

WORLD RANK:

75

REGIONAL RANK:

37

ECONOMIC FREEDOM STATUS:
MODERATELY FREE

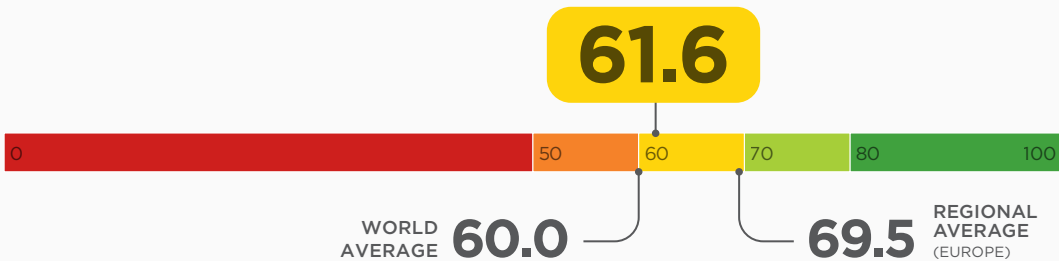
AZERBAIJAN

Azerbaijan's economic freedom score is 61.6, making its economy the 75th freest in the 2022 *Index*. Azerbaijan is ranked 37th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Azerbaijan's economic growth accelerated from 2017 through 2019, turned negative in 2020, and rebounded in 2021. A five-year trend of expanding economic freedom has been broken. Dragged down by decreases in its scores for **judicial effectiveness**, **government integrity**, and **labor freedom**, Azerbaijan has recorded a 2.0-point overall loss of economic freedom since 2017 and has fallen from the "Mostly Free" category to the "Moderately Free" category. Tax burden and **fiscal health** are strong, but rule of law and **business freedom** exhibit weaknesses.

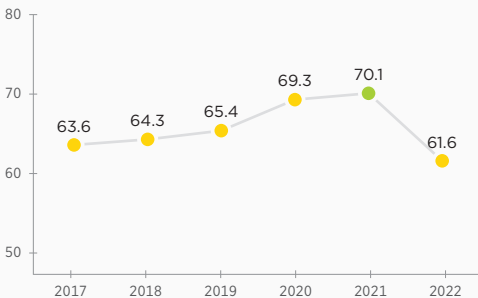
IMPACT OF COVID-19: As of December 1, 2021, 7,884 deaths had been attributed to the pandemic in Azerbaijan, and the government's response to the crisis ranked 99th among the countries included in this *Index* in terms of its stringency. The economy contracted by 4.3 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +31.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.1 million

GDP (PPP):
\$145.8 billion
-4.3% growth
in 2020
5-year compound
annual growth -0.7%
\$14,431 per capita

UNEMPLOYMENT:
6.3%

INFLATION (CPI):
2.8%

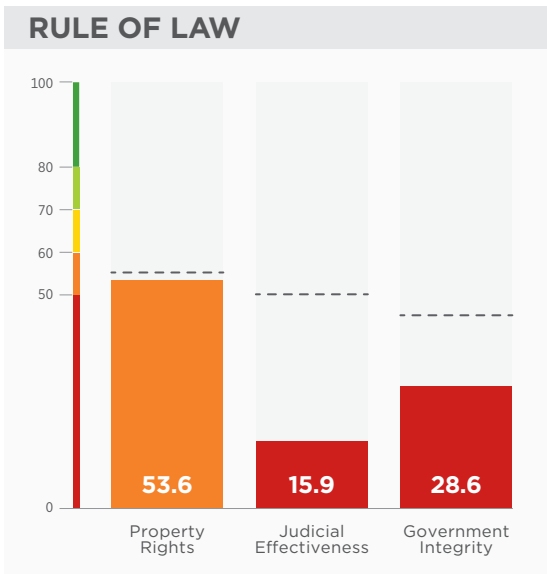
FDI INFLOW:
\$507.0 million

PUBLIC DEBT:
21.4% of GDP

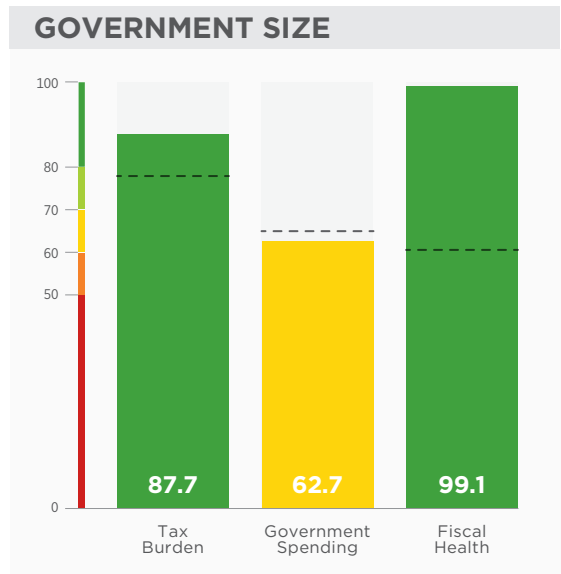
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: President Ilham Aliyev was elected to a fourth term in 2018 amid allegations of electoral fraud. His father, Heydar, ruled Azerbaijan as a Soviet republic and later as an independent country until his death in 2003, when his son succeeded him. Armenia's decades-long occupation of parts of Azerbaijani territory ended after more than six weeks of heavy fighting in 2020 when both sides agreed to a Russian-backed peace plan. Efforts to boost Azerbaijan's energy production are underway. Construction of the Southern Gas Corridor, a pipeline transporting gas from Azerbaijan to European customers, was completed in 2020. Some non-energy segments of the economy, such as agriculture, logistics, and information technology, require more development.

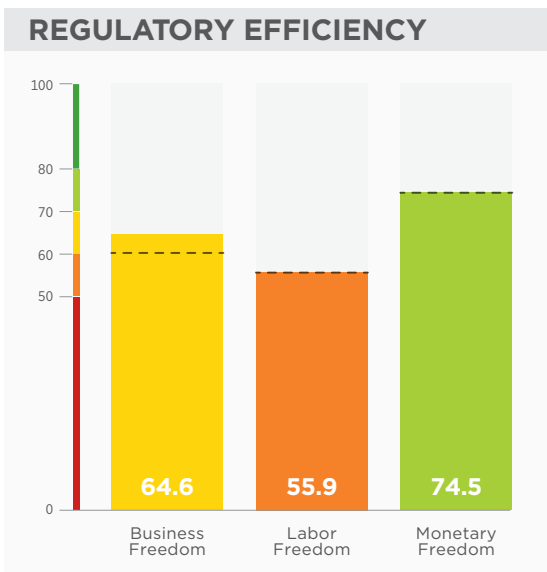
12 ECONOMIC FREEDOMS | AZERBAIJAN



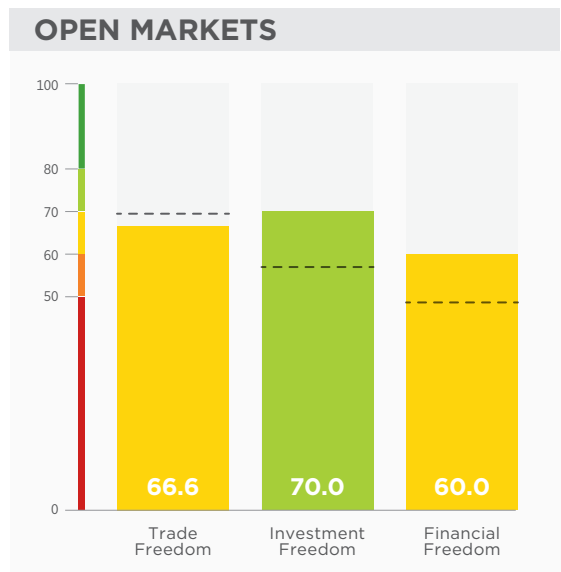
Despite improvements in the protection of property rights and registration of property, the state can expropriate private property with compensation for “social justice and efficient use of the land.” Foreigners may not own property. A weak and corrupt judiciary and insufficient regulatory enforcement allow government officials to act with impunity. Courts lack political independence. Corruption remains pervasive, raising costs and posing significant compliance risks for business.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 14.3 percent of total domestic income. Government spending has amounted to 35.3 percent of total output (GDP) over the past three years, and budget surpluses have averaged 2.4 percent of GDP. Public debt is equivalent to 21.4 percent of GDP.



Certain business inspections have been suspended, and redundant business license categories have been eliminated. Business dispute resolution processes can be inefficient. Rules meant to monitor labor abuses and violations of safety standards are often ineffective. Ongoing subsidies for such goods as alcohol, drugs, energy, food and other agricultural products, and electricity create price distortions in the economy.



Azerbaijan has five preferential trade agreements in force. The trade-weighted average tariff rate is 9.2 percent, and nontariff barriers impede overall flows of trade. Azerbaijan is not yet a member of the World Trade Organization. The oil and gas sector has attracted the majority of foreign investment, but the country has moved toward diversification of its economy. The financial sector is dominated by banks and remains stable.