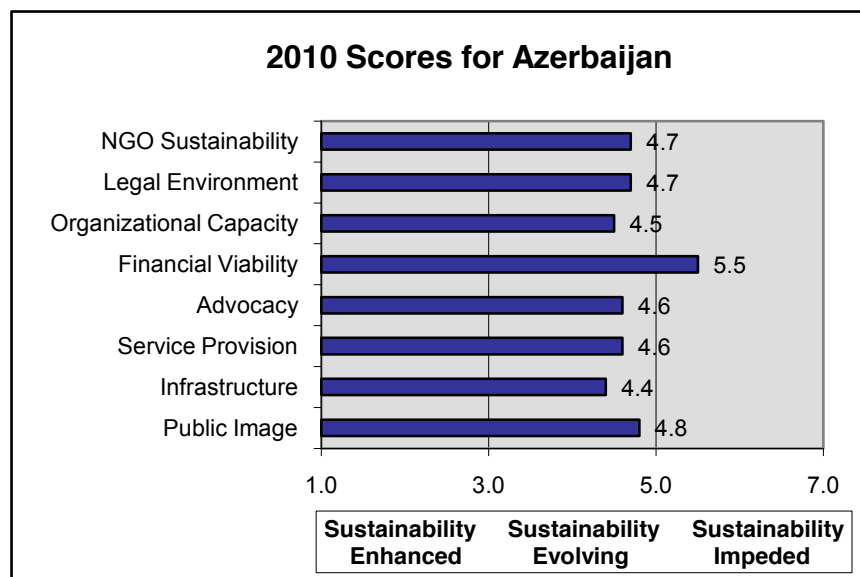


AZERBAIJAN



Capital: Baku

Polity:
Republic

Population:
8,372,373 (July 2011 est.)

GDP per capita (PPP):
\$10,900 (2010 est.)

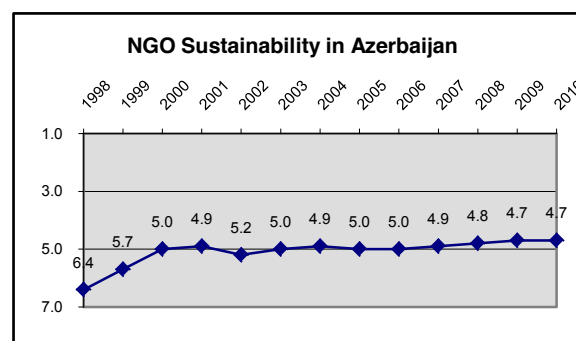
NGO SUSTAINABILITY: 4.7

NGOs' development and sustainability did not change significantly in 2010. The government continued to hamper efforts of some NGOs engaged in democracy and human rights related activities and organizations critical of government actions. During the November parliamentary elections stronger control measures were put in place. Mass meetings by independent NGOs were unofficially prohibited beginning two months prior to elections and continuing until one month after. The ban made implementation of various NGO events in the regions more difficult than in Baku, where the abundance of meeting places complicated government efforts to enforce the ban.

Most NGOs do not yet have independent financial resources and seriously depend on foreign donors. Domestic government and business sources of support are primarily focused on socio-economic and environmental issues.

Due to the lack of sustainable financial resources and sufficient skills, the majority of NGOs work either intermittently or in conformity with donor

priorities. The number of NGOs that demonstrates strong managerial and organizational capacity and that has the necessary technical resources and manpower is still small.



According to the Ministry of Justice, more than 100 NGOs were registered in Azerbaijan during 2010, bringing the total number of registered NGOs to 2,467. Unofficial estimates suggest that another 1,000 NGOs carry on activities without registration. Approximately 40 percent of the registered NGOs have submitted reports to the Ministry of Finance, which suggests that roughly half of those registered are functioning.

LEGAL ENVIRONMENT: 4.7

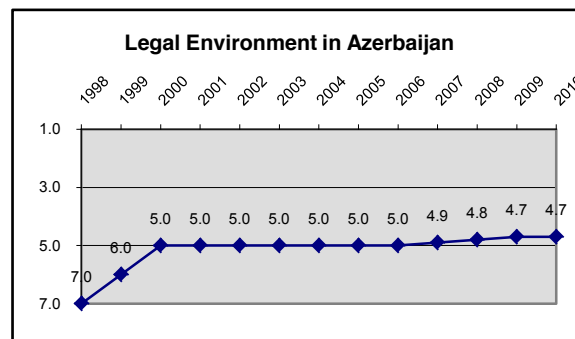
The legal environment for NGO activities in Azerbaijan did not undergo significant changes in 2010. Registration problems remain a key legal impediment to NGO development. The length of time it takes an NGO to register and the amount of documentation an NGO must provide compared to a commercial entity continue to plague the registration process. NGOs also complain of artificial obstacles and discrimination by the Ministry of Justice during the registration process. Often registration is denied due to small technical mistakes in the registration documents, lack of documentation, or formal disparities with an article of the law. The centralized registration of NGOs in Baku also creates additional difficulties for NGOs and leads to additional expenses. In practice, only NGOs that obtain a letter of support from the relevant government authorities get registered.

From the beginning of 2010, a new presidential decree concerning implementation of certain laws governing NGOs went into effect. Starting in January 2010, NGOs must present annual financial statements to the Ministry of Finance by April of the next year. This is in addition to legal requirements that NGOs submit the relevant financial documents to the Ministry of Taxes, the State Statistics Committee, the Social Protection Fund, and the Employment Fund.

The new decree also prohibits NGOs from making any transactions with grant funds unless the grant is registered with the Ministry of Justice, a requirement that already exists in the Law on Grants. The reiteration of this grant registration requirement is seen as a way to emphasize that relevant state bodies should be more rigorous in ensuring compliance with this part of the law. While there have been occasional problems in registering grants due to the lack of clear procedures, the adoption of clear and simple regulations governing this process, rather than more enforcement efforts, would solve the bulk of the concerns.

The decree and its implementation have not presented an immediate concern for NGOs, but the absence of clear procedures for registering

grants creates opportunities for the government to misuse power and disrupt or block financial activities of organizations which it finds objectionable. Moreover, grant registration does not appear to serve a legitimate government purpose, given the amendments tightening financial reporting requirements for NGOs that became effective in April 2010.



Current legislation exposes NGOs to sanctions if government inspection determines that an NGO's activities do not match its charter or conform to laws. For example, after the Law and Development Public Union criticized the government, the Ministry of Justice inspected the organization for compliance with the NGO laws. The warning could have resulted in the cancellation of the NGO's registration. A similar inspection was carried out on the Institute for Reporters' Freedom in the run-up to elections. During parliamentary elections other NGOs that worked on election issues also faced government pressure and restrictions on their activities. Some, such as an organization in Sabirabad, were simply banned from holding election related training events. Others, including the Law and Development Association in Tovuz, had their electoral rights training course stopped by police. As a rule, the government is more tolerant towards NGOs that provide social services.

Even though NGOs are exempt from VAT, like commercial entities they must pay social tax from their wages. Only NGOs receiving grants from countries that have bilateral agreements with Azerbaijan are exempt. At the same time, the changes to the Tax Code, effective as of

January 2010, have had a positive impact on NGOs. Now, NGOs' staff pays 30 percent income tax instead of 35 percent for amounts exceeding 2,000 manat (\$2,420). NGOs engaged in commercial activity pay 20 percent tax instead of 22 percent.

There are a small number of lawyers specialized in NGO law. The main legal aid services are

located in Baku and big cities, and regional NGOs do not often have opportunities to use such services. The Council of State Support to NGOs under the President of the Republic of Azerbaijan and certain NGOs located in Baku support the increase of legal awareness and skills of NGOs.

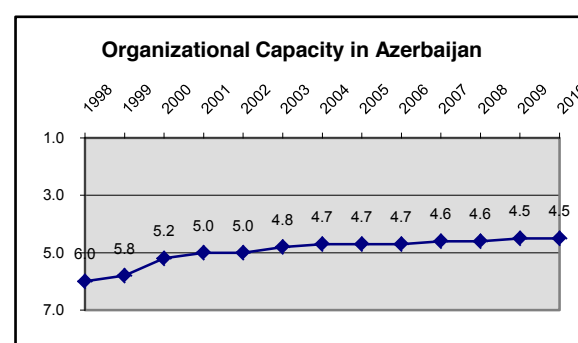
ORGANIZATIONAL CAPACITY: 4.5

The NGO sector's organizational capacity did not change significantly in 2010. A majority of NGOs have clearly defined missions, and most formally have boards of directors. However, only a few NGOs are engaged in strategic planning. Most NGOs see little utility in planning given their unstable financial support, and they primarily focus on existing projects.

Similarly, only a few NGOs have reporting mechanisms in place that are clear and promote accountability to their donors and partners. There are a handful of organizations working both in the capital and the regions that produce annual reports. Overall, tracking NGO activities is difficult; most websites are rarely updated or have current project activities and results posted.

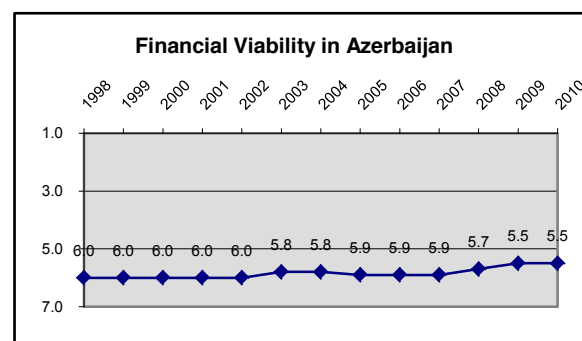
Many NGOs are "one-man shows" with only one or two staff. Accountants and other experts mostly work as consultants and only when

needed. Some NGOs are also using volunteers, but volunteer involvement is still low overall.



The majority of NGOs receive technical equipment within the frameworks of specific project grants. Many NGOs use pirated software, but this is also changing as they begin to include the purchase of licensed software products in their project budgets. Also, project budgets now generally include Internet and communication expenses.

FINANCIAL VIABILITY: 5.5



Financial viability of NGOs in Azerbaijan reflects conflicting trends. The Council on State Support to NGOs continues to allocate more

money to NGOs (\$1.5 million in 2008; \$2.10 million in 2009; \$2.55 million in 2010). Cooperation between international companies (particularly those involved in oil) and NGOs also expanded, especially on projects related to the environment. At the same time, the number of projects financed by local companies and foundations declined.

Besides the Council on State Support to NGOs, other local funding opportunities for NGOs are quite restricted. There is no social contracting law that would allow NGOs to take part in state

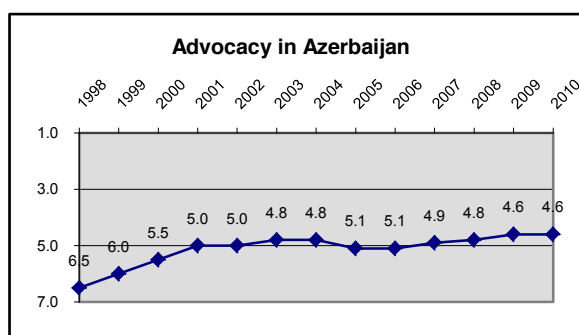
tenders and competitions. The NGOs that do provide some type of social services are primarily government-organized NGOs (GONGOs) and do so using grants. In general, NGOs have poorly developed fundraising strategies, partly as a reflection of the limited funding opportunities available.

Roughly one-third of NGOs submitted financial reports to the Ministry of Finance on time and in

the manner prescribed by law. NGOs' financial management often is not conducted in a professional manner due to lack of staff or training. While a number of trainings were held in 2010 specifically to enhance NGOs' accounting abilities, organizations continued to experience problems retaining qualified accounting staff given the salary differential between NGOs and the business sector.

ADVOCACY: 4.6

Government interest in dialogue is tied closely to oil revenues. As oil revenues have increased and NGOs have asked more questions about the management and use of these revenues, the government has been less interested to engage with these NGOs. Even so, some dialogue occurred in 2010; a proposal by the Coalition for Improving Transparency in Extractive Industries on transparency reporting standards was accepted by the State Oil Fund during organized discussions.



In less controversial areas of engagement, NGOs noted slightly more success in their advocacy efforts, and NGOs' recommendations influenced a number of policy reform areas. For example, the Center for Economic and Social Development put forward recommendations on

creating an electronic system for public tenders that were accepted by the Central Bank and the State Procurement Agency. The Economic Research Center developed an alternative inflation calculation that it discussed with various governmental bodies. This calculation obliged the State Committee of Statistics to publish the inflation rate regularly. The results of this initiative were widely disseminated through written and electronic media. Overall, there were also more conferences and related events organized than in previous years, which allowed for at least formal dialogue between government and civil society actors. For example, the Euro-Integration National Committee (an NGO alliance) organized an international conference in August in connection with the membership of Azerbaijan to the World Trade Organization. A package of proposals was submitted to the government at the end of the conference.

Several NGOs also regularly send the results of their research, publications, and recommendations to the appropriate governmental agencies. There is no established network specifically dealing with regulation of such an exchange of information in Azerbaijan.

SERVICE PROVISION: 4.6

NGOs carry out a broad set of activities from public health to poverty alleviation, but their efforts still cover only a small portion of the needs, many of which were donor-identified. The government allocates approximately \$1

million for NGOs (including GONGOs) to use for service provision through specific ministries.

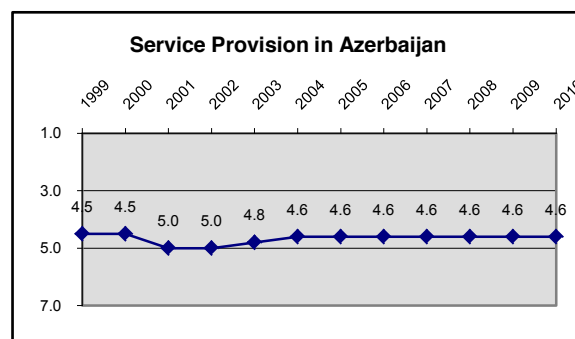
Generally the government prefers to provide social services, although there are examples of

increased NGO service provision. Children's development and rehabilitation centers such as Goy Gurshagi, Mushfig, and Chirag are notable for their efforts to provide social integration of children with special needs. NGOs are also included in specific social programming for internally displaced persons, refugees, and persons affected by war. Still, outside of specific social and health services, most services are directly provided by the government.

NGO research and analytical products are expanding, but the market for them is still small. Businesses show little interest in such products, and government and donors are the main recipients.

NGOs prefer mainly to provide goods and services using grants funds and to distribute their

products free of charge. Some NGOs offer their publications for reasonable prices, but there is not a clear sense of demand or how to best generate demand. Revenues generated from NGOs' economic activities overall are a small amount of their budgets.

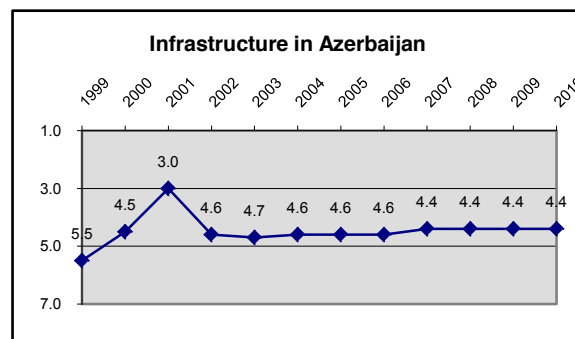


INFRASTRUCTURE: 4.4

Although the number of resource and research and training centers is increasing, it is still too early to judge whether NGO demand for assistance is fully addressed. The National NGO Forum (NNF) has the largest network of organizations in the country. NNF has offices in fifty-three districts and regional resource and training centers in five regions. The Coalition for Improving Transparency in Extractive Industries, with 131 local NGOs, also has a resource center serving its members.

The number of skillful and professional trainers is not sufficient to cover the needs of local organizations in the districts. They mostly carry out their activities in such regional centers as Lenkoran, Guba, and Barda. At the same time, the number of trainers in the capital, Ganja, and Sumgait is increasing, specifically in the NGO management field. For instance, in 2010 the Young Accountants Union conducted a series of trainings on financial management and international accounting standards, and the Economic Research Center organized seminars on effective public relations and accountability for local NGOs. Several organizations also conducted training on fundraising and strategic planning.

The Caucasus Research and Resource Center (CRRC), created to strengthen social science research and public policy analysis in the South Caucasus, has been functioning in Baku since 2003. CRRC provides resource and training services to local NGOs. Direct and indirect CRRC beneficiaries include social science researchers, faculty members from academic institutions, policy practitioners and other professionals from the non-governmental, private and public sectors.



The development of national foundations is still weak in Azerbaijan. Only the Council on State Support to NGOs is consistently allocating grants to NGOs. Community foundations are only established on the municipal level and

generally for the purpose of financing one-off activities.

The Madad Humanitarian Organization established community information resource centers in public libraries of ten districts in Azerbaijan with the help of the Global Catalyze Foundation and the Union Oil Company of California (UNOCAL). These community information resource centers provide students and young NGO activists with access to information and communication technologies.

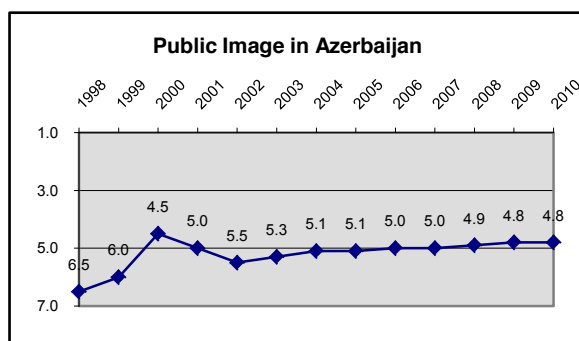
NGOs create coalitions and alliances to better represent their own interests and the interests of their clients. The number of such coalitions is increasing from year to year. These coalitions include the National NGO Forum, the Coalition for Improving Transparency in Extractive

Industries, the National Assembly of Youth Organizations of Azerbaijan, the National Budget Group, the Alliance of NGOs for Children's Rights, and the Information and Cooperation Network of NGOs against Corruption. The Climate Change and Development NGO alliance is one of the newly established networks of 2010.

NGO cooperation with businesses still is not widely practiced in Azerbaijan, but slowly growing. Notable intersectoral partnerships in 2010 included: the Mushfig Rehabilitation Center for Disabled Children's partnership with Garadagh Cement JSC; the Alliance of NGOs for Children's Rights and Azercell; and the Umid Humanitarian Social Support Center and British Petroleum (BP).

PUBLIC IMAGE: 4.8

NGOs focusing on social-economic issues increasingly have access to the media. In print media the number of articles on socially beneficial activities is growing. In electronic media, NGOs focusing on economic issues are particularly in demand. ANS TV has a program that includes NGO experts in analytical discussions on socio-economic issues, and Khazar TV features NGO products and cooperates with NGO experts on environmental and consumer rights problems.



Public perceptions of NGOs are changing. Social networking has made more people aware of NGOs and their goals. Mostly, this knowledge has positively influenced people's perceptions and softened the image of NGOs

being in opposition to the government. There are also a few examples of the local and central government clearly using NGO products, like the inflation calculator, which favorably affect public perceptions.

Some NGOs and their alliances publish annual reports about their activities and present them to the wider public. For example, the Economic Research Center and the Economic and Social Development Center published their reports concerning the results of their annual activities. Constitutional Research Foundation published a book titled, *Transparency in NGOs: the Current State and Enhancing the Transparency*.

The State NGO Council continues to publish its own monthly journal on civil society and the national report on the NGO sector which are posted on the official council website, www.cssn.gov.az. The national report is the first official national publication on the third sector in Azerbaijan.

The Foundation on Assistance to Entrepreneurship and Market Economy has its own television program, *Economic Forum*, which is broadcast twice a month.

The program offers discussion with public figures, government officials, and NGO leaders on topics such as oil revenue transparency and

management, environmental problems, municipal development, and health care.