

Azerbaijan

2015 Country Summary

Recommendations

Azerbaijan's GI ranking in Band E places it in the very high risk category for corruption in the defence and security sector. The highest risk areas are Procurement and Operations, which fell in Band F (critical risk of corruption).

Legislative Oversight

The constitution of Azerbaijan formally affords Parliament - the Milli Majlis – the power to oversee and scrutinize defence policy. In practice, however, the legislature lacks independence and influence. Key decisions regarding defence policy are usually made by executive order rendering Parliamentary debate on defence issues a largely symbolic enterprise. Parliament had little to no influence over the country's National Security Concept, adopted in 2007, nor its official Military Doctrine, adopted in 2010. While the Milli Majlis has a legislative committee that exercises budgetary oversight over national defence issues, Parliament plays virtually no role in shaping the budget and does not amend it.

We recommend that the Government enhance legislative oversight by relying less frequently on executive orders. To oversee the defence sector more effectively, we recommend that Parliamentary committees be granted more extensive oversight powers: they should have access to a fully detailed defence budget and internal audit reports; be able to call expert witnesses and scrutinise defence agencies and institutions; meet regularly; and publish reports on their activity.

Budget Transparency

The state budget released annually by the Milli Majlis lacks detail and provides only aggregated sums. While Azerbaijan increased its defence spending by 27% in 2015, little information is available regarding how spending has been allocated. Azerbaijan publishes how much money is spent on defence and "applied research in the field of defence and security;" yet no information could be found on how much money is spent on acquisitions or the disposal of assets.

In addition, there is little evidence of effective internal or external audits. While Azerbaijan passed the Internal Audit Act in 2007 to establish an internal audit system, the country has yet to fully implement it. With regards to external audits, there is no available evidence that defence or security spending has ever been audited by the public auditor or another body. We recommend that the government publish an annual defence budget that includes detailed information on expenditure across functions. It should also include publish more

information on its sources of defence income and the asset disposal process. The government should increase its efforts to implement the Internal Audit Act and subject defence spending to external auditing by the Court of Auditors.

Procurement

Azerbaijan has extensive formal legislation surrounding procurement procedures and protocols. The 2001 Public Procurement Law (2001), for example, details the basic standards of transparency and competition for the country's acquisition and tendering, while the 2012-2015 National Anti-Corruption Plan has a section devoted to standards in procurement and calls for a national public procurement plan. Additionally, Azerbaijan's central procurement, State Procurement Agency (SPA), has formal powers of oversight regarding procurement decisions. Nonetheless, evidence suggests that formal legislation is not effective. Not only do procurement agencies not publish their procurement plans, there is evidence that rules are frequently broken. The government has begun publicly listing Request for Information/Request for Quote about tenders on a website (as stipulated in the National Anti-Corruption Action Plan), but the information is largely incomplete and opaque. The SPA, while it has many functions, it doesn't have the tools necessary to sanction fraud and monitor effectively. The defence procurement cycle process - from assessment of needs, through contract implementation and sign-off, all the way to asset disposal - is not fully disclosed to the public.

We recommend that the government enhance the powers of the SPA to sanction companies for malpractice and that the defence procurement cycle be disclosed to the public.

Scorecard

Political	Defence & Security Policy	Legislative Scrutiny	1
		Defence Committee	1
		Defence Policy Debated	1
		CSO Engagement	0
		International AC Instruments	2
		Public Debate	0
		AC Policy	2
		AC Institutions	1
		Public Trust	2
		Risk Assessments	0
	Defence budgets	Acquisition Planning	1
		Budget Transparency & Detail	0
		Budget Scrutiny	1
		Budget Publicly Available	0
		Defence Income	0
		Internal Audit	0
		External Audit	0
	Other Political Areas	Natural Resources	2
		Organised Crime Links	3
		Organised Crime Policing	1
Intelligence Services Oversight		0	
Intelligence Services Recruitment		1	
Export Controls		0	
Finance	Asset Disposals	Asset Disposal Controls	1
		Asset Disposal Scrutiny	
	Secret Budgets	Percentage Secret Spending	0
		Legislative Access to Information	0
		Secret Program Auditing	0
		Off-budget Spending in Law	0
		Off-budget Spending in Practice	2
		Information Classification	2
	Links to Business	Mil. Owned Businesses Exist	4
		Mil. Owned Business Scrutiny	
Unauthorised Private Enterprise		2	
Personnel	Leadership	Public Commitment	1
		Measures for Corrupt Personnel	2
		Whistleblowing	0
		Special Attention to Sensitive Personnel	0
	Payroll and Recruitment	Numbers of Personnel Known	0
		Pay Rates Openly Published	0
		Well-established Payment System	2
		Objective Appointments	1
		Objective Promotions	1
	Conscription	Bribery to Avoid Compulsory Conscription	1
		Bribery for Preferred Postings	1
	Salary Chain	Ghost Soldiers	2

		Chains of Command and Payment	1
	Values, Standards, Other	Code of Conduct Coverage	1
		Code of Conduct Breaches Addressed	1
		AC Training	0
		Prosecution Outcomes Transparent	2
		Facilitation Payments	2
Operations	Controls in the Field	Military Doctrine	0
		Operational Training	0
		AC Monitoring	1
		Controls on Contracting	0
		Private Military Contractors	1
Procurement	Government Policy	Legislation	1
		Transparent Procurement Cycle	1
		Oversight Mechanisms	1
		Purchases Disclosed	1
		Standards Expected of Companies	1
	Capability Gap	Strategy Drives Requirements	0
		Requirements Quantified	0
	Tendering	Open Competition v. Single-Sourcing	1
		Tender Board Controls	0
		Anti-Collusion Controls	1
	Contract Delivery / Support	Procurement Staff Training	1
		Complaint Mechanisms for Firms	1
		Sanctions for Corruption	0
	Offsets	Due Diligence	0
		Transparency	0
		Competition Regulation	0
	Other	Controls of Agents	0
		Transparency of Financing Packages	0
		Subsidiaries / Sub-Contractors	0
Political Influence		1	