

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/350377077>

# The Political Effect of Oil Revenues in Azerbaijan: Repression

Article in SSRN Electronic Journal · January 2021

DOI: 10.2139/ssrn.3787092

---

CITATIONS

0

---

READS

10

1 author:



Gubad Ibadoghlu

The London School of Economics and Political Science

52 PUBLICATIONS 57 CITATIONS

SEE PROFILE

# The political effect of oil revenues in Azerbaijan: repression

*About the Author: Gubad Ibadoghlu, Senior Policy Analyst for social and economic studies at Azerbaijan's Economic Research Center, a Baku-based NGO that promotes economic development and good governance.*

***A significant share of the state budget of Azerbaijan is spent on the welfare of those participating in repressions and falsification of elections. Thus, the regime puts these groups under its control and increases the repressive impacts of oil revenues.***

The 2019 state budget is predicted to receive 11 billion 364 million AZN (6.684 billion dollars) from the State Oil Fund. With taxes paid by State Oil Company of the Azerbaijan Republic (SOCAR) and the Azerbaijan International Operating Company (AIOC), oil revenues make up 60% of the total state budget. What are these funds are spent on?

The largest portion – about two thirds - of the state budget of Azerbaijan is spent on investments, social protection, administration, and defense expenses. In 2019, a significant part of the budget has been allocated to social programs. Let us examine these programs and who are they benefitting?

According to the official statement<sup>1</sup>, the total value of the social programs in 2019 is 2.3 billion AZN (1.353 billion dollar), and is going to be 3 billion AZN (1.765 billion dollar) in 2020.

The Opinion of the Chamber of Accounts on the annual report on the execution of budget for 2018 of State Oil Fund of the Republic of Azerbaijan demonstrate that 7196,5 million AZN (4.233 billion dollar) was allocated for social expenses in 2018 - 7.6% more than the previous year.

Salaries amounted to 61.3% of these expenses and have increased by 11.5% in 2017, in comparison with the previous year. In 2018 the expenditure related to salaries equaled 4411,4 million AZN (2.594 billion dollar). In 2019, these expenses are set at 6711,5 mil. AZN (3.947 billion dollar), while in 2020 this figure will be 7411,4 million AZN (4.359 billion dollar). That means that in 2019 the expenses related to salaries would have an increase of 52.1% in comparison with 2018, while in 2020 this figure will increase by 68%. Who is benefiting from these increases?.

In 2019 the minimum salary has increased approximately two-fold and grown from 130 AZN (76.5 dollar) to 250 AZN (147)<sup>2</sup>.

---

<sup>1</sup> <https://president.az/articles/33941>

<sup>2</sup> <https://fed.az/az/dovlet/70978/prezidentin-keciridiyi-musavire-tam-metn>

## **Government workers**

Starting September 1, 2019, salaries of government employees have increased, on average, by 40%<sup>3</sup>.

For example, starting in September, the monthly salary of the chairman of the Central Election Commission (CEC) became 3060 AZN (1800 dollar) (5.25 times higher than the nominal average salary in the country), the monthly salary of the deputy chairman became 2845 AZN (1673 dollar) (4.88 times higher than the nominal average salary in the country), the monthly salary of the secretary became 2110 AZN (1300 dollar) (3.6 times higher than the average salary in the country), and the monthly salary of the CEC member became 1920 AZN (1130 dollar) (3.3 times higher than the nominal average salary in the country)<sup>4</sup>.

Such an increase of compensation for government employees and administration and members of CEC is aimed at “stimulating” their work.

The vast majority of employees of the Central Election Committee and the Constituency Election Committees are representatives of the ruling party. These committees have been perceived as falsifying elections throughout the 26-year rule of the Aliyev family at all levels: municipal, parliamentary and presidential<sup>5</sup>.

According to the ODIHR Election Observation Mission Final Report on Early Presidential Election dated on 11 April 2018, International Election Observation Mission observers assessed negatively more than half of the vote counts they observed, largely due to an obvious disregard for prescribed procedures or deliberate falsifications, including of results.<sup>6</sup> It is easy to see political reasons behind such a sharp increase of salaries.

## **Teachers**

At the same time, based on the presidential decree, salaries of teachers have increased by 20% in average<sup>7</sup> starting September 1 2019 – also a politically motivated move.

Majority of members of the Constituency and Precinct Election Commissions are heads and employees of state schools. Elections falsifications are mainly conducted with their direct participation.

---

<sup>3</sup> <https://novator.az/2019/06/19/maas-artimi-s%C9%99r%C9%99ncamlari-2/>

<sup>4</sup> <https://president.az/articles/33594>

<sup>5</sup> <https://www.osce.org/odihr/elections/azerbaijan>

<sup>6</sup> <https://www.osce.org/odihr/elections/azerbaijan/388580?download=true>

<sup>7</sup> <https://banco.az/az/news/muellimlerin-maaslari-20-faiz-artirildi>

On the contrary, healthcare workers, despite being only a small portion of state budget , have not seen an increase insalaries.

According to the State Statistics Committee, on January 1 2018 the average salary of those working in healthcare and social services was 222,5 AZN (130,5 USD), while the average salary of the education workers was 322,2 AZN (190 USD). Throughout 2018, there was no registered increase of salaries of both groups financed from the state budget. Despite the fact that health workers received a smaller base salary than teachers, it is the education sector that received a 20% increase in salaries in September 2019. This demonstrates that the State policy is not based on the value of labor and assessment of needs.

### **Journalists and NGOs**

The government makes media outlets and non-governmental organizations rely on state support by generously financing their participation in propaganda.

The State Council on State Support of NGOs has spent 29,564,070 AZN (17,4 mln. dollar) to finance NGOs in connection with 3906 projects in 2008-2017<sup>8</sup>.

In 2010-2015, 76 million AZN (44,7 mln.dollar) was allocated to the media by the Reserve Fund of the President through the State Fund on Development of Media Outlets (SFDMO)<sup>9</sup>.

Along with that, in 2010, Ilham Aliyev signed a decree<sup>10</sup> on measures to strengthen the social protection of media workers of Azerbaijan. On the National Media Day, 22 July 2013, 15 journalists and newspaper editors received apartments as gifts. A 17-floor, 2 block, 156 unit building was built through State means.

In 2013 the president signed a decree on the construction of a second building for journalists. Contact.az reported that that a 255-apartment building was to be built within two years<sup>11</sup>. Currently, 411 journalists live in that building. Along with that, the construction of the 3<sup>rd</sup> building, which will provide free housing for journalists, has started and its is expected to be completed in 2020.

---

<sup>8</sup> <http://www.cssn.gov.az/index.php?lang=az>

<sup>9</sup> <http://kivdf.gov.az/>

<sup>10</sup> <http://www.e-qanun.az/framework/19901>

<sup>11</sup> <https://d9mc3ts4czbpr.cloudfront.net/az/article/mediaya-xerclenen-budce-pullari-azerbaycan-prezidenti-metbuati-nece-satin-alir/?ref=article-related-artciles>

According to the SFDMO report<sup>12</sup>, 22,396,316 AZN (13,174 mln.dollar) has been spent on construction of the first building, while 34 million AZN (20 mln.dollar) was allocated for construction of the second building.

## **Court and police**

On September 1, 2019 salaries of court, law-enforcement and special services employees increased significantly by 40%. This increase of their already high salaries further binds the employees of the law-enforcement and special services to the State government.

The State Statistics Committee does not reveal information about average salaries of the law-enforcement and special services. However, based on personally received information, it is possible to say that the average salary of a policeman in Azerbaijan is 1,5-2 times higher than the State University professor salary and at least 5 times higher than a doctor salary.

These salary increases allow for the claim that a large portion of the oil revenues in the budget is spent on improving the social welfare, when in fact it can be seen as being used to entrench the current regime. In this way, the regime puts both groups under its control and increases the repressive effect of oil revenues.

The increase of salaries of law-enforcement and special services can be linked to them being pivotal in repressions against the opposition, independent experts, independent journalists and bloggers.

Those who receive high salaries, awards, and rewards could be more vested in prolonging the life of the current regime.

---

<sup>12</sup> <http://kivdf.gov.az/>