

By Shahin Abbasov*

Elshan Aydinov, a 30-year-old Baku resident, decided to take part in a municipal auction of land so he could buy a plot of his own in the town of Xirdalan. The State Committee for Land (SCL — *Dövlət Torpaq Komitəsi*) told him that the municipality was obliged by law to show him the land to be auctioned. However, Eldar Ahmadov, chairman of Xirdalan municipality, refused to do so.

The municipal chief privately explained to Elshan that there was not one single hectare of free land in Xirdalan, and that this auction was a mere formality. “He told me that the law requires sale of land at auctions. However, all pieces of land had already been sold illegally in advance, and this farce they called an ‘auction’ was held only to legalize the actual deals,” Elshan said.

Elshan feels it is absurd to participate in an auction if you have not seen the lot you intend to buy, and then hear from an involved official that the auction is just a show. His complaints to the State Committee for Land, the Ministry of Justice’s Center of Local Government, and to the Anti-Corruption Department at the Prosecutor’s General Office (ACD — *Baş Prokurorluq nəzrində Korrupsiya ilə Mübarizə Departamenti*), were in vain.

Hence, Elshan boycotted the auction, where only three offers were eventually made. One 400-square-meter lot was sold for 1,400 manats (US\$1,473), only 100 manats more than the initial price, while its real market value was several times higher. “Everything happened as the municipal chief told me it would — the land was bought by a man who had used it for several years already, but failed to privatize it before,” said Elshan.

Rovshan Agayev, deputy chairman of the non-governmental Center to Support Economic Initiatives (CSEI — *İqtisadi Təşəbbüslərə Yardım Mərkəzi*), believes that the new procedural reform of 2009, which abolished direct sales of municipal lands and introduced the auctions, failed to meet the expectations that it would lead to fairer competition. “At four auctions that have been conducted since January, land was sold at a price much lower than its market value,” he says.

As a result of the monitoring performed by his group, he concludes that allegations of widespread bribery at such auctions are true. As a possible remedy, he suggests that residents of villages where the lands are being auctioned should be allowed to participate in the process. Furthermore, the auctions should be conducted in the

neighborhood where the lot is located, instead of at regional administrative centers, as is done now.

Corruption in other areas

Government measures to fight corruption in municipalities highlight the poor image of locally elected authorities. In March 2009, Zafar Mammadov, chairman of Xocasan village municipality, was arrested on charges relating to illegal land sales. In June, the Office of Prosecutor General (OPG — *Baş Prokurorluq*) launched a criminal investigation against Ahmad Huseynov, the chairman of Baku's Sabail District Municipality. Huseynov was arrested and charged with abuse of power regarding land sales.

Monitoring of municipal activity from January to June 2009 by the Ministry of Justice revealed alleged violations of the law in the work of 15 municipalities. These violations resulted in losses of \$12.4 million dollars to the state.

According to Kamran Aliyev, chief of the ACD at the Prosecutor General, 55 criminal cases related to corruption have been launched between January and June 2009. He said areas such as municipalities, education, healthcare and social protection suffered most from corruption. So far, however, only low- and mid-level bureaucrats have faced corruption charges.

In August 2008, a group of high-ranking officials of the Anti-Monopoly Department under the Ministry of Economic Development (AMD MED — *İqtisadi İnkişaf Nazirliyi Nəznində Anti-İnhisar Departamenti*), including its head, Samir Dadashov, were arrested for alleged bribery. In the end, all of them suffered little punishment. Dadashov was soon released and the criminal case against him was terminated.

Three other officials, including Dadashov's deputy, were sentenced to two years of conditional term, which allowed them to be released a month later with restrictions on travel and election participation. Meanwhile, in 2007, Mushfiq Huseynov, a journalist for the newspaper *Bizim Yol*, was sentenced to five years imprisonment for bribery.

How far does it go?

According to the results of an expert opinion poll conducted in November-December 2008 by the non-governmental Center for Economic and Political Research (FAR Center — *İqtisadi və Siyasi Araşdırmalar Mərkəzi*), corruption in Azerbaijan is endemic and widespread, while

the fight against it is weak. The corruption reaches into such areas as protectionism, bribery, abuse of power in government procurement, and the bureaucrats' involvement in private business.

Independent experts doubt that the government makes efficient use of its funds. "There is no transparency in the distribution of budgetary funds. Oil revenue allows the government to spend huge resources on public investment projects with almost no accountability," CESI's Rovshan Agayev said.

The ongoing construction of the Oguz-Qabala-Baku water pipeline is one example. The project turned into a protracted construction that was funded by the State Oil Fund of Azerbaijan (SOFAZ — *Azərbaycan Respublikası Dövlət Neft Fondu*). Initially, the whole construction project was projected to cost \$598 million dollars and be completed in 14 months. It began in March 2007, but is still unfinished. In March 2009, the project received an additional \$125 million dollars from SOFAZ. No official reasons for the delay and rising costs have been presented to the public. A journalistic investigation of subcontracting for this project also revealed a lack of transparency and any relevant tenders.

According to Zohrab Ismayil, chairman of Public Association for Assistance to Free Economy (PAAFE — *Azad Qətişədiyyata Yardım Oçtimai Birliyi*), in 2005 the construction costs of 208 kilometers of the Baku-Russian border highway were estimated at 312 million dollars. "Now, according to the Ministry of Transport, the expenses for the same road have already exceeded 1 billion dollars and will reach 1.2 billion dollars by the end of year," Ismayil said.

Ismayil cited a dearth of transparency in the government purchase of city buses. The Ministry of Transport bought them from private companies without proper tenders. Questionable pricing of the buses is also a matter of concern. "MAN" buses that were imported from Germany in 2008 had been cleared at customs for an average cost of US\$34,500 per bus. But according to the Ministry of Transport, each bus cost US\$150,000. Zohrab Ismayil believes that import prices had been intentionally lowered to decrease budget taxes.

Alimamed Nuriyev, coordinator of the NGO Anti-Corruption Network (ACN — *Anti-Korrupsiya Şəbəkəsi*) agrees that the transport sector is one of the most corrupt in the country, and the problems are not limited to those who are in authority. However, Nuriyev notes that the government

has taken some positive measures to deal with corrupt practices in other areas, for example the issuing of passports for foreign travel. Police continue to handle the issuing of foreign passports, but the system now is more sophisticated and people don't need to pay bribes to speed up the process.

Fighting corruption: just the beginning

On June 22, 2009, President Ilham Aliyev signed a decree titled *On Strengthening of the Fight against Corruption in the Areas of State and Municipal Property and Funds Management*. The decree orders more state control in the areas of government efficiency and municipal funds. Regarding another important measure that was presented in 2009, the State Customs Committee (SCC — *Dövlət Gömrük Komitəsi*) introduced a “one window” system at the border to facilitate the processing of documentation.

Also in 2009, the parliament approved the law called *On the Fight against Money Laundering and Terrorism Finance*.” According to the law, the State Financial Monitoring Center (SFMC — *Dövlət Maliyyə Monitoring Mərkəzi*) is being established under the authority of the Central Bank. The parliament also amended the legislation on ethical standards for the bureaucracy.

Experts say that implementation of legislation is still a problem. “For example, the law on freedom of information is not being implemented properly. In addition, we sent an official inquiry concerning the use of budget funds by the Interior Ministry to its deputy minister. The deputy minister replied that they cannot disclose such information to the public,” Rashid Hajily, director of the non-governmental Media Rights Institute (MRI — *Media Hüquqları İnstitutu*) said.

Despite some formal measures to reduce corruption, there have been no breakthroughs. If anything, an annual public opinion poll conducted by Puls-R Company in January and February 2009 shows that, for the first time, respondents have named corruption as one of the top three most important problems in Azerbaijan, behind the Nagorno-Karabakh conflict and poverty.

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