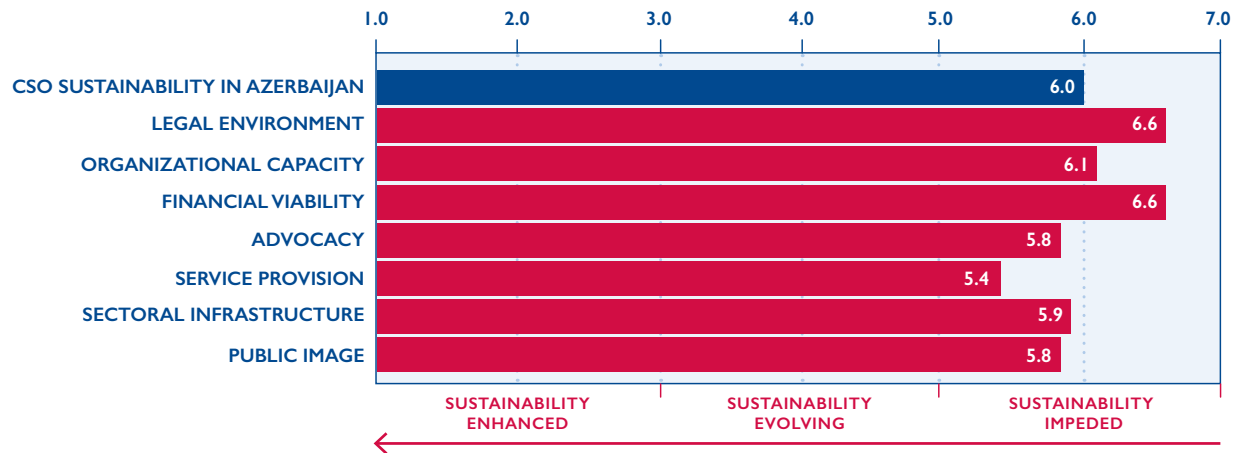


AZERBAIJAN

Capital: Baku
Population: 9,961,396
GDP per capita (PPP): \$17,500
Human Development Index: High (0.759)
Freedom in the World: Not Free (12/100)

OVERALL CSO SUSTAINABILITY: 6.0



CSOs in Azerbaijan continued to operate in a severely restrained civic space in 2017. Although not as frequent as in preceding years, the government continued to arbitrarily interfere in CSO activities, interrogate human rights and political activists, ban travel of CSO leaders, and freeze CSO bank accounts.

The government's restrictive approach to civil society continued to be an issue in Azerbaijan's participation in multinational bodies during the year. In March 2017, Azerbaijan withdrew from the Extractive Industry Transparency Initiative (EITI) following the country's suspension from the EITI Board in October 2016 for failing to make satisfactory progress on civil society engagement. In June 2017, the Steering Committee of the Open Government Partnership (OGP) extended Azerbaijan's inactive status for an additional year due to unresolved constraints on the civic space for CSOs. The Steering Committee further mandated its Criteria and Standards Subcommittee, in consultation with civil society and government, to develop an updated set of recommendations to improve the unresolved issues. The Steering Committee's recommendations are focused on two main areas—simplification of the registration process for CSOs and simplification of the regulations on access to funding. The Dialogue Platform of State and Civil Society for Promotion of OGP, established in September 2016, continued its attempts to foster dialogue between the CSOs and government to contribute to the implementation of the OGP's recommendations; however, there has still not been any significant improvement in the operational environment for CSOs.

CSOs have extremely limited access to foreign funding. As a result, CSOs significantly reduced their operations, engaged in self-censorship, and diminished their advocacy efforts in 2017. Only a few independent CSOs, most of which are represented just by their leaders, continued to be active in Azerbaijan at the end of the year. Scarce resources prevent CSOs from reaching out to their constituencies through events, websites, or annual reports, thereby strengthening the state's claims that CSOs lack transparency and capacities. Some loyal pro-governmental CSOs continue to operate with limited government funds from the Council of State Support for NGOs; their activities are heavily self-regulated.

According to the Ministry of Justice (MoJ), approximately 140 new organizations were registered in 2017, bringing the overall number of NGOs to approximately 4,500. This number includes a broad range of legal entities, including public unions and foundations, as well as charity organizations and sports federations, the latter two of which are estimated to account for nearly a quarter of the overall number of NGOs. The government does not make information about closed organizations or the list of existing CSOs public.

LEGAL ENVIRONMENT: 6.6

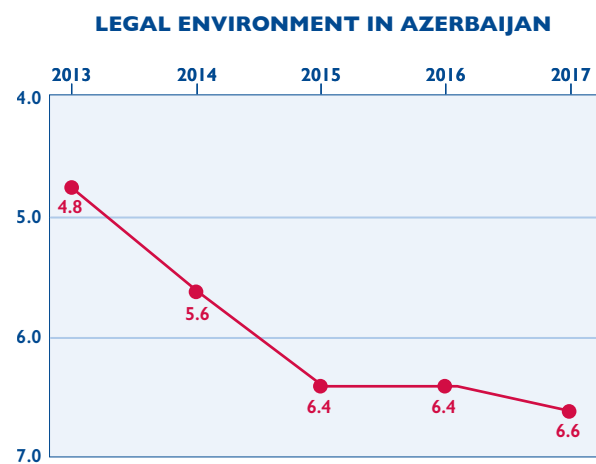
The legal environment in which CSOs in Azerbaijan operate, which was already severely impeded, deteriorated further in 2017. CSOs—particularly those that are critical of the government—continued to be subject to harassment and face problems with registration. New regulations came into effect at the beginning of the year that discourage cash operations, complicating financial transactions for CSOs. Finally, change to the Civil Procedure Code adopted in October now require all entities, including CSOs, to hire members of the Bar Association to act on their behalf in domestic courts, significantly limiting CSOs' access to legal services.

The so-called “NGO case” launched against several foreign and local NGOs in 2014 for violations of the criminal code remained open, despite the fact that the law prohibits criminal cases from remaining open for longer than nineteen months. The government continued to use the case to harass and interrogate its most vocal critics, though not as intensely as in the preceding years. Almost all CSOs involved in advocacy on the international arena reported that they were subject to physical and digital surveillance during the year, both inside and outside the country. Some CSO and media representatives continued to face travel bans, while at least twenty public figures—including CSO representatives—had their personal belongings checked at the border both when coming in and out of the country. Despite appeals to the customs office and Council of State Support for NGOs, nothing was done to change this practice. In addition, the bank accounts of some CSOs, such as Legal Education Society, Institute of Reporters' Freedom and Safety, National and International Research Center, Resource Center for Democracy and Human Rights, Institute of Media Rights, and Society of Human Rights and the Enlightenment, remained under seizure in 2017.

Registration continues to be highly problematic. Applicants are required to submit a large number of documents, including a support letter from a relevant state agency, which is difficult for an unregistered organization to obtain. According to changes to the Registration Law signed in December 2017, the MoJ has to inform the Ministry of Taxes and State Statistics Committee about newly registered non-commercial legal entities. This change is of a technical nature as CSOs were already required by law to register with the Ministry of Taxes following their registration with the MoJ. The MoJ claims that around 140 new organizations were created in 2017, however, no comprehensive list has ever been made public.

Rules adopted in 2015 require CSOs to register domestic and foreign grants, domestic and foreign donations, and foreign service contracts with the MoJ. In practice, these requirements virtually prevent CSOs from receiving any foreign funding. Registering these funds requires extensive submissions, and the MoJ has broad discretion to deny registration based on technicalities, extending the process for months or years. There is no public information about how much funding was approved or rejected in 2017.

Other rules adopted in 2015 require donors, foreign states, and intergovernmental organizations to undergo a multi-tier system of approval, including registering their branches or offices in Azerbaijan, signing agreements with the MoJ, and receiving approval for each grant from the Ministry of Finance (MoF). In 2017, some changes were made to these rules, such as reducing the review period by the MoJ and the MoF and eliminating the need to



submit certain documents, including the grantor's registration documents and notarized translations of the documents. However, none of these changes have resulted in any significant improvements to the situation and no international or donor institution is known to have passed through the multi-tier system of approval in 2017. The applications of the very few international organizations that attempted to undergo this process during the year are delayed without clear information regarding the steps needed to move them forward. Meanwhile, foreign investment in businesses is facilitated through quick and easy procedures that were further simplified in 2017.

On December 1, 2017 around 300 changes to the Criminal Code entered into force. Fifteen types of crimes—primarily crimes connected with negligence and crimes against property—were decriminalized. Civil society advocated for and welcomed some of these changes, particularly the application of alternative sanctions instead of imprisonment, as well as the application of administrative sanctions instead of criminal sanctions, in the hopes that they may reduce the number of political prisoners from civil society and the media sector.

On December 29, 2017, the new Law on Armed Forces was adopted in Azerbaijan, according to which CSOs, political parties, and religious organizations cannot be established and operated within the armed forces. Although it is unclear if there have been any such organizations for the last several years, the new law effectively presents any monitoring, assessment, or analysis of the work of the armed forces in the future.

CSOs can legally earn income through the provision of goods and services but do not receive any tax exemptions on earned income. Direct recipients of USAID funding are exempt from paying the 22 percent tax for the Social Protection Fund. The government requires CSOs to pay VAT on products and services, but not on grants received from foreign sources and registered with the Ministry of Taxes.

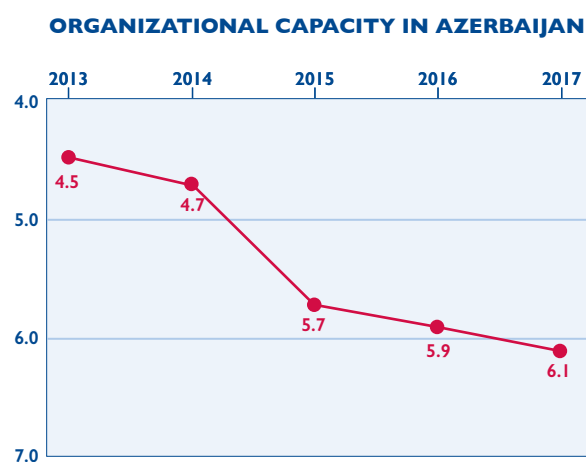
Over 200 changes to the Tax Code and the Law on Cashless Operations that were made in December 2016 came into force in January 2017. According to these changes, which encouraged wire transfers and card payments, VAT payers cannot have cash operations exceeding 30,000 manat (approximately \$17,600) per month, while simplified taxpayers cannot have cash operations exceeding 15,000 manat (approximately \$8,800) per month. Moreover, a 1 percent tax is applied on all cash operations of both legal and natural persons, and certain taxpayers are required to pay utilities, landline phone bills, and salaries via bank transfer. While the changes aim to reduce corruption and improve the regulation of financial flows, the infrastructure in the country is insufficient to avoid cash operations, especially in the regions. Violations of the cash operations rules could result in a penalty of 10 percent of the cash operations for the first offense, 20 percent for the second offense, and 40 percent for the third offense. These regulations have severely limited the operations of CSOs conducting economic activity through affiliated commercial organizations or individual service contracts. The legal changes also imposed a requirement for commercial entities, including CSOs that operate as LLCs, to undergo annual independent audits.

On December 1, 2017, President Aliyev signed a new Law on Minimum Living Wage, which will come into force on January 1, 2018. According to the new law, the living wage in Azerbaijan will increase from 151 Azn (\$89) to 173 Azn (\$102) a month, and the minimum salary will increase from 116 Azn (\$68) to 130 Azn (\$76) a month. As a result, all individual taxpayers will have to pay higher fees to the Social Protection Fund. For example, the monthly payment in Baku was previously 23 Azn (\$13.5) and will now be 26.2 Azn (\$15.4). As employers, this will also affect CSOs, which will need to budget more funds for these expenses, as the employees, who are responsible for these costs, expect larger sums for their services.

On October 31, 2017, the Parliament of Azerbaijan adopted changes to the Civil Procedure Code, which introduced new requirements for all entities, including CSOs, to hire licensed "advocates" (i.e., members of the Bar Association) to act on their behalf in domestic courts. The Bar Association remains under the full control of the government and the MoJ, and lawyers' loyalty to the government is a factor in the admission process. This requirement is expected to reduce CSOs' access to justice in the courts, as many cannot afford expensive licensed advocates. In addition, the 800 members of the Bar are insufficient to deal with the full caseload of the courts. Furthermore, only a few members of the Bar are willing to undertake the risks associated with providing legal assistance to CSOs on cases related to registration, taxation, or undue state interference in their work. In a country with a high density of political prisoners and politically-motivated arrests, this new requirement threatens to cut off CSOs' already limited access to legal support.

ORGANIZATIONAL CAPACITY: 6.1

The continuing legal restrictions and funding limitations further weakened the organizational capacity of the CSO sector in 2017. More than fifty international organizations have closed their offices in the last few years and all major projects funded by USAID and the EU that had started before the crackdown on CSOs have finished. CSOs have had few opportunities over the past five years to build or strengthen their organizational capacities. While official statistics are unavailable, according to informal surveys at least two-thirds of CSOs in Azerbaijan have suspended their activities over the past few years. The remaining CSOs operate with almost no staff or equipment, and strategic planning has largely ceased to exist. In order to keep their profiles low, there was a serious lack of visibility, transparency, and accountability of ongoing projects in 2017. In addition, CSO leaders and activists now accept this difficult situation, with few still trying to win back civic space.



There continues to be an unwritten ban on the conduct of events in public venues, such as hotels and conference centers, especially if the events are related to human rights and political issues. In addition, CSOs have almost no funding to organize such events. As a result, such events have essentially disappeared, limiting the opportunities CSOs have to connect directly with their constituents. Social media and online television remain the only platforms for CSOs to speak out on and reach the wider public, but these are insufficient for CSOs to reach their constituencies, in particular specific marginalized groups, such as elderly people, rural women, and others with limited access to the Internet and social media.

In this difficult and unpredictable context, strategic planning has become increasingly difficult. Only a few CSOs have separate governance and management structures. Boards of directors function only to satisfy obligations stipulated in organizational charters or mandated by the MoJ. Most CSOs are represented only by their leaders, who mainly work as independent experts from home.

Regional CSOs have been more affected by the increasingly difficult situation in the country. The infrastructure in the regions is far less developed and many regional CSO representatives do not speak English or even Russian, making it difficult for them to communicate with international organizations and embassies. The few regional activities during the year were primarily conducted by Baku-based CSOs.

CSOs have increasingly lost well-trained staff, who have taken jobs in other sectors or left the country. In general, work in the CSO sector is regarded as unreliable and risky; therefore, even projects that are able to receive funding by working through affiliated commercial organizations or individual service contracts find it very hard to attract competent staff.

Few CSOs own offices or vehicles. The equipment, furniture, and libraries CSOs have access to are outdated. Although CSOs have access to the Internet, the quality of the Internet in the regions is unreliable.

FINANCIAL VIABILITY: 6.6

CSO financial viability, already extremely limited, deteriorated further in 2017. Not a single donor institution or international CSO is known to have successfully completed the new approval process for donors by the end of 2017. However, a few grantee organizations of the EU Delegation in Baku managed to get projects that were approved in previous years registered. One of the only other ways CSOs could receive foreign funding legally during the year was by working through affiliated commercial organizations or individual service contracts between foreign organizations and domestic CSO representatives. This channel was utilized by all the UN agencies, as well as some embassies in the country in 2017.

CSOs appreciate this as a temporary solution that is crucial for their survival, but do not regard it as a durable measure, as the visibility and transparency of CSOs is sacrificed.

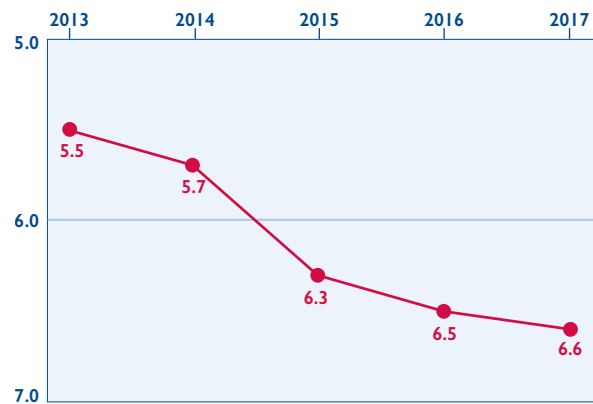
State funding is essentially the only remaining source of grants for local CSOs. State grants are distributed through several national sources, such as the Council of State Support for NGOs under the auspices of the President, the National Fund of Science, the Youth Fund, State Fund of IT Development, and several ministries. The cumulative budget of these funding sources, however, is still a fraction of the foreign annual revenue of the CSO sector in Azerbaijan before the crackdown. Most independent CSOs refrain from applying to state institutions for funding as they believe they would be unlikely to receive funding even if they did apply. With the exception of the Council of State Support for NGOs, the grant process in government agencies is not open or transparent. Most approved grants are for non-controversial projects, including initiatives focused on art and culture, entrepreneurship, sports, the environment, children's rights, charity, and international promotion of Azerbaijan.

Local philanthropy, which was already undeveloped, was discouraged even further by the 2015 rules on donations.

The new limitations on cash operations which came into force in 2017 have limited CSOs' access to donations; cash donations are now limited to 200 Azn (approximately \$117) at a time.

The crackdown on civic space has seriously affected the financial management of CSOs. Very few CSOs meet international standards on financial management. CSOs did not issue any financial reports in 2017, as they do not want to show their decline in financial viability, or their real financial status, including funding received through affiliated commercial organizations or individual service contracts.

FINANCIAL VIABILITY IN AZERBAIJAN



ADVOCACY: 5.8

Given the restrictive conditions in the country, CSO advocacy continued to be limited.

The 2014 Law on Public Participation, which CSOs hoped would foster policy dialogue, continued to be poorly implemented in 2017. The law stipulates the participation of CSOs in public councils to monitor the work of central and local state administrations. However, few public councils have been established so far, and very few independent CSOs have been selected to participate in them.

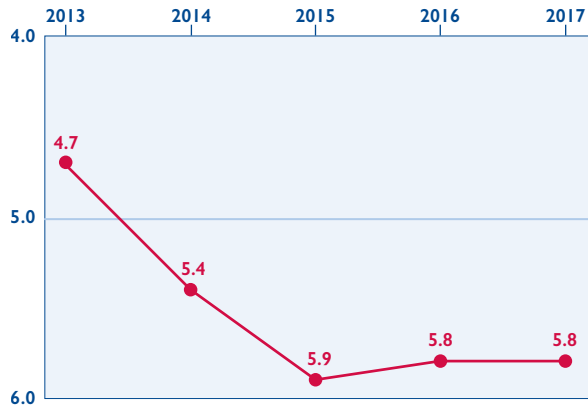
The same group of loyal pro-governmental CSOs has seats on several public councils.

Although self-censorship remains common, a handful of CSOs and leaders working in the areas of human rights, media freedom, and good governance continue to use their international connections to share their concerns and lobby for solutions. They also use social media to advocate for various issues and promote pluralism, although they take a more careful approach since the 2016 criminalization of "online defamation or derogation of the honor and dignity" of the president.

Many local and international organizations criticized the appointment of Azerbaijan's First Lady to the position of First Vice President in February 2017 as a blatant case of nepotism that contradicted international standards. This appointment was made possible by a controversial constitutional referendum in 2016 that approved twenty-nine constitutional amendments, including one establishing the position of Vice President.

CSOs advocated against the extension of Azerbaijan's inactive status in the EITI and OGP platforms, arguing that the suspensions would lead to the complete isolation of the country and the loss of international leverage to influence the situation. In parallel, however, more radical pro-opposition activists called on international

ADVOCACY IN AZERBAIJAN



Foundation (HRHF), Freedom House, Civil Rights Defenders, and People in Need. These organizations and their staff are blacklisted by the government and harshly criticized by state media outlets for being pro-Armenian or pro-Western, and their representatives are often refused visas or denied entry upon arrival in the country. Azerbaijan Needs Democracy (AND), the political movement founded in September 2016, continues to unite Azerbaijani political refugees from across Europe—including political and human rights activists, journalists, and former government officials. AND regularly holds briefings and advocacy meetings on the situation in the country with senior representatives of the international community. The government of Azerbaijan regards AND as the political opposition abroad, and often refers to AND representatives as foreign agents and traitors.

Meanwhile, the government continues to “assess” the level of individual CSO’s access and engagement with so-called “blacklisted” international stakeholders, such as Freedom House, Human Rights Watch, National Endowment for Democracy, European Endowment for Democracy, and the Open Society Institute. CSOs demonstrating outspoken positions at international fora and their leaders were specifically targeted by pro-governmental media and officials, especially if they were able to trace the role of CSOs in contributing to critical international reports and investigations.

While advocacy on political issues is limited, there was some advocacy in 2017 on non-political issues. In particular, the International Organization for Migration (IOM) and its local partners engaged in a campaign against gender-based violence during the year. The campaign underscored the negative impact violence against women has on society, stressing the high economic, health, and social costs of violence against women and girls, and encouraging preventive practices. For example, the Women’s Resource Center in Masalli reached out to more than 650 young boys in six remote village schools to talk about how boys can prevent violence against women and girls, and more than eighty young male students attended a TED-style talk by a renowned Azerbaijani artist, cinematographer, economist, and writer. Such efforts are generally coordinated with the government.

In addition, informal and unregistered groups are proliferating, with young Azerbaijanis advocating for animal rights and other causes. In addition, over the past five years, USAID has worked in 100 rural communities to develop Community Development Councils (CDCs). CDCs train and mobilize community members and resources around pressing local issues.

The two-year EU-funded project of the Council of Europe titled Civil Society Dialogue in Azerbaijan aims to improve the legal framework for CSOs in Azerbaijan and increase CSO-government dialogue. In 2017, a group of international and national experts prepared a report assessing the situation faced by CSOs in Azerbaijan with a list of recommendations for improvement. The report was launched in summer 2017. However, the government failed to adopt any of the report’s recommendations. The project continues to focus on increasing the knowledge of project partners, comprised of several representatives of the government and CSOs, through a range of study trips and consultations.

stakeholders to “name and shame” and use sanctions against the government. This inconsistent messaging caused some confusion among international stakeholders.

Meanwhile, the Dialogue Platform of State and Civil Society for Promotion of OGP continued its attempts to foster dialogue between the CSOs and government to contribute to the implementation of the OGP’s recommendations regarding civic space. However, these efforts had limited impact in 2017.

Some international advocacy actions and campaigns are conducted by CSO leaders in exile and by international organizations, such as Human Rights Watch, Amnesty International, Human Rights House

SERVICE PROVISION: 5.4

CSOs' ability to provide services deteriorated in 2017. Because of the restrictive legal environment, CSOs now provide almost no services directly; instead, CSOs operate through affiliated commercial organizations or individuals.

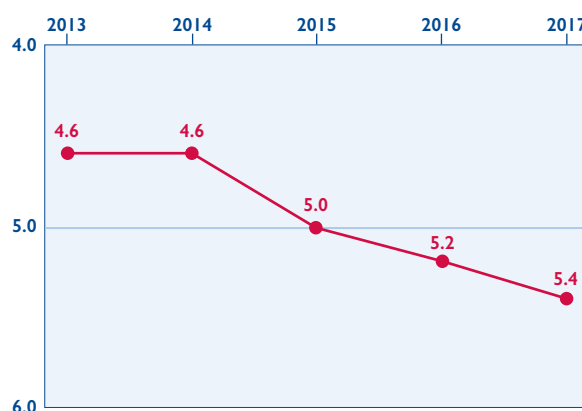
The 2015 rules requiring registration of service contracts remain unchanged and therefore continue to significantly restrict CSOs' provision of all types of services. While registration of service contracts is reported to be easier than registration of grants, the MoJ still has wide discretion to deny their registration and such decisions often seem to be political in nature. As a result, most CSOs operate by concluding service contracts with donors

or other customers through affiliated commercial organizations or individuals. Although this is a legal way of operating, CSOs operating in this manner sacrifice their visibility and are accused of lacking transparency and accountability. In addition, the civic approach and "independent" spirit of organizations are diluted in such projects, which look more and more like technical assignments conducted by groups of experts. Moreover, such services mostly address specific areas with limited methodologies (such as desk research, field research, assessment, monitoring, and study mapping) and predominantly meet the needs of donors or clients (academia, international organizations, business agencies, or the government) instead of CSOs or local communities, thus leaving the local communities and beneficiaries largely under-served.

The government provides some service contracts to CSOs, but as a rule, this is done through a closed and non-transparent process and the recipients are mainly pro-governmental CSOs.

CSOs rarely charge beneficiaries for services, mainly due to the public perception that they are non-commercial organizations and therefore should provide their services free of charge. In addition, beneficiaries generally cannot afford to pay for services.

SERVICE PROVISION IN AZERBAIJAN

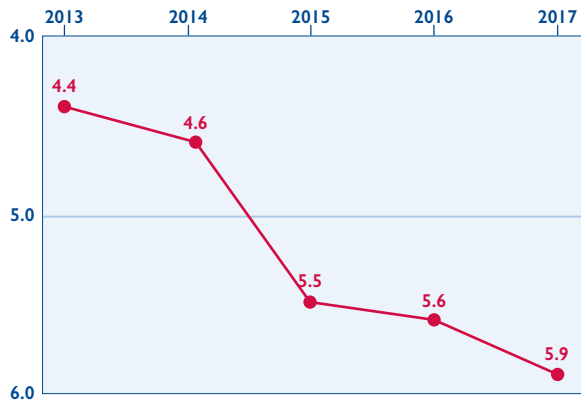


SECTORAL INFRASTRUCTURE: 5.9

The clampdown on the CSO sector over the last four years has seriously damaged the infrastructure supporting the sector to the point that there is almost no infrastructure left. Almost all coalitions and local resource centers have terminated their activities due to a lack of resources. There were few capacity-building projects specifically targeting CSOs in Azerbaijan in 2017. The last major one—Building Local Capacities for Development, funded by USAID and implemented by Chemonics International—ended in 2015 after many months of government investigations and obstacles to its activities. Furthermore, the number of Azerbaijani participants in international capacity-building and advocacy events has decreased significantly.

One of the few capacity-building opportunities available to CSOs in Azerbaijan is the Eastern Partnership Civil Society Facility (EaP CSF). EaP CSF is an EU-funded project implemented by a consortium led by GDSI Limited, based in Dublin, which aims to provide technical assistance to civil society actors in Eastern Partnership countries. Because of the unfavorable environment in Azerbaijan, however, the consortium does not have an Azerbaijani partner and cannot implement activities in the country. However, it is able to provide very limited support to CSO representatives from Azerbaijan in the form of fellowships and hackathons organized internationally. USAID has a regional program that has provided capacity trainings to twelve rural NGOs; almost 500 people attended the training in 2017. However, trainees have limited opportunities to apply the acquired knowledge within the CSO sector.

SECTORAL INFRASTRUCTURE IN AZERBAIJAN



As in previous years, in 2017 there were no local community foundations or intermediary support organizations that provide grants to local CSOs from either locally raised or foreign funds. In part, this is because the 2015 rules require re-granting organizations to get approval for each grant they award and recipients to register each grant as a donation.

The National NGO Forum was founded in 1999 to coordinate the work of national CSOs and contribute to their capacity building. The Forum currently has 675 member organizations, the overwhelming majority of which are organizations that are very loyal to the government. The Forum has several regional

coordination centers that primarily support regional projects implemented by its Baku-based members.

Meanwhile, the Civil Society Platform, an independent coalition launched in February 2016, terminated its activities in summer 2017 without disclosing the reasons for this decision. The other independent coalition—the Committee to Defend the Rights of Civil Society—organized a minimal number of meetings and interventions in 2017.

A few regional and international platforms, such as Women Congress of South Caucasus and HRHF, symbolically cover Azerbaijan; however, all of their activities take place outside of the country. These platforms accommodate participants from Azerbaijan at international events or cover minor expenses for small initiatives.

The International Press Center hosts public events such as conferences and seminars, but selectively refuses space to independent voices as it has strong links to the government.

While there are a few capable local CSO management experts, most of whom are leaders and key experts of former capacity-building CSOs, the demand for their services has dropped significantly. Some CSOs now question the relevance of such training, as they have lost most of their staff members and are barely operational. Typical CSO-related topics such as fundraising skills, project management, strategic planning, and report writing are regarded as a waste of resources as there is no space to apply the skills. New topics, such as crowdfunding and change management, are also not relevant as their application requires more political and economic stability.

Intersectoral partnerships are undeveloped. A rare example of CSO partnership with the government is the Dialogue Platform of State and Civil Society for Promotion of OGP, which was established in September 2016 to foster dialogue between CSOs and the government to contribute to the implementation of the OGP's recommendations. The Platform brings together thirty-one NGOs (most of which are pro-governmental organizations), nine state agencies, and the parliament. Despite the ongoing government-sponsored media campaign against CSOs, CSOs continue to have strong relationships with the few remaining independent media voices. However, for security reasons, CSOs prefer to keep their initiatives low profile.

PUBLIC IMAGE: 5.8

CSOs in Azerbaijan were unable to rehabilitate their image in 2017 from the pro-government media's attacks and intimidation.

Media freedom in Azerbaijan continued to be restricted in 2017. Except for a couple of independent mass media outlets, all of which are online media platforms, the media largely depends on the government's favor. The state's awards of grants, medals, and even apartments to loyal media representatives illustrates its control over the media. In July 2017, the government awarded 255 journalists with apartments. Moreover, the persecution of independent journalists and media experts was notable in 2017.

In 2017, the media continued to portray CSOs as politicized organizations, foreign agents, tax evaders, and pro-Armenian actors. The “pro-Armenian” label is broadly applied to human rights organizations, and their peace-building missions are presented as high treason. In particular, pro-governmental journalists criticized human rights and public activists travelling abroad for international events, continuously presenting them as foreign agents and traitors, especially if they participated in events related to peacebuilding platforms. Some governmental media platforms, such as haqqin.az, even gained the reputation of a “herald of troubles,” because, as a rule, activists that they write about are subjected to further interrogation and prosecution within a few days’ time.

The media often refers to CSOs working on human rights, democracy, rule of law, gender equality, children’s rights, juvenile justice, elections, media rights, support to civil society, transparency, and property rights as agents of the West and the “fifth column.” In part, this is related to CSOs’ engagement in international advocacy, including efforts related to the Universal Periodic Review and the production of shadow reports to UN treaty bodies committees. This attitude is mirrored in the broader public, which has limited access to alternative information or knowledge of CSOs’ work in order to counter such messages. The business and academic sectors also continue to distance themselves from CSOs as closer cooperation might damage their relationships with the government. Representatives from the business and academic sectors interact with CSOs mostly at multi-stakeholder events involving only a few CSOs.

Against this backdrop, social media and online television have become the main outlets for CSOs to reach the wider public. However, these platforms are also under intense surveillance by the government, therefore, criticism on social media is significantly self-censored. The government also effectively uses social media as a tool to further stigmatize human rights and media activists, especially those who continue to cooperate with the international community, by hacking their accounts, as well as trolling postings.

Very limited resources in 2017 prevented CSOs from reaching their constituencies through other means, such as conducting events, maintaining websites or publishing annual reports, thereby strengthening the state’s claims that CSOs lack transparency and capacities.

