rose-Ackerman writes that a weakness of the World Bank’s policies with regard to corruption is that it concentrate too much of its energies at the project approval stage rather than in monitoring and on-site inspections.⁴⁵ Also, the World Bank trains journalists to carry out more investigative reporting to help increase transparency and accountability; however, there is no protection for these journalists once they carry out such exposes so that this anti-corruption measure becomes ineffective.

To get a sense of what to do and what not to do when setting up an anti-corruption campaign in Azerbaijan is to examine the World Bank’s policies in the context of their 5-year aid program commitment to the Russian Federation, and how they dealt with its economy. Next one might examine specific criticisms leveled at it in the example of the Russian economy and the World Bank’s 5-year commitment to the Russian Federation.

One positive aspect of the program is that Bank employees were able to salvage some of their projects after the 1998 crisis. These employees created non-commercial

⁴⁴ Battaile, William. “Annual Review of Development Effectiveness 2001: Making Choices.” OECDM. Some definitions to keep in mind: **SECALs** (Sector Adjustment Loans) support policy changes and institutional reforms in specific sectors. **SILs** (Specific Investment Loans) support the creation, rehabilitation, and maintenance of economic, social, and institutional infrastructure. SILs may also finance consultant services and management training programs. **SIMs** (Sector Investment and Maintenance Loans) focus on public expenditure programs in particular sectors to bring sector expenditures, policies, and performance into line with a country’s development priorities by helping to create an appropriate balance among new capital investments, rehabilitation, reconstruction, and maintenance.

⁴⁵ Rose-Ackerman. 1999. 180.

independent legal entities overseen by government management boards, much like the NFA, a semi-governmental auditing company in the U.S., when they were confused about the terms of the contracts and unsure whether the companies they were dealing with could enter into contracts.⁴⁶

On the negative side, the organization aimed to do too much with a limited mandate and with limited monies. The project was plagued by a lack of incentive from Russian and American sides, World Bank reluctance to “solve management issues” among the Russian staff, and the World Bank’s slow pace in reviewing and clearing projects and people. Such issues hindered reform and reduced opportunities to induce change and reduce corruption.⁴⁷

International Republican Institute

The International Republican Institute focuses on electoral corruption. It is an NGO devoted to promoting democratic interests abroad, sponsored by the National Endowment for Democracy and US Agency for International Development and is chaired by a majority of Republican representatives and senators.⁴⁸ A recent case which typifies the weaknesses of its program was its work in China. It worked in China with villagers and began at the top to get support from a Chinese ministry. In order to accomplish its goals, in tandem with this ministry, the NGO threatened regional politicians with loss of face if they didn’t allow these reforms to go through. In this specific case, the criticism that can be leveled at it is that it was used by the Chinese government (and was leveled at

⁴⁶ “Russian Federation: A Country Assistance Evaluation.” The World Bank: OED. Worldbank.org/OED. September 2002.

⁴⁷ “Russian Federation.” 2002.

⁴⁸ Shelley, Becky. “Political Globalisation and the Politics of International Non-governmental Organisations: The Case of Village Democracy in China.” *Australian Journal of Political Science*, July 2000 v35 i2 p225 .

it in the case of Putin's election) as a media opportunity. One problem with its approach is 1) its backing and 2) its easy exploitative nature; it can easily be used to put through an appearance of success because its backers are politicians and therefore vulnerable to criticism and their own loss of face if word gets out about failure.⁴⁹ It would be hard to get real evaluations of its success or failure in these regions. The IRI also has no independent committee to evaluate weakness in its programs and there are few academic evaluations of its successes or failures in stopping electoral corruption, unlike the IMF or the World Bank which have in recent years added both independent committees and for which exists a multiplicity of criticisms leveled at them by academics. For example, an outstanding failure of its ability to protect its own workers is the murder of an IRI observer in Azerbaijan. There are no news reports linked to this on its website nor any such discussions like this where it has gone wrong. Thus there is a problem with transparency in the organization itself, which (when we examine the case of Azerbaijan) may add to its problems in trying to create transparent and fair elections in host countries.

International Monetary Fund

The International Monetary Fund has often been found to have followed the wrong policies in attempting to increase good governance and better economic policies, often helping the countries to slide into bankruptcy and devaluation rather than economic prosperity; nor has its specific anti-corruption programs worked yet in recent years. The International Monetary Fund, also an international lending institution, was one of the Bretton Woods institutions created in the 1950's to help developing countries. General criticisms of the IMF's long-term lending programs also come from an outside evaluation department linked with the organization. While admitting that the IMF does make a

⁴⁹ Shelley. July 2000.

difference in some technical skills, evaluators feel that the skills taught are too specialized; employees need to go beyond economic policies and pay attention to institutional reform; employees need to let native administrators create more policy initiatives on their own; and employees did not encourage enough public debate about initiatives, thus giving too much power to a few specialized ministries. Also, employees did not involve parliaments enough in debating policy initiatives, leading to wide-spread resentment of the IMF.⁵⁰

One might examine a country study such as agricultural taxation in Pakistan for specific illustrations of these general criticisms. Corruption was left unchanged because 1) it was ignored or condoned and 2) its economic policies increased domestic unrest and poverty, two factors which greatly increase the prices for services and goods and thus the price and amount of bribes. The IMF did not acknowledge the changing nature of the government (it changed hands many times in the lending period) and were overoptimistic in saying that governments greatly supported and carried out the IMF's proposed reforms; conditionality did not compensate for the lack of top support for these programs and only the appearance of reform was made; and programs were stopped every time there were "policy slippages." Thus there were a series of short-term programs not strongly supported by the government which led to greater unpopularity of the IMF and lesser support for its programs over time.⁵¹

To make its present program in Azerbaijan successful, one might suggest that programs there should be long-term in nature notwithstanding policy slippages; that the

⁵⁰ "The Implications of Prolonged Use for the Member Country and the IMF." Evaluation of the Prolonged Use of Fund Resources. Office of the Independent Evaluation Office of the IMF. September 25, 2002.

⁵¹ "Pakistan." Evaluation of the Prolonged Use of Fund Resources. Office of the Independent Evaluation Office of the IMF. September 25, 2002. 10-17.

IMF keep up support from top management including Parliament as well as the executive; and to increase monitoring to see that its programs are not being implemented only on the surface. It should also seek to specifically decrease corruption rather than just seeking a balanced budget as it presently is doing. Also it should seek to work more with the World Bank in carrying through institutional reforms that pertain to micro- and macro-economic policies, in terms of tariffs, tax evasion, etc.

Yet another criticism leveled at the IMF is that it often gave out more money or stopped programs according to political considerations (i.e. Soviet invasion of Afghanistan and nuclear testing respectively). This hindered consistency, respect and real conditionality of these programs.⁵² Thus in Azerbaijan one would suggest that the IMF not carry out programs for any political considerations, leaving that to be decided by other branches of the government if necessary.

UNDP

The UNDP is a UN development program that helps out countries in terms of economic development, institutional reform and poverty reduction among others. Some criticisms that can be inferred from their annual report (since the annual report states these needs in the positive) are that they are under funded and their staff suffers from a lack of training; their programs are over-optimistic, overly complicated and overly focused on the process rather than hard results; a database that is subject to bugs and hardware failure; and too much money poured into countries without enough critical

⁵² "Pakistan." 21.

assessment of the programs.⁵³ There exists no independent evaluation office of the UNDP; thus one must look at other literature for specific criticisms of its programming.

However, in its annual report, one may surmise some criticisms and also some benefits of its programming in Russia. The UNDP reports that it gained some credibility due to increased decentralization of the Russian government, and that it strove to decrease duplication by signing “memoranda of understanding” with the government, NGOs, the UNEP, the UNIDO and the World Bank,⁵⁴ though best guess would be to say that this would be most effective in decreasing internal duplication among UN organizations. Cooperation and shared initiatives or at the very least decreased duplication increases the effectiveness of organizations; if they all work for the same goal in different ways, or are doing the same thing with different goals, they may end up working at cross-purposes to each other. Thus a similar agreement would probably be helpful for decreasing duplication and increasing awareness of what other needs have been overlooked by NGOs in Azerbaijan.

Another weakness of the program that the report cites is having too many projects with too few links between them:⁵⁵ they cite as goals environmental improvement, legislation improvement, development, employment and clean and emerging technologies. In order to fund so many different and wide-ranging projects, the UNDP says it must mostly get funding from Russian companies in the future. This would be a separate bias apart from its Western, US based goals and one might suspect such funding

⁵³ “Results-Oriented Annual Report for 2000.” Executive Board of the UNDP and UN Population Fund. May 4, 2001.

⁵⁴ “Country Cooperation Frameworks and Related Matters.” Executive Board of the United Nations Development Programme and of the United Nations Population Fund. New York. 17 November 2000. 5.

⁵⁵ Ibid. 5.

could eventually come from unclean sources: the UNDP is looking for 50 million at the moment, and it seems unlikely that they could possibly get so much money at once from clean Russian companies. There would have to be very careful monitoring.

Yet another weakness the UNDP cites is that of monitoring and training. They have yet to put in place a systematic annual training and review. These are all thoughts to keep in mind in designing a similar program in Azerbaijan, at least in general.

Corruption in Azerbaijan

Though Azerbaijan has made negligible motions in the rank down the ladder of corruption on TI's list, it continues to be one of the most corrupt countries in the world: it ranked #96 out of 99 in the 1999 Bribe Payers' Index and was #84 out of 91 in 2001.⁵⁶ The rule of law is weak and governing structures are oblique.⁵⁷ Bribery and speed money are the main way to accomplish one's goals, whether to get a passport, pass regulations or see an official. While some see corruption as disruptive, others condone it and ignore it. An Azerbaijani resident complained that he will not live to see a corruption-free government,⁵⁸ while an embassy contact disagreed. "All these journalists see a million dollars taken out of a budget. It's just overhead."⁵⁹

Azerbaijan is theoretically a democratic republic, but its government closely resembles that of the Russian Federation, where Putin, its president, rules with powers

⁵⁶ "1999 Corruption Perceptions Index," [Transparency International](http://www.transparency.de/documents/cpi/index.html), www.transparency.de/documents/cpi/index.html) This is determined according to 17 or fewer surveys given out to businesses, with 3 being the minimum used. 5 were used with Azerbaijan.

⁵⁷ "Democratic Good Governance and Transparency: Survey Of Azerbaijan," working paper from Transparency Azerbaijan, 2002.

⁵⁸ E-mail correspondence: A contact through Rena Safarlijeva of TI Azerbaijan. Monday, April 22, 2002 11:46 AM. Forwarded to me by Dr. Safarlijeva Tue, 23 Apr 2002 16:04:27 +0400.

⁵⁹ Contact at Azeri embassy. Spoke with him in October 2002.

closer to a tsar than a democratically elected head of government. Azerbaijan exemplifies the neo-patrimonial model proposed by Eisenstadt, where a state is “characterized by a high degree of patronage” and the executive becomes stronger vis à vis the other branches of government while still appearing to conform to the international democratic state model. The executive creates and maintains a secure position through asymmetrical power relationships with elite and bureaucrats.⁶⁰ Supporters are rewarded with personal favors or financial incentives. A former KGB official who worked with both Gorbachev and Shevardnaze, Heydar Aliev has returned to and remained in power over the past 10 years by dint of his charisma, his connections (mafia and otherwise) and the oil revenues his country receives.

But this is not all. Ordinary bureaucratic corruption cripples economic and democratic reform on all levels, from paying bribes for licenses to having to pay off regulators to an education system where professors are paid to give out better grades.

Many citizens would love to topple Aliev’s regime and rework the government and local bureaucracies.⁶¹ An active political consciousness can be demonstrated by the frequent public demonstrations by opposition parties, NGOs and other organizations in spite of attempts by officials to repress such activities. One example is the recent election referendum held in August 2002, said to have been supported by only 15% of the population, though officials have quoted close to 96%. The referendum was widely accused by foreign and domestic groups of both unfairness in election methods and injustice in its platform. The referendum decision changed the inheritance of the head of

⁶⁰ Goldstone, Jack. “The Comparative and Historical Study of Revolutions.” Revolutions: Theoretical, Comparative and Historical Studies. 2nd ed. New York: Harcourt Brace College Publishers. 1994.

⁶¹ ⁶¹ E-mail correspondence: Aaron Bornstein to Rena Safarlieva of TI Azerbaijan. Monday, April 22, 2002 11:46 AM. Forwarded to me by Dr. Safarlieva Tue, 23 Apr 2002 16:04:27 +0400.

state in case of resignation from an elected position, the parliamentary speaker, to a presidentially-appointed position, the Prime Minister. The referendum proposed other critical changes to the Constitution, such as reduction of the votes needed to elect the President and change-over of a proportional system to single-constituency.⁶² In one demonstration, opposition parties numbering about 2000 people (according to official data) or 30,000 people (according to opposition party figures) showed up to protest the election and call for Aliev's resignation over the debacle.⁶³

But though organizations protest, newspapers frequently write up corruption and NGO's try to initiate anti-corruption laws, progress has been slow. Reform has been unsuccessful in past years, from election monitoring to anti-corruption amendments proposed by TI Azerbaijan. Laws concerning journalists and political parties continue to be of great concern as they discourage transparency and encourage uncritical Soviet-style journalism. There may be cause for hope, however, in the economic arena and some other, smaller spheres encouraged by outside pressure or organizations.

Top Governmental Structure and Neo-patrimonialism

Corruption in Azerbaijan falls into two main categories: neo-patrimonialism and administrative/bureaucratic. Neo-patrimonialism includes many of the same features of normal administrative corruption, but is a whole integrated system of relationships that encourage corruption in high and low officials and a great abuse of power by the head of

⁶² Valiyev, Anar. "Azerbaijan To Hold Referendum Over Constitutional Changes." Central Asia - Caucasus Analyst. Wednesday/July 3, 2002 Cacianalyst.Org/2002-07-03/20020703_Constitutional_Changes_Azerbaijan.Htm.

⁶³ "Politics in CIS." Nezavismaya Gazeta. November 26, 2002. Available on Lexis-Nexis Business News Database.

the government to strengthen their or their family's position as the ruler of the country, through legal and illegal means: referenda, political appointments, suppression of the opposition, and others.⁶⁴

To accurately ascertain the nature of high-level corruption in Azerbaijan, we will analyze the political structure of government, essentially taking the "good governance" approach favored by political scientists. Thus we will analyze how this structure creates and reinforces political corruption and to look at who are the main agencies or officials whom encourage these policies and practices.

To do so, we will examine the Constitution of Azerbaijan and where it promotes and discourages power of the different branches of government. We will also examine the economic structure of Azerbaijan and how politicians affect these organizations, and vice versa. We will analyze both of these arenas, principally looking at where administrative/bureaucratic corruption is created and where and how neopatrimonialism is created and maintained.

In order to understand Azerbaijan, its politics and its corruption, one must first examine its recent history and the conflicts and events that have helped form this republic. On August 30, 1991, Azerbaijan declared independence from the U.S.S.R., leaving itself with a former Communist President Ayaz Mutalibov (Mutalibov himself officially banned the CP party, just giving it another name) and former Communist deputies.⁶⁵ This was not the only legacy: as a result of the break-up, Heydar Aliev (or

⁶⁴ Eisenstadt, S.N. Revolution in the Transformation of Societies. New York: Free Press. 1978. 71. Definition and insightful analysis of neo-patrimonial regime may also be found in Goldstone, Jack. "Revolutions in Modern Dictatorships," Multicausal Analyses of Revolutions. Fort Worth TX: Harcourt Brace and Company, 1994.

⁶⁵ Goltz, Thomas. Azerbaijan Diary: A Rogue Reporter's Adventures in an oil-rich, war-torn Post-Soviet Republic. Armonk, New York: M.E. Sharpe. 1998. pp46.

Gaidar Aliyev), a former chairman of the Communist Party of Azerbaijan (i.e. dictator/leader of Azerbaijan) and KGB official returned as a political leader to the separated enclave of Nakhichevan. He was welcomed as a former leader who could perhaps lead Nakhichevan out of its isolation as an Azeri island in the sea of Armenia.⁶⁶

On March 3, 1992, Mutalibov was forced to resign because of his inaction during the Xodjali ‘catastrophe’ of February 26-27, 1992, in the region of Nagorno-Karabakh. Armenian forces surrounded the town and then massacred its Azeri citizens; the President meanwhile, did nothing to aid its citizens or call in outside help.⁶⁷ Popular Front leader Abulfaz Aliyev (known as Elchibey) was then elected in June 1992. Elchibey was unable to face an increasingly tense situation in Nagorno-Karabakh. He was deposed by a military coup led by Surat Husseinov in June 1993, not quite a full year later; some say it was engineered by Aliyev to regain power; others say Mutalibov was attempting to regain his position.⁶⁸ In October Aliyev was voted president and in November 1995, a Constitution created by him consolidating his power was passed by referendum and parliamentary elections took place as well.⁶⁹ Aliyev was then re-elected in October 1998.⁷⁰

What is important to note here is the importance of geopolitics to much of the power politics that inform Azerbaijan. The continuing conflict between Armenia and Azerbaijan led to a build-up of military weapons, the influx of Russian and Afghani mujahideen and the development of warlords (Surat Husseinov being one of them), as

⁶⁶ Goltz. 1998. Pp67-72.

⁶⁷ Goltz. 1998. pp119.

⁶⁸ Goltz. 1998. pp. 370.

⁶⁹ “Table of Chronology of Events,” Country Guide. March 1994. lupinfo.com/country-guide-study/azerbaijan/azerbaijan4.html Azerbaijan.

⁷⁰ Giragosian, Richard. “Transcaucas: A Chronology.” anca.org/anca/transcaucasus.asp?trid=11.

well as being fodder for political tensions that ran high when leaders ignored or were ineffective against internal and external battles and ethnic cleansing of Azeris in Nagorno or in Armenia proper. The separation of Nakhichevan and its isolation from the mother country allows for politics and politicians that cannot easily be controlled from the center. In Nakhichevan Aliev was able to consolidate his power and rebuild his popularity without Elchibey's supervision, while Aliev used Elchibey's inaction on Nagorno-related events to undermine his authority. Both reasons play a major part in explaining how Azerbaijan was rapidly transformed from a newly independent republic struggling to create a democratic government to a neopatrimonial dictatorship.

In order to understand how this government works and how the president legally is able to consolidate and maintain his power and personal ties to political members one would be advised to examine Azerbaijan's Constitution, prepared "under the chairmanship" of Heydar Aliev in 1995.⁷¹ The Azerbaijani government is headed by a powerful executive; a primary legislative body named the Milli Mejlis, made up of 125 deputies and a secondary legislative body for the autonomous republic of Nagorno-Karabakh; and three high judiciary courts, one devoted to interpreting constitutional matters (the Constitutional Court), a Supreme Court and an Economic Court. Laws are passed through 2/3 measures, while amendments are made with just over 3/4 majority (95 versus 93). All those applying for high government positions are required to be at least 25 years of age, have Azeri citizenship and possess a university degree. Judges must

⁷¹ Introductory Note of the Constitution of the Azerbaijan Republic. 12 November 1995.

possess all those qualities; judges in the three high courts are appointed “on the representation” of the President.⁷²

Still maintaining a democratic appearance while simultaneously actually making all the decisions (by dint of hidden political and personal ties) is a key facet of neopatrimonial systems.⁷³ The system of political appointments as stated in the Constitution illustrates this facet. Appointments, which are made “on the representation” of the executive, are allowed in every branch of government, from the three branches of the national government to regional and local governments. Though the Constitution itself does not define “on the representation,” one can find an account of this practice in Goltz’s book: Aliev introduces the appointee and the Milli Mejlis votes its approval of the candidate.⁷⁴ Constitutional Court judges are also appointed “on the representation” of the executive, thus giving them an extra incentive to approve of changes in the Constitution that he proposes – and yet still giving the appearance of a working democracy.

The Prime Minister is an important appointment that greatly supports Aliev’s position. In other countries this position is usually filled by the majority party head to set off the president, usually a less powerful position in those governments. In Azerbaijan, the executive also appoints the Cabinet; may appoint other judges of the Azerbaijan Republic; may appoint high commanders of the Armed Forces; may appoint unspecified

⁷² Sections 5 and 6 of the Third Part State Power, from the Constitution of the Azerbaijan Republic. Prepared by the Commission for draft preparation of new Constitution of the Azerbaijan Republic under chairmanship of President Heydar Aliev. Adopted on 12 November 1995 by referendum and came into force 27 November 1995. available on: geo.ya.com/travelimages/az-constitut.html.

⁷³ Eisenstadt. 1978.

⁷⁴ Goltz. 1998. 392.

“authoritative representatives” of the executive; and may appoint diplomatic representatives of the State.⁷⁵

Several other positions also bolster the President’s position. He appoints the mayor of Baku,⁷⁶ a powerful party boss. With 14% of the population residing in Baku,⁷⁷ the mayor’s control over elections is essential to guaranteeing that the New Azerbaijan party (the President’s party) can re-institute itself into Parliament. Baku, as the capital and as the largest city in Azerbaijan, also has a much more active and educated populace; thus it is also necessary to be able to hand-pick someone who can deal with such a populace and repress large-scale demonstrations and uprisings. An elections violations hotline report cited the Mayor as the principal obstacle in recent elections in Baku: it received a news release from Musavat (the principal opposition party) stating that the Mayor of Baku City did not allow the party to hold a meeting publicly. Campaign placards that advertised the Musavat party were also destroyed in Baku, though it was not stated who ordered them destroyed.⁷⁸ Aliev also appoints the governors for territories such as Nagorno-Karabakh and Nakhichevan⁷⁹, which have much the same power and influence as the mayor of Baku – and help him to produce the same results in elections.

The President not only appoints high officials but is also permitted to directly submit referenda to the people. This gives him the direct power not only to influence matters of personnel but of laws and of the Constitution – as well as appear democratic

⁷⁵ Sections 5, 6 and 7 of the Third Part State Power, from Constitution of the Azerbaijan Republic. 27 November 1995.

⁷⁶ Fuller, 4/26/01, “New Baku Mayor’s Cleanup Campaign Sparks Protests,” Caucasus Report, www.rferl.org

⁷⁷ “Baku: Azerbaijan.” populations.com/Country.asp?ID=11&CityID=284. Load date: 12/10/02.

⁷⁸ “Electoral Violations Reported to the Azerbaijan Electoral Rights Protection Hotline.” Azerbaijan Election Watch. October 30-November 3, 2000. eurasianet.org/departments/election/azerbaijan/aew110600a.shtml.

⁷⁹ Section 8 of the Third Part State Power and Section 9 from Fourth Chapter, Local Self-Government from Constitution of the Azerbaijan Republic. 27 November 1995.

by submitting these decisions to the public. He draws on his supporters at the national, regional and municipal levels, to thus influence matters of constitutional importance, such as in the November 2002 elections on the election system, the Constitution and taxation.⁸⁰ Since elections are rigged and people are “persuaded” to vote in a certain way, the President can thus go over and above the heads of his legislative body if he cannot persuade them to propose the changes he would like. And once a law or amendment is passed by referendum, it is an integral part of the Constitution, on which the Court is not permitted to pass decisions: unless, as in the US, an amendment is passed to repeal the previous amendment.

The executive may issue presidential decrees and similar to the Russian executive, his decrees by law have equal force to Parliament’s legislation until theirs is passed. In reality, they have more force, giving him greater power over his citizens and over the legislature.⁸¹ Again, this gives the appearance of acting democratically while still making all the decisions.

The President may also declare emergency situations and assume additional powers if there is the potential for outsiders to declare a “forced change” of the Constitutional system (though if he changes the Constitutional system by referendum by forcing voters to decide in its favor or stuffing ballot boxes this does not count apparently), mass disturbances or rise of national conflicts. Thus following in the spirit of clientelist networks, referendums are another out he can use when he cannot “persuade” his clients, the Deputies, to propose new laws; and if unfair elections help

⁸⁰ Valiyev, Anar. “Azerbaijan To Hold Referendum Over Constitutional Changes.” Central Asia - Caucasus Analyst. Wednesday/July 3, 2002 Cacianalyst.Org/2002-07-03/20020703_Constitutional_Changes_Azerbaijan.Htm.

⁸¹ DeBardeleben, 2000, 454; Fortune, 1998.

pass these referenda, the section on “emergency situations” may be used to his advantage when citizens become angry enough to start rioting. This section has been used in the past to put down riots by citizens angry about everything from media censorship to unfair elections to brutal police treatment; throw them in jail; or generally block them from allowing to convene publicly.

Independent observers back up the theory that rule in Azerbaijan is rule by neo-patrimonial dictatorship. Thomas de Waal, reporter for IWPR and author of Black Garden, about the Armenia-Azerbaijan conflict, writes that “President Aliiev continues to make every political decision, big or small, and this dominance is a growing liability.”⁸² Thomas Goltz, the author of a book on his 10 years in Azerbaijan and the first foreign investigative journalist in Baku, equally furnishes a great example of this attention to detail as well as a perfect example of how the president creates and controls his patronage network. Goltz regularly confronted the President as part of his research. By the end of the book, however, he supports Heydar: he watches an oil ceremony headed by Aliiev and writes that he was “glad to record Heydar’s Hour.”⁸³ In an April 2000 lecture at the Fletcher School he recounted how he was able to ride a motorcycle with the first barrel of oil on the Baku-Ceyhan pipeline with President Aliiev’s personal permission.⁸⁴ Thus the President even incorporated Goltz into his system of personal favors, transforming a potential liability into another ‘friend’ dependent on him.

Indicative of another aspect of neopatrimonial systems, elections are used to keep loyalties and the chief political party in power, from the level of Parliament seats down to the municipal level and local officials. During the first local elections ever held (a

⁸² De Waal. Spring 2002.

⁸³ Goltz. 1998. pp487.

⁸⁴ Thomas Goltz lecture, 4/10/2000.

precondition of entry into the Council of Europe), allegations were made that opposition party politicians were harassed and journalists beaten up.⁸⁵ So even at the level of local municipal elections ruling politicians aim to keep support high, another roadblock in the challenge to reforming Azerbaijan's politics. And in Parliament, only 10 out of 125 deputies are from a party other than Yeni Azerbaijan.⁸⁶

The President also uses his power to give and receive to maintain order in Azerbaijani politics, a necessary evil to maintain a smoothly running neopatrimonial system and to keep himself and his family firmly ensconced. One technique he uses is to accuse his own rank-and-file of corruption (that he most probably encouraged or required in order to get to such positions in the government) to take down those he isn't happy with. Former Foreign Minister Hasan Hasanov and former Speaker of Parliament Rasul Guliyev were made to step down on allegations of fund embezzlement, though it is likely that these campaigns were initiated against these officials because of their rift with President Aliiev.⁸⁷

The neopatrimonial system demonstrates corruption at all levels. Not only the President, but those who are loyal to him are able to use these powers to gain material and status-gain advantages not specifically or legally allowed for in their positions. While the President may use his powers for several advantages, those who are in his favor are able to get political appointments where one can speculate that they then have

⁸⁵Ali, Kamal. "Azerbaijan's Local Elections Viewed As Flawed: Azerbaijan's local elections - the first in the nation's history - have been overshadowed by widespread accusations of malpractice and police brutality." (CRS Number 11, 17-Dec-99) iwpr.net.

⁸⁶Hellman, Joel. "Country Study: Azerbaijan." Nations In Transit. freedomhouse.org. 1998.

⁸⁷Cornell, Svante and Ismailzade, Fariz. "Country Report: Azerbaijan." Nations in Transit. Freedomhouse.org. 2002. p91.

access to oil contract deals, may increase the material gains of extortion from citizens and other officials who need their protection, as well as numerous other advantage.

The President uses these powers to several purposes: one, for his own personal welfare; two, for his own personal gratification that may come with ruling over a small nation; and three, to benefit his family, all aspects of neopatrimonialism as well as of general corruption.

The President receives money from his official position as well as gifts from other rulers but extends this position to receive money in other ways as well, from bribes from those who wish to see him to allegedly swindling or diverting funds. Aliiev has allegedly swindled funds from the attempted privatization of SOCAR, the state oil company.

Vouchers were offered supposedly for citizens to buy up stocks in the company and privatize it. Victor Kozeny, a former Czech businessman, attempted to buy up all the vouchers for American businessmen by buying them off the street. Aliiev insisted that Kozeny see him, and was told that his men on the street would only be released if vouchers were bought through Barat Nuriyev's brother; Aliiev also demanded pay-offs, according to Kozeny.⁸⁸ Nuriyev was a high-level official, a number 2 official in the State Property Committee. "To Kozeny, the implication was clear: The President was getting in on the action. "You don't do anything there unless the people on top get their lick," he [Kozeny] states." Because SOCAR was never privatized, and the businessmen never got their money back, Kozeny, President Aliiev and Nuriyev as well as others in the government may have taken the missing money.⁸⁹

⁸⁸ Levine, Steve. "Payoffs alleged in Soured Azerbaijan Oil Deal," Wall Street Journal. September 7, 2000.

⁸⁹ "The Great Azerbaijani Swindle." Fortune magazine. Forwarded to me by Dr. Rena Safarlieva. Date? Issue?

Aliyev uses his position to benefit his sons, sons-in-law and daughters-in-law, and probably his extended family as well. In 1998 the Turkish government reported that Turkish development aid was diverted to build a luxury hotel and then given to a Turkish organized crime group to pay off the gambling debts of an Aliyev family member. President Aliyev denied that his family was involved. He then fired his Foreign Minister Hasan Hasanov for the Turkish scandal and closed all the casinos, for the reason that this activity “undermined Azeri cultural values and promoted money-laundering.”⁹⁰ An observation one might make is that F.M. Hasan Hasanov is the same Hasanov mentioned above, that had a rift with the president and then was fired on corruption allegations.

His son, Ilham Aliev, serves as deputy chairman of SOCAR, a member of parliament and first deputy of the ruling party; is head of the national Olympic committee; and leads Azerbaijan's delegation to the Council of Europe.⁹¹ It was speculated that as a member of the Parliament he would be groomed to take on the position of the parliamentary speaker (through elections, of course) but observers have commented that changing it to Prime Minister makes the appointment even easier; Prime Minister is appointed by the President and then approved by his loyal supporters, the majority party deputies. His cousins and nephews serve in the government as well by dint of his position.

Bureaucratic and economic corruption

⁹⁰ “Nations in Transit,” 1998, freedomhouse.org; also Stern, 2/13/98, Agence France-Presse from aliyev.com

⁹¹ Rosett, Claudia. “Commentary: Potentate, Jr.” Wall Street Journal Online. November 6, 2002.

The second form of corruption that is as important and may be easier to change is bureaucratic corruption. We will analyze this type of corruption through the lens of the micro-economic approach to see where these every-day corrupt practices appear in Azerbaijan's bureaucracy: where the entry and exit points are for demanding bribes or exerting influence, and where and when the bureaucracy interacts with the public to see how bureaucrats may demand bribes.

One can find small-scale bureaucratic corruption everywhere: students bribe professors for good grades, while businesses must pay off policemen, inspectors and tax auditors for not complying with the many regulations. Oil revenues disappear into the pockets of oil businessmen and government officials, rather than being used to benefit the general welfare as it has been designated.⁹² I will highlight and analyze the most disruptive forms of corruption, that is, regulatory and economic, as well as a few other illustrations of general administrative corruption.

Corruption in regulatory bodies are an important form of administration corruption. Many legitimate NGO's are often turned down for permission to operate or are kept waiting up to and past two years, stuck in the system, bureaucrats will recognize NGO's connected with government officials, perhaps for a percentage of the profits or a significant bribe. According to Radio Free Europe, an official may not own a business, but his family often own businesses that depend on the "protection and access that the official can grant." Popular business scams include creating an NGO (controlled by a family member) to import supplies duty-free and then sell them at a profit in Azerbaijan

⁹² Ismailzade, Fariz. "Azerbaijan Making Tough Decisions Under IMF Watch." Eurasianet.org. 11/21/02

and the rest of the former Soviet Union. Other scams include acquiring state subsidies for industry and selling off the public goods on the private market.⁹³

Another regulatory and economic form of corruption relates to tax collection and inspections. Businesses have been and may still be subject to unannounced visits by inspectors intent on collecting bribes, though a 1996 presidential decree banned such visits.⁹⁴ Tax inspectors have also been known to demand “advance payments” from companies. Although a new tax code law was passed in January 2001, it is not understood well either by Azerbaijani tax inspectors or by foreign or domestic companies doing business there. The new law does not seem to have ended such unexpected visits.⁹⁵

Licensing, registration and customs are also another source of corruption. According to Ambassador Ross Wilson, licensing and registration often require going to many different agencies to get approval, while customs is seen to apply laws inequitably and unfairly towards third parties.⁹⁶ One might surmise that for registration and licensing this means there are many different agencies in order to get as many bribes from one entire transaction as possible, while for customs it is just a linear state of bribery; those who offer the highest bribes may have their goods inspected less, ensuring a faster time to market, or be able to bring higher amounts of contraband to the black market.

A third form of regulatory corruption is corruption appears in economic bodies. According to the Azerbaijan Ministry of Economic Development, more than 26,000

⁹³ “Country Report: Azerbaijan.” Nations in Transit. freedomhouse.org. 1998. 219. Also: Lecture by Professor John Gould, March 2001.

⁹⁴ Bagirov, Sabit. “Anti-corruption efforts in Azerbaijan.” csw.bg/news. Bagirov, formerly president of the state oil fund during AFP government leadership, is now president of the Entrepreneurship Development Foundation and Chairman of the Board of Transparency Azerbaijan. The presidential decree is dated 17 June 1996, “On strengthening state control over the manufacturing, servicing, financial-crediting activity and banning unfounded inspections.”

⁹⁵ Wall, Tim. “US Envoy To Azerbaijan Stresses Development: A Q&A with Ambassador Ross Wilson.” EurasiaNet. 4/12/02. eurasianet.org/departments/qanda/articles/eav041202.shtml.

⁹⁶ Wall. EurasiaNet. 4/12/02. eurasianet.org/departments/qanda/articles/eav041202.shtml.

small state companies have been privatized since the beginning of the program and many more are making the switch. Foreign businessmen have filed a suit against Aliev and his son on “charges of machinations while carrying out privatization in Azerbaijan.”⁹⁷ The attempted privatization of SOCAR and Aliev’s corruption here makes for an example that can be extrapolated to the rest of government that helps carry out the process of privatization, from vouchers to licensing to registration, etc. Thus privatization offers many entry points where government officials high and low can make easy profits. Officials offer vouchers through a government auction, and may be bought back by political and economic elites in order to hold a majority stake in an industry or a company.⁹⁸

A disturbing manifestation of general administrative corruption in Azerbaijan is related to its national health care. The Azerbaijan Survey of Living Services, conducted by the World Bank, found that up to 50 percent of the very ill were not seeking care because the bribes demanded were too high.⁹⁹ This indicates a dramatic rise in the price of health care, due to a sharp decrease in funding from the state and the loss of universal health care provided during Communism. This follows in traditional micro-economic theory, which indicates that the price will rise in relation to a decrease in profit or a decrease in subsidies. Unfortunately this process has been informal rather than formal, forcing individuals to determine the price of health care themselves through bribes or other benefits to compensate for the higher costs.

⁹⁷ “Azeri Editor Appeals To Council Of Europe Over Authorities' Persecution.” Turan News Agency. 2 Dec 02.

⁹⁸ Hellman, 1998, 226.

⁹⁹ “Azerbaijan: Poverty Assessment.” World Bank Poverty Net. 2-4-1997. poverty.worldbank.org/library/view/8614/.

Another source of general administrative corruption that affects ordinary citizens, though less disruptive, are the public schools. One must pay bribes to get students into and out of schools. Yagub Mamedov, a rector of the medical faculty of Baku University as well as former deputy and former acting president was also known as “Dollar” Mamedov for accepting bribes to allow students into his schools for a lowered entrance university fee.¹⁰⁰ For example, adults must pay a bribe for a child in order to get him or her released from the police holding station, actually a children’s reformatory: Boarding School Number One, as it is known.¹⁰¹ In this case using bribes to gain entrance or exit from schools rather than reforming the price of a school or reforming the school itself impedes the ability of students to get a proper education if a) they cannot pay the bribes or b) cannot pay the fees to leave from a repressive system.

A third example of general administrative corruption is corruption in the army. Money is diverted from the army fund towards other sources. Taisiya Gordeeva, deputy director of the Soldiers' Mothers Association of Azerbaijan, said, “I have discovered that the money from this fund will go toward those military requirements that are supposed to be covered by the state budget. It makes one wonder where the budget money is going.” Civil servants have been “persuaded” to donate a month’s wages to donate to a fund to improve army conditions because there is not enough government money to do so. In addition to an army already weakened by infectious diseases and poor general health, the army gets only the weakest and poorest recruits since other conscripts buy their way

¹⁰⁰ Goltz. 1998. 134.

¹⁰¹ Myasnikova, Alena. “Baku Street Kids: Azerbaijan's media put the number of homeless children in the country at 80,000 and rising. But human rights activists believe even this is an underestimate.” Iwpr.net. Issue 1: October 8, 1999.

out.¹⁰² This type of corruption is important because it leaves Azerbaijan without a strong national defense, one of the essential reasons for creating a state.

Explaining the grip of clientelism on political and bureaucratic elite

Several explanations can be put forth to explain why corruption in the form of clientelism continues to hold Azerbaijan in its grip, in both high and low politics. Baku journalist Elmar Gusseinov, the editor-in-chief of Monitor magazine (now closed down), proposes that it is due to the strength of traditional loyalties. For example, many of Azerbaijan's leaders in the past ten years have come from the Nakhichevan enclave, from Abulfaz Elchibey to Heydar Aliev. Gusseinov said, "A likely explanation for the Nakhichevan phenomenon lies in the tribal values still common in Azerbaijani society. Tribal loyalties still prevail over national ties and the tendency to promote people from within one's own territorial group remains a strong force within all walks of life."¹⁰³

Gusseinov also proposes that laws and habits left over from the Soviet era explain much of the ruling party's grip on Azerbaijan. "[Tribal loyalties] combines with habits entrenched during decades of Soviet rule, where promotion depended on 'nomenclature' status, which in turn depended on the favourable opinion of one's seniors," said Gusseinov.¹⁰⁴ TI-Azerbaijan director Dr. Rena Safarlieva also agrees with this explanation, to a certain extent, who says that many laws are left over from Communist times.

¹⁰² Arnold, Chloe. "Mass Desertion In Azerbaijani Military." RFE/RL 12/11/02. available on http://www.ocnus.net/artman/publish/article_2564.shtml.

¹⁰³ Gusseinov, Elmar. "The Nakhichevan Factor : What is it about Nakhichevan? Although comprising only 10 per cent of the Azerbaijani population, virtually every member of the country's political elite hails from the tiny enclave." Iwpr.net. Issue 7: November 19, 1999.

¹⁰⁴ Gusseinov. Iwpr.net. November 19, 1999.

Others who describe Soviet habits also seem to propose the same explanation. Audrey Altstadt, author of a scholarly article on the development of Azerbaijan, describes this legacy as a “mentality of control,” leading the Azerbaijanis to expect that their republic would be controlled by the “center.”¹⁰⁵

But it is doubtful that clientelism can be explained completely by “tribal loyalties,” Soviet repression or a “mentality of control.” According to Dr. Brenda Shaffer, research director of Caspian studies at Harvard University, “**Azerbaijan** has a much more active civil society than most of the other countries that emerged out of the antidemocratic experiences of Soviet rule.”¹⁰⁶

Much more likely to explain clientelism is the idea that revolutionary movements and times of great instability often produce a domination by the center or one ruling class.¹⁰⁷ In Azerbaijan, the instability of the regime following the break-up of the Soviet Union did indeed lead to a take-over by a former Communist chief Heydar Aliev. As Eisenstadt outlines in his theories on neopatrimonialism, the fragmentation of new political leaders into different opposition parties, the participation of renegade military units and the sudden break-out of war all helped pave the way for a less democratic leader who could impose control, rather than a more democratic leader, which can at times encourage instability and uncertainty (though democracy is supposed to be predictable uncertainty!).

¹⁰⁵ Altstadt, Audrey. “Azerbaijanis Struggle Toward Democracy,” from Conflict, Cleavage, and Change. This was provided by Professor Andrew Hess, but he did not provide me with more specific details about the article.

¹⁰⁶ Shaffer, Brenda. “Young Leader or an Affront to Democracy?” Wall Street Journal. November 12, 2002.

¹⁰⁷ Eisenstadt. 1978. 276-7.

Aliev, like many of his colleagues in the Milli Mejlis and the judiciary, played a role in Communist-era politics and held high positions. Thus they made names for themselves and created connections with each other before the formation of Azerbaijan as a state and were able to re-draw on these connections in attaining high political position in the new state. Aliev, for example, was able to build up political coalitions in the enclave of Nakhichevan and build up enough support to get himself elected or appointed ruler in the enclave, and then from there to build up his support in the rest of Azerbaijan, thus paving the way for him to eventually become leader when Abulfaz Elchibey, the late president of Azerbaijan, could not maintain a grip on citizens during protests in 1993.¹⁰⁸

Roadblocks to Change

Neopatrimonialism seems impossible to change without a wide scale revolution supported by outside forces. And the U.S. certainly can't or won't step in to help directly because of political, economic and ethnic pressures. For one, there is the powerful Armenian lobby which encouraged Congress to pass the amendment to the Support of Freedom Act 907, which blocked aid to Azerbaijan until the Nagorno-Karabakh conflict was resolved.

Another reason is the oil lobby. Presidents Clinton and Bush have curried favor with Aliev to secure U.S. oil companies access to Azeri oil contracts. This was despite a U.S. embargo that prohibited foreign aid to Azerbaijan because of the Karabakh conflict. Bush recently received Ilham Aliev, condoning, at least in the eyes of the Azeri populace and the Azeri state, this inheritance of the presidency and the regime and accepted a

¹⁰⁸ Goltz. 1998.

“house-warming gift” from Aliev at the beginning of his presidency as well as from other countries.¹⁰⁹ Clinton received Aliev several times during his time in presidency, both for the Key West talks over Nagorno-Karabakh but equally to gain favor for U.S. companies to sign oil contracts with the state oil company SOCAR. Then there is a new factor at work as well, this being the U.S. government’s “war on terrorism” and its renewed focus on war with Iraq. In fact, the U.S. embargo against Azerbaijan was lifted temporarily in December of 2001¹¹⁰ in order to get cooperation from this Southwestern Asian country for political backing, airspace and military bases.

It is extremely unlikely to be able to remove corrupt officials and change the entire neopatrimonial system all at once, since ordinary protests are ignored and put down, the president constitutionally has the power to crush popular revolution, and most officials in the system are indebted to Aliev for their jobs.

That said, bureaucratic corruption seems like an easier target to improve ordinary conditions. But there are still factors holding ordinary citizens back from attempting to change low-level and high-level corruption. These include a brutal police force; arrest and harassment of journalists; the banning of lobbying groups; as well as the blocking of registration for NGOs.

Censorship and restrictive media laws are an important block to change. Although censorship practice was officially outlawed in 1998,¹¹¹ journalists who are active in Baku pointing out corruption and abuses of power are subject to arrest,

¹⁰⁹ Gambar, Isa. “Why the Warm Embrace?” Wall Street Journal. November 12, 2002. Gambar is Chairman of the Musavat Party in Azerbaijan.

¹¹⁰ Ahmedova, Aynura. “Azerbaijan: Freeing The Freedom Support Act.” Transitions Online. 2/7/02. Posted on EurasiaNet. eurasianet.org/departments/insight/articles/pp020702.shtml.

¹¹¹ Zeinalli, Natig. “Azerbaijan Report: Journalists Call on Government to Stop Pressuring Media,” RFE/RL. November 22, 2002.

harassment or court trials and may face jail sentences for harming the “dignity” of government officials or bureaucrats – including other journalists who work for the state media. News outlets as well as ordinary businesses can be hit with prohibitive tax penalties if they tangle with the wrong people or publish unfavorable stories on officials.¹¹² And just bringing lawsuits against a newspaper can become a reason to close it down: after seven lawsuits, a newspaper may be shut down, its property confiscated and its employees arrested.¹¹³ There is no bill of rights though there are vague guarantees of the freedom of “mass media.” But this vague right can easily be ignored, as there is another article that protects the “honor and dignity” of the President. Though theoretically journalists have a right to write about corruption, this article, which in fact dates back from the Soviet era, is used to prosecute journalists for muddying his reputation with such accusations.¹¹⁴

Journals which aim to increase transparency in the government and report on corrupt and criminal activities find themselves without support. Monitor, a monthly Russian-language journal that is widely read, spends the bulk of its time on investigating crime and corruption in the government. It has been taken to court 13 times in the past five years as a result of such investigations.

They, as well as other journals and newspapers, face a distinct challenge in that there is nowhere else to go if the government refuses to work with them. There are private printing houses, but either through fear of retribution or government pressure, these houses will not work with a newspaper if it has been harassed by government

¹¹² “Crossroads: Caucasus and Central Asia,” hrw.org.

¹¹³ “Azeri Editor Appeals To Council Of Europe Over Authorities’ Persecution.” Turan News Agency. 2 Dec 02. Available on Business News database of Lexis-Nexis.

¹¹⁴ Article 107 of the Constitution of Azerbaijan. 1995.

officials. In recent months Monitor was highly critical of the recent Presidential referendum to change who would take over the Presidency in case of sickness. Because of its critical views the journal was taken to court, fined 10,000 US dollars and will no longer be able to print as both government printing presses and independent presses would not work with them.¹¹⁵ Other journalists who try to spur on increased political dialogue also find themselves harassed. In November 1999, a television station that aired a Friday night political debate was closed down and some of its staff were assaulted when it became apparent that opposition politicians (one of whom had been the runner-up in the last Presidential election) were criticizing Aliev's policies and politics.¹¹⁶ Foreigners are not allowed to own television stations, thus disallowing shows that might have more political thrust because of outside monies.

Police harass journalists, "persuade" citizens to vote for the New Azerbaijan Party (the ruling party) and protect politicians in power. According to Aydin Ajalov, chairman of the Intibah Democratic Revival Fund, "There has been created a police regime in the country. The number of police bodies in Baku with 1,5 million populations is more than those with 12 million inhabiting in Istanbul."¹¹⁷ The politicians use the police force as a political bodyguard. Independent journalists and members of the Azerbaijan Popular Front, of Musavat and of other parties were arbitrarily arrested in 1997 and 1998; many were beaten and abused. "In August 1997, for example, 30 defendants in a trial of former

¹¹⁵ Fatullayev, Einulla. "New Blow for Probing Azeri Journal: Government renews campaign against opposition magazine with reputation for exposing official corruption. (CRS Number 155, 14-Nov-02). iwpr.net/index.pl?archive/cau/cau_200211_155_3_eng.txt.

Also: "CPJ: Independent Magazine, Editor Harassed." IPR Strategic Business Information Database. August 12, 2002. Accessible from Lexis-Nexis Business News database.

¹¹⁶ Rzayev, Shahin. "The Silencing Of Sara TV: An independent TV station in Azerbaijan remains shut down and its staff on hunger strike a month after armed police stormed the studios after the showing of a programme critical of President Heydar Aliev. (CRS, Number 5, 4-Nov-99) iwpr.net.

¹¹⁷ E-mail correspondence with Aydin Ajalov, chairman of the Intibah Democratic Revival Fund. 4 May 2001.

OPON (special police) members complained of beatings and torture by electric shocks.”¹¹⁸ Police are required to ask for warrants, but police conduct searches and arrests without them. Policemen are not held to the spirit and letter of the international law that says courts are not allowed to take evidence from torture.¹¹⁹

Another factor that holds back reformers is the wage rate of civil servants. Wages are above that of most citizens’ (that is, above the poverty level) but still only equal a few dozen to 50 to 70 US dollars a month.¹²⁰ Though they still get “bonuses” from contract fees in deals made with the Azerbaijani government, this still does not put these bureaucrats much above the poverty level themselves. Thus if they have a chance to make more money and increase their status in society by skimming off licenses, inspections and others, they will use every chance to do so. It is hard to root out bribery without monitoring calls and offices since most bribes are usually demanded in private.

The other problem is that Azerbaijan is a “liquid” economy. Corruption can be easily overlooked or hidden in the state of Azerbaijan because the country does 80% of its deals in cash, easily fostering an underground and illegal economy. Even if one were to begin tracking salaries, cash benefits would not show up on the books. Prosecutors could not therefore establish a paper trail of purchases or business deals to establish a solid corruption case.

Another roadblock to reform is the system of weak property rights. The mayor of Baku uses this weakness to his advantage to carry out his own vendettas and destroy printing presses, mosques, street kiosques and other small businesses in the name of

¹¹⁸ “No Rule of Law in Azerbaijan Abusive Security Forces,” 8/5/99, hrw.org.

¹¹⁹ “No Rule of Law in Azerbaijan Abusive Security Forces,” 8/5/99, hrw.org.

¹²⁰ Cornell, Svante and Ismailzade, Fariz. “Country Report: Azerbaijan.” Nations in Transit. Freedomhouse.org. 2002. p85. Also: Safarlieva, e-mail 4/3/01.

“improvement reforms.”¹²¹ If one is afraid of losing one’s business because of an ‘improvement reform,’ there is little likelihood citizens will report their problems to the media, bring their complaints to court or try to pass anti-corruption laws.

Yet another is the right to assemble or create lobby groups to the government. Because of the Constitutional clause on allowing the president to assume emergency powers if there is rioting, for example, people cannot legally assemble safely and demand their rights in any extended setting; nor can they lobby the Milli Mejlis, as it prohibited. This prevents people from demanding too strenuously that certain groups or people step down in government who are known to be corrupt; nor can they lobby for or call for anti-corruption laws or other measures were they to support such means.

It’s also not necessarily safe to complain about corruption, high or low level, even with foreign backing. Western monitoring groups criticized parliamentary election procedures in November 2000. Shortly thereafter, John Alvis, an American monitor representing the International Republican Institute was found murdered in his own home.¹²²

There is little to do but continue to work for change, in spite of these challenges. Next we will examine how citizens are beginning to work around these obstacles rather than trying to truck through them.

Programs that are working

¹²¹ Hajibeyli, andf-az.org. 4/23-27/01. Eldaroglu, andf-az.org. 4/2-6/01.

¹²² Dobbs, Michael. “Investment in Freedom is Flush with Peril; From Kazakhstan, A Cautionary Tale.” The Washington Post. January 25, 2001.

The economy may be improving, if one believes these statistics: since 1995, stabilization policies have been relatively effective, with inflation in 1996 the lowest in the FSU, the fiscal deficit under control, and growth resuming in 1996.¹²³

Are international and national NGO's the answer? Perhaps. One place where they're looking to increase humanitarian treatment is by training border guards, sponsored by the OSCE. The program has a selection process and sends the participants to Poland to take part in a year-long training session to update their standards and methods in patrolling borders.¹²⁴ This would at least help reduce humanitarian abuses, and perhaps additionally would discourage these guards from taking bribes.

An electoral hotline sponsored by all Azeri NGOs is helping to increase transparency: it publishes its number and its reports of election violations in the local newspaper and gives free legal advice to citizens.¹²⁵

One place, as mentioned above, is the economic arena. The Azerbaijani constitution guarantees "free enterprise" and says it shall "bar the way to monopolization and unfair competition in economic relations." The state oil company itself is a monopoly, as are other state-run services. The state already cooperates with the IMF to maintain a balanced budget; has created an oil fund to be used toward the general public welfare (though admittedly this will be subject to corruption since it is an open fund) and has had its oil fund audited by the American tax company Ernst & Young (though again,

¹²³ "Press Release 96/94: IMF Approves Combined ESAF/EFF Financing for Azerbaijan." International Monetary Fund. December 20, 1996. imf.org/external/np/sec/pr/1996/pr9664.htm

¹²⁴ Press Release: "OSCE's human rights office launches training course for Azerbaijani border guards in Poland." [OSCE Online](http://osce.org/news/generate.php3?news_id=2831). October 24, 2002. osce.org/news/generate.php3?news_id=2831.

¹²⁵ "Electoral Violations Reported to the Azerbaijan Electoral Rights Protection Hotline." [Azerbaijan Election Watch](http://www.azerbaijan-election-watch.org). October 30-November 3, 2000.

in light of recent accounting scandals, it is not far-fetched to imagine that employees might be tempted by bribes or additional advantages gained from “cooking the books”).

The fact that international foundations and economic interests are working together is an important step towards reducing corruption. It seems that oil companies, though they do their share of encouraging corruption, are also aiming to increase good governance and in doing so reduce corruption. BP-Azerbaijan, for example, is working with the Eurasia Foundation (privately managed with “support” from USAID and other sponsors) to give out grants to the Azerbaijan Association of Lawyers, to improve “market-driven legal services” and give them more experience at law firms, new textbooks, etc; to the Association of Certified Accountants, to transition towards international standard financial reporting (which should certainly improve audit standards when called for) as well as to introduce standard accounting knowledge to legislative and executive government branches as well as roundtable discussions on accounting reforms; and to Transparency Azerbaijan, which is focused on directly reducing corruption through introducing laws, and give them money to help establish a coalition against corruption.¹²⁶

Another successful effort to increase transparency and decrease not only corruption but abuse of power, is the joint effort between the Azerbaijan Young Lawyer’s Union (AYLU), the Central European and Eurasian Law Initiative . The cooperation has secured them public service announcements about basic legal rights on eight different

¹²⁶ Press Release: “Eurasia Foundation and BP Azerbaijan Co-fund Over \$75,000 in Grants.” Eurasia Foundation. eurasia.org/news/EF&BP_AzerbaijanGrants_10.25.02.htm. Load date: 12/10/02.

television stations and gotten information about the ombudsman law written up in newspapers.¹²⁷

Evaluation of the TI Proposal and IMF Policies

Transparency Azerbaijan

Keeping challenges to decreasing corruption in mind, one may evaluate Transparency Azerbaijan's proposed program of anti-corruption laws as well as other NGOs programs and their efforts to help reduce corruption, directly and indirectly.

While Transparency Azerbaijan's usual approach falls under "good governance," its proposal for a series of anti-corruption laws equally falls under the heading of the "ethical management" approach, that is, they would like to institute laws to directly end corruption. These laws have languished in Parliament for the past two years. They would directly affect any official holding an elected or appointed position, a representative of a committee organized out of "state reasons," bureaucratic officials in municipal, state and high governmental positions. They specifically prohibit taking bribes; serving on the board of private financial organizations; abuse of status for personal gain; withholding or disclosing incomplete information for the purpose of material gain; or illegally giving advantage to other persons.¹²⁸

There are several reasons why this proposal has not succeeded. As outlined in the first section, one of the weaknesses of the ethical management approach is its very directness. The first reason that it has not succeeded so far is that it strikes at the potential

¹²⁷ "Significant Legal Updates." CEELI Azerbaijan and The American Bar Association. Fall 2001 update. abanet.org/ceeli/countries/azerbaijan/fall2001.html

¹²⁸ "Draft Anti-Corruption Law of the Azerbaijan Republic." Transparency Azerbaijan. Read by Parliament December 29, 2001 but not yet adopted. Provided by Dr. Rena Safarlieva in e-mail correspondence, Thu, 17 Jan 2002 16:11:10.

inheritance and present position of Ilham Aliev (the president's son). If these laws passed, he would not be able to serve both as deputy chairman of SOFAZ and deputy chairman of Yeni Azerbaijan, and by being forced to choose one or another, he would either forfeit his fortune or his potential to become president once Heydar Aliev becomes incapacitated or dies.

The second reason it has failed is that these laws would also threaten the livelihoods and jobs of those in Parliament. It would force officials to disclose offshore holdings; holdings of their spouse or immediate family; their property holdings; and other income. Additionally, the laws would provide for a lawyer to be paid for by taxpayers to investigate and audit these officials to make sure this would be carried out.

While these laws are extraordinarily well-designed according to international standards, they will not succeed while they still directly threaten the highest officials of the government. While Transparency Azerbaijan has the commitment of Parliament and has not been threatened by them in the past, they have equally not been able to push forward these laws to greatly reduce corruption. Thus the main reason that they will not succeed at the present time is that they threaten the interests and power of the executive, of the parliament, as well as of numerous other appointed and elected positions in the government, from municipal to national.

International Monetary Fund

One might also examine the recent inroads of the IMF into economic conditions in Azerbaijan, which falls under the macro-economic approach. The IMF is making strides in re-organizing financial institutions, in pushing the government to streamline its national banks, reduce paperwork and audit government sectors, from SOCAR to

Azerbaijan National Bank. They are also trying to decrease the amount of “implicit subsidies” (read: corruption) paid from sector to sector. They have also reduced conditionality and will focus more on continuous monitoring rather than stopping the program due to missed deadlines, definitely a step in the right direction for IMF programs in general.¹²⁹

Besides fostering growth and development the IMF, in coordination with the World Bank, also aims to reduce poverty. Their recent proposal may not help accomplish this. In order to help balance the budget, the IMF has demanded that the government increase domestic oil prices.¹³⁰ With 70% of the population making below-poverty level wages, increasing domestic oil prices will only increase crime and corruption. Citizens already tamper with gas and oil meters and it is likely they also bribe meter inspectors to overlook such illegalities. Still, the IMF plans to give subsidies only to those citizens or organizations who cannot afford oil or gas, and then cutting their use off after a certain limit. To turn off electricity in a hospital directly threatens the health and welfare of ordinary Azerbaijanis.

From a broader perspective, this proposal could help create a greater black market for electricity or mob run firms that provide energy or energy contracts in the future, as well as increasing everyday bribery everywhere from private homes to schools to hospitals to businesses. Corruption could increase two-fold: since most citizens cannot afford to pay for electricity and organizations such as hospitals already default, this

¹²⁹ “Azerbaijan Republic: 2001 Article IV Consultation, First Review Under the Poverty Reduction and Growth Facility, and Request for Waiver of Performance Criteria--Staff Report; Staff Supplement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Azerbaijan Republic.” International Monetary Fund. Country Report Number 02/40. March 8, 2002. imf.org/external/pubs/cat/longres.cfm?sk=15697.0.

¹³⁰ Ismailzade. Eurasianet.org. 11/21/02.

would increase the amount of bribes paid to leave electricity on, and corruption would increase with new regulations, since the government would have to create a new sector to determine who gets these subsidies.

Besides increasing corruption, this proposal could also contribute to a further decline in living standards and a decrease in the gross domestic product of the national economy.¹³¹ A worse domestic economy increases the prices for such services as health care, social work, schools, etc and while the prices of such services may not formally increase, in real terms it will (see example of corruption in health care above). Thus it is unlikely that the IMF's move will neither help decrease corruption nor decrease poverty, both stated goals of their programs in developing countries such as Azerbaijan.¹³²

It would be better perhaps come at it from a different direction. In terms of macro-economic theory, maybe the IMF should concentrate on fostering development and creating employment rather than seeking to balance the budget. Or what they might concentrate on doing is throwing their weight behind an organization like that of Transparency Azerbaijan's and its proposal that seeks to reduce corruption.¹³³ Just reducing corruption, or reducing the amount of or as its staff says, reduce the amount of "implicit subsidies,"¹³⁴ would probably help refill the coffers of the official government and help balance its budget.

¹³¹ Ismailzade, Fariz. "Azerbaijan Making Tough Decisions Under IMF Watch." Eurasianet.org. 11/21/02.

¹³² Gulieva, Nurlana and Amirova, Leila. "Azerbaijani Power Showdown Looms: Tens of thousands of refugees could be the first to suffer if a row between the government and a Turkish electricity firm over unpaid debts is not resolved. Iwpr.net. (CRS Number156, 21-Nov-02)

¹³³ "Draft Anti-Corruption Law of the Azerbaijan Republic." Transparency Azerbaijan. Read by Parliament December 29, 2001 but not yet adopted. Provided by Dr. Rena Safarlieva in e-mail correspondence, Thu, 17 Jan 2002 16:11:10.

¹³⁴ International Monetary Fund. Country Report Number 02/40. March 8, 2002. imf.org/external/pubs/cat/longres.cfm?sk=15697.0.

Evaluations of Other Programs Combating Corruption and Suggestions for the future

Although it may not be practical to concentrate on passing large-scale anti-corruption initiatives all at once, initiatives more limited in scope can be looked at for models of how to reduce corruption in Azerbaijan. Initiatives can be divided up into several different categories: NGOs, international organizations, bureaucrats and citizens.

Some of the most important aspects to keep in mind when designing a program to reduce corruption are that of communication between competing groups or divisions, whether of government or of similar organizations; cooperation between such groups; and increased transparency or auditing or both.

Domestic NGOs

Two weaknesses often cited about NGOs, whether in Azerbaijan or elsewhere, is the tendency for these organizations to have too far-reaching goals, or to work at cross purposes with each other because they have little access to information about what their compatriots are doing at other similar NGOs. Keeping this in mind, an idea one might apply to Azerbaijani NGOs is a small business initiative successful in Russia. The grant awarded money to create a publication that reports solely on NGO activity.¹³⁵ This keeps the NGOs up to date on what each of the other NGOs are doing. A similar small-business initiative could draw on the Journalist's Trade Union for help so that it wouldn't have to operate in a vacuum. Baku NGOs have actually been doing something along these lines, as they had a conference of NGOs, sponsored by ISAR, for the second year in

¹³⁵ San Martin, C. "Success Story: Asinform." Moscow Regional Office: The Eurasia Foundation. <http://www.eurasia.msk.ru/english/success/civil1.htm>. February 2, 1999.

a row in May 2001, attended by nearly 80 organizations. So even more communication would help to educate the public outside of Baku and apprise those in competition with each other of what they are doing and perhaps increase cooperation.¹³⁶

International Organizations

Those who donate money to Azerbaijan in the form of grants and those who wish to help aid the government in redesigning its structures need to re-prioritize some of their goals if they do intend to reduce corruption and decrease poverty. In light of information about programs run by the IMF, the IRI, the IMF, the World Bank and other international organizations is to pick a specific goal and form a consortium to accomplish that one specific goal, rather than each trying to accomplish a different goal and working at cross-purposes with the other NGOs.

In terms of other policies to follow, one might be to shield election monitors more and encourage different ways of monitoring elections, perhaps utilizing natives as the chief organizers rather than themselves. In terms of other policies, organizations should continue to push for a decrease in regulations, award contracts based on merit (using third parties to monitor bids, such as the IMF is doing) and to continue to obtain government support for reforms.

Bureaucracy

Based on the New Zealand case study, bureaucracies benefit greatly from increased communication among agencies, increasing the chance for review to catch corruption, as well as the chance for someone to leak information to the press.

Bureaucracies also benefit greatly from periodic review of documents and publishing of

¹³⁶ Cornell, Svante and Ismailzade, Fariz. "Country Report: Azerbaijan." Nations in Transit. Freedomhouse.org. 2002. p85.

audits in the general literature, to be available online, at government sites, and easily found.

This can be applicable to evaluating reform of the oil industry as well as other public companies where there has been and where there will be reform. Thus for the oil fund, SOFAZ, which is to be used for reducing poverty, increased auditing and communication with other branches supposedly working with this oil fund and keeping track of where the money ends up going would be helpful.

Taking a look at the organizations that already have an infrastructure in Azerbaijan, one surmises one should depend on those for help rather than creating new ones or new laws.

Yet another suggestion is to limit the scope of operations and concentrate energies on directing monies towards specific purposes rather than allowing the government to have open funds that can be used for anything. For example, at present a certain amount of money goes into an oil fund, designated to be used to decrease poverty in Azerbaijan. One way to reduce corruption would be to ask the government to earmark the funds specifically for increasing the wages of civil servants and police, while simultaneously increasing the penalties for taking bribes. Thus at least one sector of Azerbaijani society would improve their lot, even though, unfairly, they already get more than most Azeri citizens, owing to their positions as civil servants and ability to extract bribes. It would also be wise to ask for a foreign company to audit the fund and track the money going to these civil servants.

Another use of state oil funds that would simultaneously reduce the amount going into high officials' pockets and reduce corruption elsewhere would be to use it to create

initiatives to increase the use of electronic currency – giving initiatives to banks to create ATM's, install scanners at supermarkets, etc. This would allow citizens a greater opportunity to track their money as well as that of officials when trying to build a solid case against corruption.

Yet another suggestion that we can take away from the New Zealand case is to try to indirectly reduce corruption by proposing measures that would switch funding or appointments for offices like the General Prosecutor, the Prime Minister, or more realistically, for more municipal offices, from that of the executive branch to the legislative branch. The executive might still have some say in how the appointment is made and who the candidate is, but would have less direct control, thus reducing the opportunity for a direct asymmetric patronage relationship with the President.

Conclusion

There are several aspects to ponder at the end of the day. One is that repressive regimes may arise in face of instability and conflict, and once instituted, difficult to uproot. Eisenstadt's theory of revolution and neopatrimonialism does indeed continue to hold up under modern tests, despite variations in neopatrimonial regimes established after the break-up of the Soviet Union.

Democratic governance and macro-economic approaches do indeed tell us something about the way governments work and where corruption is instituted, while the ethical management approach seems to fall by the way side, at least in some (not all: Singapore being an exception) strongly dictatorial and patrimonial regimes, where the

support is for corruption rather than against corruption in order to maintain a dominant position in society.

The micro-economic approach seems to be one of the most useful strategies for figuring out how to reduce bureaucratic corruption, in particular regulatory and economic issues. The approach particularly becomes more useful because the micro-economic approach looks at a non-controversial aspects of government, civil service reform. It is also the one approach whose measures may make a significant and fast difference in citizens' lives, unlike the other approaches which may take much longer to institute and meet with greater challenges.

Poverty particularly strikes when the government refuses to institute honest and thorough reformation of government sectors, state ownership and its high political offices, by not allowing ordinary citizen participation and feedback.

However, citizens can and still should establish grassroots organizations, since they may be able to take or push for bureaucratic reforms that directly affect them. These organizations should strive for communication, prioritization and agreement on a common platform of reform and aim to strengthen collaboration at every possible opportunity.

These NGOs should also strive for funding from outside organizations with greater networks that can help them achieve these goals of communication and cooperation. Organizations like USAID, IRI, the IMF, Transparency Azerbaijan, are all examples of organizations that can lend funds or, depending on the organizations' greatest source of funding, may be able to exert a greater pressure on country governments through the support and political will of their own country governments.

And while it seems as though sometimes international organizations may not always be following the correct path to reducing corruption, each step is at least a step to change and an experiment that may lead to new realizations and conclusions for creating a more successful campaign in the future, especially as regards the host country they are working in. The IMF, while heavily criticized in the past ten years, has begun to evaluate its own policies using an outside independent organization under the auspices of the IMF; while Transparency Azerbaijan continues to evaluate and propose new programs and laws in light of its own experiences there and its connection to other Transparency branches around the world which are helping create lists of “best practices” to help each other in the future.

Azerbaijan has great prospects for the future, economically and socially. It has a very active citizenship that will hopefully soon accomplish reforms in civil service and, one hopes, will fully participate in a more egalitarian government in the future, as they did for a short period of time. It is also hoped the potential for conflict will be lessened so that the Azeri people do not have to resort to finding leaders just for their ability to control the government and renegade military leaders given more power because of an on-going conflict. The resolution of Nagorno-Karabakh will not only help to lessen the need for a patrimonial system, it will increase chances for greater trade and transparency in general in that area of the world.

Economically, because of Azerbaijan’s access to oil as well as its varied agricultural climate and its location in the Caucasus , Azerbaijan has the potential not only to become more powerful in the world economy and to be a prosperous country. Not only does it possess great oil reserves, but can be the middleman between Iran and

Russia, as well as between Armenia and Georgia; and it has a great potential not only to feed its people but to be an export supplier of much-clamoured for exotic fruit, as it was during Soviet times.

Thus, in conclusion, Azerbaijan presently faces huge obstacles to doing business and to liberty. It will continue to improve its prospects in the future, however, with continued stability as well as continued international funding, investment and citizen participation. The perseverance of all those working in Azerbaijan to continually institute new programs and press for governmental reforms will eventually pay off. Corruption will never completely vanish, but one may predict that corruption will gradually decrease in Azerbaijan.