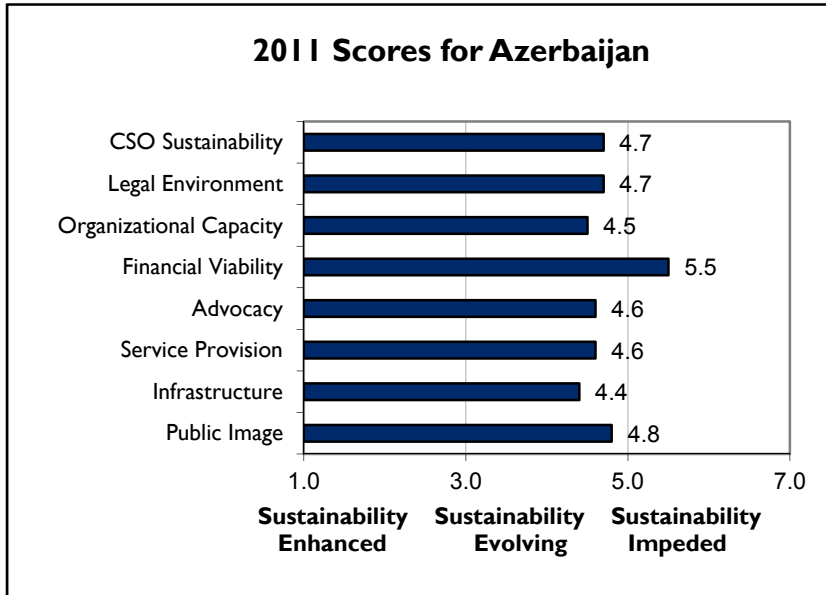


AZERBAIJAN



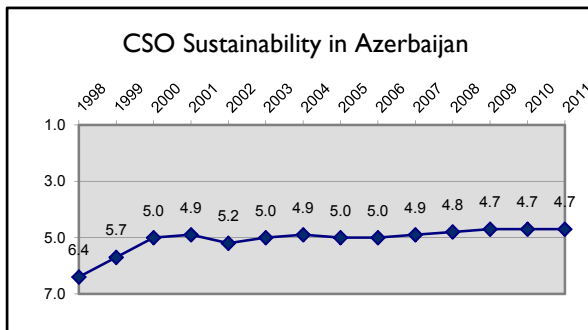
Capital: Baku

Population: 9,493,600

GDP per capita (PPP): \$10,200

Human Development Index: 76

CSO SUSTAINABILITY: 4.7



Azerbaijan has experienced an oil boom and GDP growth averaging nearly 20 percent over the past five years. CSOs in Azerbaijan, however, have not benefited from this robust economic growth. Corruption is deeply institutionalized in Azerbaijani society, posing an obstacle to both social and economic development. Government officials show little interest in developing CSOs' activities, and in many cases, governmental bodies avoid dealing with CSOs. Some CSOs believe that the government lacks interest in creating a strong civil society or welcoming any public opinion on crucial

issues.

The CSO sector in Azerbaijan is active, but remains underdeveloped. There are 2,725 registered CSOs, the vast majority of which are public unions. Of these, 1,350 submitted activity reports to the Ministry of Finance last year, suggesting that roughly half of registered organizations are active.

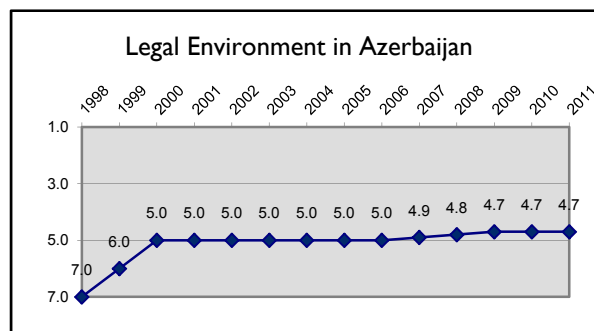
Approximately 1,000 CSOs operate without any registration. According to government statistics, CSOs engage in twenty-four fields, including education, economy, health, democracy building, human rights, environment, disabled people, youth, and gender. The majority of CSOs remain dependent on funding from international donors, including grants provided by foreign embassies. According to the Council on State Support to NGOs (the State NGO Council), 1.9



million people benefited from the work of the CSO sector and CSOs utilized 250,000 volunteers in 2010, the only year for which data is available.

The State NGO Council was established four years ago to act as a bridge between the third sector and the government. It has demonstrated a strong willingness to report the problems facing the CSO sector to the central government. This year, the State NGO Council developed four bills that would have a significant impact on the sector, including the Laws on Social Orders and Public Participation.

LEGAL ENVIRONMENT: 4.7



CSOs in Azerbaijan continue to operate under a fairly difficult legal environment. CSO registration is still burdensome. Statistics indicate that the number of CSOs that successfully register each year continues to drop; 162 CSOs registered in 2009, 124 in 2010, and only 103 in 2011. While commercial organizations are generally registered within three days, CSOs find that their registration process takes much longer - about 140 days. The Ministry of Justice regularly refuses registration to CSOs, including some that have been operating for years. Many organizations are denied

registration because of problems with their charters, such as the charter not being signed by all founders or not indicating the territorial coverage of the organization. In response, some CSOs have proposed to develop a “unified charter” that all CSOs could use and adapt to their needs, although this proposal is not supported by the entire sector. Registration is not mandatory, although CSOs must register in order to apply for grants.

In 2011, the Ministry of Justice began asking CSOs applying for registration for documents that are not legally required. For example, the ministry sometimes requires a CSO to provide information about the occupation and political affiliation of its founders. Some CSOs are also asked to submit letters of recommendation from government authorities, in many cases from the State NGO Council. Most groups are unable to obtain such letters. Local courts fail to effectively investigate the complaints of CSOs whose registration has been denied.

A group of CSOs submitted a package of proposals to simplify the registration process to the President of Azerbaijan in 2010. Recommendations include a shift to the one-stop shop system, the ability to complete some aspects of registration online, and development of an online registration system for grant agreements. The government has not yet responded to these recommendations.

In 2011, the government stopped the operations of two international CSOs over registration issues. The US-based National Democratic Institute (NDI) was shut down and forced to stop its activity in the country because it was not registered; NDI had applied for registration, but been denied, several times over the past five years. In contrast, the Norway-based Human Rights House Network (HRHN), a popular meeting place for youth and human rights activists and journalists, had been registered in Azerbaijan since 2007, but was informed that the government required a bilateral agreement with Norway about the organization’s operations in order for it to continue working in the country.

The law does not restrict local officials from interfering in the activities of CSOs; as a result, CSOs, particularly in the regions, deal with a high level of state interference in their activities. Regional CSOs commonly need to obtain permission from local executive bodies before holding an event. If a CSO organizes an unsanctioned event, police may interfere and stop the event. For example, an Association of

Craftsmen organized an unsanctioned event in Sheki dedicated to legislation on cooperation. The organizers were forced to halt the event and the leader of the Association was summoned to the local executive body. Given their dependence on local executive bodies, regional CSOs mainly engage in social activities, education, youth work, environment, and other less controversial topics, and seek to avoid human rights and political issues.

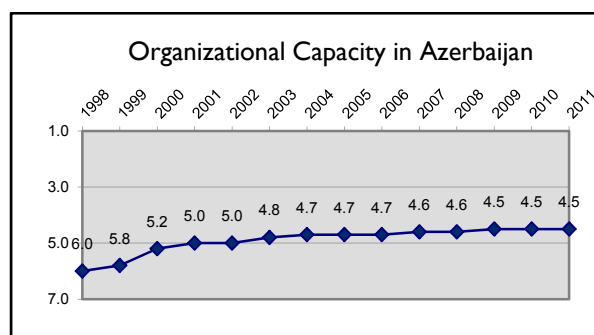
In 2011, the government enacted stiff penalties for organizations that did not fulfill the compulsory internal audit requirement, but later exempted public unions, which represent the vast majority of CSOs in Azerbaijan, from the requirement at the urging of the State NGO Council. Foundations remain on the list, but there are very few of these.

CSOs are exempt from income tax on all revenues from grants and charitable contributions. However, any income from the sale of goods and services, even when directly related to statutory purposes and used to support charitable activities, is subject to income tax. There are no tax incentives for local businesses or philanthropists to donate to charity or social projects.

In 2011, the State NGO Council developed draft Laws on Social Orders, Public Participation, and Trade Unions, all of which were introduced to the Milli Mejlis (the Azerbaijani Parliament) for consideration, as well as a Charter on Corporate Social Responsibility (CSR). The Law on Social Orders, which was adopted on December 30, 2011, allows the government to engage CSOs in the delivery of social services. The Law on Public Participation, which the Milli Mejlis discussed at the end of 2011, details the third sector's role in the delivery and public scrutiny of national programs. The draft Law on Trade Unions proposes separate regulation of trade unions for the first time in order to strengthen the work of unions. Finally, the Charter on CSR describes what CSR is and recommends businesses to cooperate with CSOs in the implementation of social projects.

There is a shortage of lawyers who work with the CSO sector and CSOs rarely receive consultations or legal advice from lawyers. Regional CSOs have even less access to legal support and consultations.

ORGANIZATIONAL CAPACITY: 4.5



According to CSOs, the population welcomes their initiatives and is ready and willing to cooperate. However, in some cases the government prevents CSOs from establishing community support groups. With support from the Open Society Institute Assistance Fund, the Kura Civil Society Headquarters tried to calculate the damage from flooding of the Kura River with input from their constituents. The Kura Civil Society Headquarters monitored over 2,000 individual residences in nineteen villages in the disaster area over twenty-one days, met with local residents,

and compiled information about each house damaged in the flood and the general state of the economy. However, the local executive authorities stopped the project without any explanation, questioned the Kura members for hours at the police station, and asked that they leave the region. Recently, some CSOs have started to use social media to reach out to their constituencies, including for advocacy campaigns.

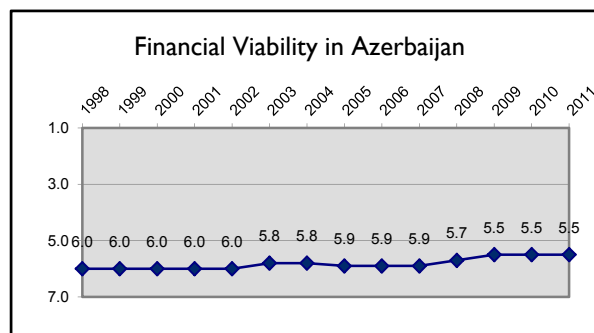
CSOs lack management and strategic planning skills and do not regularly consider strategic objectives in their everyday decision making.

While CSO charters clearly describe management structures and the division of responsibilities, many CSOs do not implement these systems in practice. As a result of financial problems, most CSOs have few full-time

employees. According to the State NGO Council, in 2010, 3,979 persons worked full-time and 3,031 persons worked temporarily in the CSO sector. In addition, CSOs involve 500,000 members and volunteers in their work. CSOs engage accountants, computer specialists, and lawyers as advisors, but very rarely engage them as full-time employees.

The majority of CSOs, especially those operating in big cities, have modern technical equipment and Internet access. However, in the regions, many CSOs lack offices altogether or operate from inadequate offices that may lack heating and cooling systems or have very old equipment.

FINANCIAL VIABILITY: 5.5



According to official statistics from the State NGO Council, CSOs' total income in 2011 was AZN 29 million (approximately \$37 million). Of this amount, AZN 2.05 million (approximately \$ 2.6 million) came from the State NGO Council, with the rest primarily from international donor agencies. In 2010, total income was AZN 30 million (approximately \$38 million), with AZN 2.1 million (approximately \$2.7 million) from the State NGO Council, and in 2009, total income was AZN 20 million (approximately \$25.5 million), with AZN 2.06 million (approximately \$2.6

million) from the State NGO Council. In general, CSOs only have one source of income, either grants from donor agencies or charitable funds.

Funding for the development of civil society in Azerbaijan continues to decrease, and the suspension of the Soros Foundation's grant programs in 2012 will further aggravate the situation. Before terminating its program, the Foundation reduced its grant funds from \$2.8 million in 2010 to less than \$600,000 in 2011.

Donations from businesses are not yet a significant source of income for CSOs in Azerbaijan. The business sector has little interest in cooperating with the third sector, the concept of corporate social responsibility (CSR) is poorly understood, and tax policy does not adequately address philanthropy. However, oil agreements signed in Azerbaijan contain a special clause specifying that oil companies should invest four to five percent of their incomes according to social investment agreements. In practices, oil companies appear to allocate significantly less to these programs, although no research has been done on this issue. Furthermore, such allocations are not transparent and often do not correspond to constituent needs.

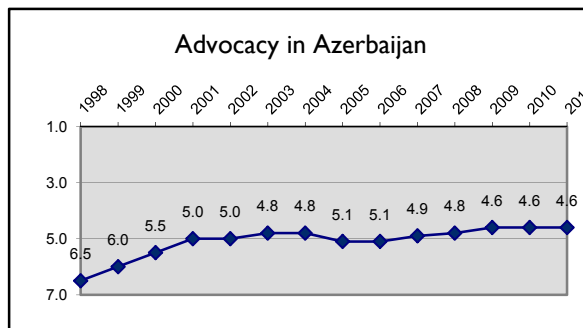
Individuals do not provide any support to CSOs and membership fees constitute a very small percentage of overall CSO income.

Government funding of the sector is still limited, but the Law on Social Orders, passed at the end of 2011, will expand opportunities for CSOs to compete for government tenders.

CSOs are required to provide annual financial reports to the Ministry of Finance. According to the Ministry, 1,350 CSOs, or nearly half of all registered CSOs, submitted annual reports in 2011, an increase from 2010 when only one-third of CSOs submitted reports. Many CSOs find the requested information both very complex and inapplicable to their work. Many CSOs feel that the reporting requirements should be simplified to accommodate small CSOs that do not have adequate resources to either comply with or necessitate such extensive reporting. The majority of CSOs have no full-time accountant. Regional CSOs also report problems when they submit their financial statements, noting that the Ministry of Finance almost always returns their statements because of errors or omissions, and they have to re-submit them four or five times.

ADVOCACY: 4.6

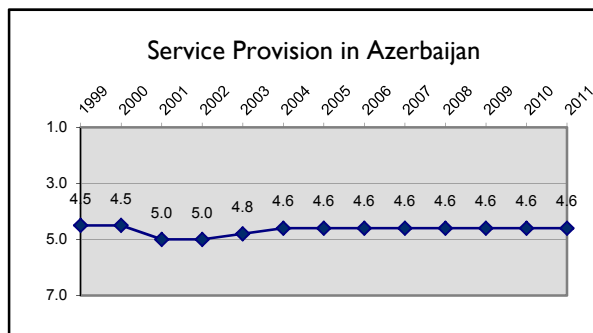
The government still has a cautious approach to cooperation with CSOs on national projects and in the decision-making process, but the situation is changing slowly. Some Members of Parliament operate their own CSOs. CSO representatives constitute eight of the eleven members of the State NGO Council and four of the members of the Public Television and Radio Broadcasting Board. Furthermore, CSO representatives sit on the Observatory Board of the Council of State Support to Development of Mass Media under the President; the Observatory Council of the Social Development Fund of Internally Displaced Persons (IDPs); the State Commission for Captive, Missing, or Hostage Citizens; the Azerbaijan National Commission for UNESCO; the Amnesty Commission; the Education Commission; the Council of Businessmen; and the Heraldic Council. However, most of the CSOs on these bodies are from pro-governmental CSOs. In this regard, the representation of CSOs on state councils does not represent a significant increase in CSO influence on the decision-making process.



Draft amendments to the Law on the Right to Obtain Information and the Law on Mass Media, both under consideration by the Milli Mejlis, were prepared by working groups that included CSO representatives. Draft laws on Pedigree Stockbreeding, Apiculture, and Horse Breeding were also produced with the participation of relevant CSOs.

The NGO State Council asked specific CSOs to engage in the drafting process for the various legal initiatives it pursued in 2011. For example, the Constitutional Research Fund worked on the draft Law on Public Participation and the Umid Humanitarian Social Support Center worked on the CSR initiative. CSOs advocated for these laws, stressing that they will positively affect the work of the sector.

SERVICE PROVISION: 4.6



Few CSOs assess the needs of their target groups, choosing to follow priorities defined by donor organizations instead.

Although CSOs are allowed to engage in economic activity, revenue from this source remains insignificant. Because of their weak capacities, CSOs provide a limited range of products and services for fees, such as training in the areas of accounting, information technology, and foreign languages. CSOs have the potential to deliver social, medical, and humanitarian

services, yet are unable to earn income through such services because constituencies cannot afford to pay for them.

The Law on Social Orders was adopted in December 2011. The law will allow CSOs to provide services on behalf of the government, including social services to the disabled, orphans, human trafficking victims, and the elderly.

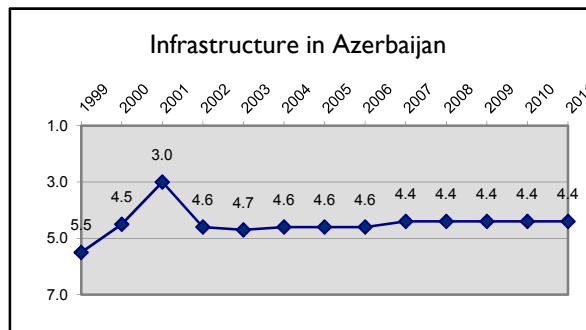
INFRASTRUCTURE: 4.4

CSOs in most large regional centers have access to intermediary support organizations (ISOs) and resource centers. CSOs in regions, however, complain about the quality of the few existing regional resource centers. Some resource centers offer the use of office space and equipment to CSOs.

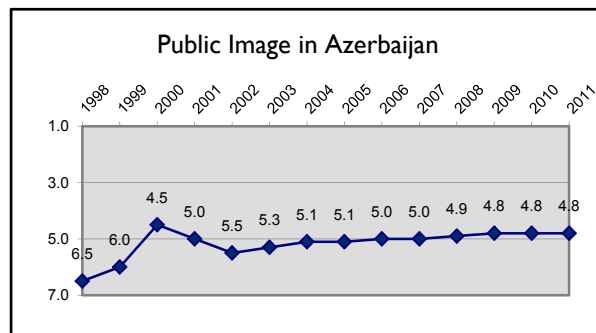
CSOs have access to training programs on fundraising, management, and accounting. Trainers also aim to improve the skills of existing and new trainers during this year. However, there are still an insufficient numbers of trainers.

CSOs seek to create organizational ties and network among themselves, albeit at a slow pace. At present, there are seventeen coalitions and networks in Azerbaijan that bring together 1,262 CSOs. Coalitions often form in response to a particular immediate threat or the changing needs of the community. The most active and successful coalitions in 2011 included the Extractive Industries Transparency Initiative, NGO National Forum, NGO Cooperation Alliance, and the NGO Coalition against Human Trafficking. Networking is more organized in Baku; CSOs in regions rarely join coalitions.

Intersectoral partnerships are at a nascent stage. Local businesses are reluctant to work with CSOs, with the exception of the few banks, oil companies, and mobile communication companies that have clear CSR strategies. The level of CSO partnerships with governmental organizations varies significantly depending on the openness of the individual institution.



PUBLIC IMAGE: 4.8



about the regions.

In some cases, high ranking government officials are openly critical of CSOs. For example, Parliamentary Speaker Oktay Asadov and other pro-government MPs accused some CSOs of sharing biased and false information with international organizations in order to get grants. Local executive authorities sometimes criticize CSOs for their dependence on foreign funding, and CSOs are restricted from conducting activities in some places. A representative of the executive authority in Balaken told representatives of the Journalist Solidarity Public Union Yeni Fikir that “no bird can fly in their region without their permission.”

Media coverage of CSOs is satisfactory. In addition to traditional media outlets, online TV channels such as Channel 13 provide CSOs with an outlet to speak about problems facing the sector. However, few people have Internet access so these programs have limited audiences.

Government agencies and the business sector continue to have a low opinion of CSOs. While the government, businesses, and the public in Baku and other large cities understand the work of CSOs, the same cannot be said

In February 2011, the Entrepreneurship and Market Assistance Foundation launched the Charter of Responsibility. Up to 100 CSOs have signed the Charter to date and the NGO State Council is holding a number of public hearings to promote the Charter and get more CSOs to sign it. The Charter embraces such issues and principles as CSO performance in accordance with international standards, transparency and accountability, commitment to ethics and missions, as well as the importance of learning from best international practices to increase the productivity and efficiency of CSOs. However, the Charter has not yet had a tangible effect on practices in the CSO sector. Foundations, but not public unions, must publish their annual reports. Only a few public unions choose to publish reports and even those do so irregularly.