



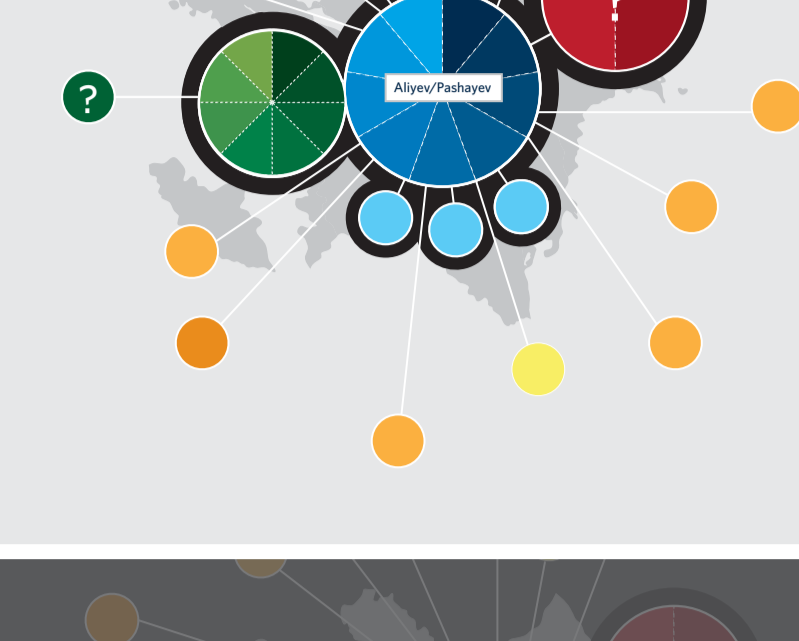
# The Structure of Corruption in Azerbaijan

Sarah Chayes

Azerbaijan presents a fairly clear example of a single dominant network, with some separation between the networks controlled by the families of President Ilham Aliyev and his wife, Mehriban Pashayeva Aliyeva. Aliyev must manage and occasionally discipline competition, however, as in the October 2015 purge of the Ministry of State Security. This network is vertically integrated in a remarkable way: observers describe what they call a bribe-pooling system, whereby bribes and spurious fines extorted at a street level are sent upward and pooled centrally, and then a portion is redistributed back down in the form of so-called envelope salaries. The networks are also horizontally integrated, especially into massive holding companies that are composed of subsidiaries in a variety of lucrative economic sectors.

## Kleptocratic Network

- Government elements
- Lower officials
- Criminal elements
- Private sector elements
- Active facilitators
- External enablers
- Enabling conditions



## AZERBAIJAN Government Elements

The elements of state function that are key to Aliyev/Pashayev network operations include most of the main ministries, especially:

- Ministry of Energy**  
In particular the State Oil Company of the Azerbaijan Republic (SOCAR), the national oil company.
- Ministry of Internal Affairs**  
Controls the police. In particular, the specialized unit on organized crime and the Special State Protection Service.
- State Security Service**  
One of the two reconstituted intelligence agencies that were left after the December 2015 dissolution of the Ministry of National Security.
- Judicial Branch**  
Including the prosecutor general. Widely seen to provide justice for sale, reducing sentences or fines and “disappearing” evidence for payment. Also relied upon by the Aliyev network to discipline dissidents or recalcitrant or independent-minded network members.
- Ministry of Taxes**  
Presses tax-evasion charges. The minister, Fazil Mammadov, also plays a role in structures controlling at least one of the Aliyev’s conglomerates, Ata Holding.
- Customs Committee**  
A cabinet-level office, seen to protect Aliyev/Pashayev-linked monopolies.
- Army**  
Some close Aliyev/Pashayev associates hold high positions. Even the threat of force becomes a powerful coercive tool.
- Ministry of Emergency Situations**  
Charged with protecting the population from natural and man-made disasters. Oversees security installations and mining and oil facilities, as well as construction licensing. Disposes of significant infrastructure contracts. Ties to Customs Committee.
- Central Election Commission**  
Believed to execute various forms of electoral fraud, such as carousel voting, and to ensure participation by civil servants, including teachers.

## AZERBAIJAN Private Sector Elements

The main private sector network elements include:

- Banks\***  
Such as Ata Bank, Kapital Bank, Pasha Bank, and Silk Way Bank.
- Construction\***  
DIA Holding, Pasha Construction (part of Pasha Holding), and Silk Way Construction, for example. Offshore companies such as Arbor Investments, LaBelleza Holdings, the Harvard Management Ltd., and the DDLAR Group controlled by children of the Aliyevs or other senior officials have also won major construction bids.
- Oil and gas supply chain**  
Including contractors for such state-owned companies as SOCAR and Azerenergy—often overlapping with construction companies listed above.
- Mining**
- Telecommunications**  
Especially Azerfon.
- Tourism and hospitality**  
Such as AtaTravel and Excelsior Hotel Baku, also part of Ata Holding.
- Charity**  
Especially the Heydar Aliyev Foundation.
- Food processing**  
Via Azersun Holding, for example, controlled by Aliyev confidants Hassan and Abdolbari Goozal.
- Turkish business interests?**

\*Note: These large holding companies often include several subsidiaries, extending into different sectors of the economy. Construction and banking are particularly tightly interwoven.

## AZERBAIJAN Criminal Elements

While no documentary evidence has been found proving links between the Aliyev/Pashayev network and drug or human trafficking, interviews with law enforcement personnel indicate collusion. The networks’ control of other lucrative activities is suggestive.

- Drugs?
- Human Trafficking?

## AZERBAIJAN Active Facilitators

Some significant external facilitators are:

- Law firms and business registry services**  
Provided by specialized firms such as Malaysia-based Naziq & Partners, or Portcullis in Singapore, or London-based Child & Child.
- Offshore banks**  
The key locations where corrupt Azerbaijani officials keep their money include Britain (London and the British Overseas Territories), the Czech Republic, Dubai, Malta, Switzerland, Turkey, and the United States.
- Shell company domiciling**  
Some Aliyev-linked companies have been reported to be domiciled in the British Virgin Islands, Dubai, and Singapore.

## AZERBAIJAN External Enablers

The main external enablers are:

- International oil and gas industry**  
Given the role played by the oil revenues in enriching members of the Aliyev/Pashayev networks, this industry serves as an important enabler, wittingly or not. Key companies invested in Azerbaijan include BP, Chevron, ExxonMobil, Türkiye Petrolleri AO, and Japan’s Inpex and Itochu. France’s Total is expanding activities in the gas sector. Contractors such as KBR that do business with SOCAR can be included in this category.
- European organizations**  
These organizations, including the Council of Europe, have bolstered Azerbaijan’s image through high-visibility events such as the European Games and Eurovision Song Contest, held in Baku in 2015 and 2012, respectively. The construction projects associated with these events were largely captured by network-linked businesses.
- Washington lobbyists**  
Azerbaijan has been a high spender among foreign countries lobbying in Washington, but the main lobbyist, Anar Mammadov, son of powerful Transport Minister Ziya Mammadov, curtailed his U.S. operation in 2015. Azerbaijan’s embassy or other entities such as SOCAR USA have retained the Podesta Group, Roberti Global, Bob Lawrence & Associates, and others. The Azerbaijan America Alliance has also been active and works closely with the Congressional Azerbaijan Caucus. As is the case with European officials, U.S. officials are often wooed with generous trips, or offers of caviar.
- International construction companies**  
Notably UK businesses.
- Western real estate agents**  
Corrupt Azerbaijan officials buy property in Britain, Switzerland, and Turkey, among other countries.
- Russia**  
Azerbaijan’s chief weapons supplier (Israel also cooperates with Azerbaijan on defense and intelligence).
- Turkey**  
Plays a significant enabling role, most visibly in its partnership in the Baku-Tbilisi-Ceyhan oil pipeline and the agreement for a new trans-Anatolian pipeline. This infrastructure is meant to secure Azerbaijan’s position as a non-Russian supplier of gas to Europe, while Turkish companies executing pipeline-related projects are believed to be paying kickbacks to the Ministry of Emergency Situations among others, and might be considered external network members.
- Georgia**  
To the extent that Georgia has made it somewhat more difficult for Azerbaijanis—especially activists—to travel back and forth or stay safely in Georgia, it is enabling Azerbaijani corrupt practices.

## AZERBAIJAN Enabling Conditions

The main enabling conditions are:

- European desire for non-Russian sources of energy.**
- Simmering conflict with Armenia over Nagorno-Karabakh.**  
Opportunity to distract the population and increase restrictions on civil liberties.
- Access to statutory salaries of civil servants.**  
Can be tapped in times of a budget shortfall.

## AZERBAIJAN Revenue Streams

In most resource-based kleptocracies, some revenue is stolen at the source—through theft and smuggling of the actual resource or siphoning of the royalties before they even reach government coffers, or both. Once on-budget, remaining resource revenues are further siphoned off via bid-rigging and other forms of corrupt public procurement.

