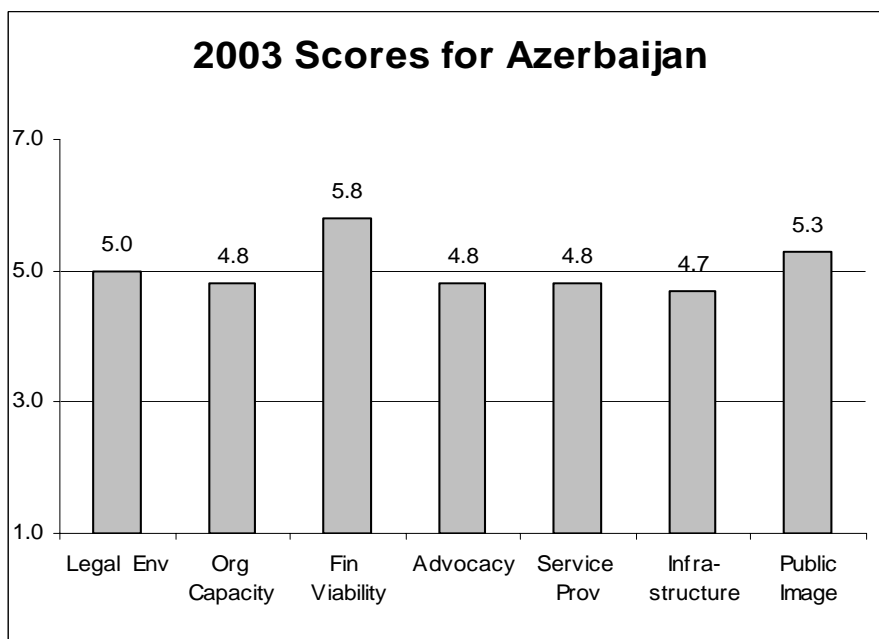


# AZERBAIJAN



**Capital:**

Baku

**Polity:**

Presidential  
(dominant party)

**Population:**

8,200,000

**GDP per capita**

(PPP): \$2,936

## NGO SUSTAINABILITY: 5.0

There are approximately 1,400 registered

NGOs in Azerbaijan. However, only about 300-400 of these NGOs are active. Of this smaller number only a few can be considered 'strong NGOs' with reasonably developed

organizational capacity and financial viability. In addition, there are hundreds of groups that have formed but are unable to obtain registration through the Ministry of Justice (MoJ). The NGO sector is thus characterized by a small minority of strong organizations with experience, expertise, and good relationships with donors and to a lesser extent government and private sector, while

the bulk of the NGO sector is much less developed.

The implementation of current legislation governing NGOs creates major challenges for the development of the sector. Amendments made to the Law on Grants, effective January 2003, require all grant funds to be registered with the government authorities prior to use. The amended Law also requires NGOs to contribute 27 percent of consolidated payroll each month into the Social Insurance Fund. If enforced, these amendments create additional constraints to the operational and financial viability of NGOs in the country.

Azerbaijani NGOs provide a wide variety of services in the areas of humanitarian relief, environmental protection, youth, human rights, gender, civic and legal

education, and economic development. The majority of NGOs are donor dependent, and therefore service delivery is driven by donor priorities as much as by NGO responsiveness to community needs.

NGOs in Azerbaijan lack the relationships, resources, and capacities to effectively engage in advocacy initiatives on a wide scale. Lack of developed support structures, competitiveness among NGOs, inadequate links with constituencies, and lack of positive public image limits NGOs' influence on public policy.

## LEGAL ENVIRONMENT: 5.0

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### LEGAL ENVIRONMENT

2003 5.0  
2002 5.0  
2001 5.0  
2000 5.0  
1999 6.0  
1998 7.0

The current legislation governing NGOs includes the NGO Law of June 2000, the Law on the Registration of Legal Entities of 1996, the amended Grants Law of 1998, and internal MoJ regula-

tions on NGO Registration Procedures. This body of legislation is often improperly implemented creating a challenging environment for the effective functioning and development of the NGO sector.

The most significant impediment to the growth of the NGO sector is the de facto suspension of NGO registration by the MoJ, in place for the past three years. The existing Law on Registration of Legal Entities, which requires the MoJ to accept application documents and issue a certificate of registration or written letter of rejection within ten days, is not being implemented properly. Many NGO applications submitted to the MoJ receive no response, while others receive letters containing trivial reasons for rejecting the application. In general, there is a lack of transparency in the registration process. International donors, diplomatic missions, and Azerbaijani NGOs have called for improved implementation and a revised Law on the Registration of Legal Entities to resume and simplify the NGO registration process; however, these efforts have

yielded no concrete improvements to date.

Despite the concerted effort of international organizations and Azerbaijani NGOs to stop passage of the amendments to the Grants Law in mid-2002, the amendments were adopted and came into force as of January 2003. The amendments require the registration of grants (by the donor and recipient) with the relevant executive authorities prior to use. With adoption of these amendments, the previous notification process shifts to a necessity for validation by the government prior to the use of grant funds.

Technically the legislative framework allows NGOs to freely operate. Due to some inconsistencies in implementation, however, the ability of NGOs to operate without restraint often depends on the organization's affiliations, type of activity, and geographic area of operation. Harassment takes the form of unscheduled tax inspections, labor audits, or interruption of meetings in homes or offices. According to legislation, NGOs can be closed on the recommendation of the MoJ through the district courts only after three warnings are issued. However, as there are no clear criteria as to what warrants the issuance of a warning, many NGOs perceive that they can be closed for trivial reasons. Thus, while NGOs are nominally free to operate, engage in public debate and express criticism, they often under-

## 2003 NGO Sustainability Index

take self-censorship in order to avoid undue attention.

The pool of local lawyers who are knowledgeable of NGO law is limited. Most qualified lawyers are concentrated in Baku-based legal NGOs. Progress has been made during the past year in enhancing the knowledge and capacity of legal NGOs as a result of the work local lawyers have done on the referendum, amendment to the Law on Grants and other legislation. NGOs' access to reliable legal counsel varies by region. The availability of legal services is often contingent on project funding for the NGO providing legal services. Legal services are provided through centers and short-term projects in various areas through legal NGOs such as Center for Legal and Economic Education (CLEE), Legal Education Society (LES), and Azerbaijan Young Lawyers Union (AYLU).

Current tax legislation creates challenges for NGO financial stability and sustainability. NGOs are eligible for some tax exemptions on grant funding. This includes a VAT exemption, although the reimbursement mechanism for VAT refunds is not being implemented. As of January 2003, all NGOs, except for those receiving grants provided through the United State government assistance program, are obligated to submit a contribution the Social Insurance Fund equal to 27 percent of the organization's staff salaries. NGOs are able to conduct commercial activities. However, the income earned from these activities is taxed at the same rate as a commercial entity and is restricted to specific uses. Additionally, there are no tax incentives for charitable contributions, which further limit NGOs' ability to benefit from individual or corporate philanthropy.

### **ORGANIZATIONAL CAPACITY: 4.8**

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Most Azerbaijani NGOs are weak in terms of institutional development, management, and technical capacity. Many NGOs continue to be dominated by a strong leader, and the organizational development and activities often depend on the ambition, capabilities, and political connections of this individual. However, there are signs of growing organizational strength in some leading NGOs that are moving toward more participatory internal management structures.

NGOs often find it difficult to identify and recruit qualified, professional staff, particu-

larly in regions outside the capital. Employment contracts are typically restricted by the terms and availability of grant funding. Recruitment mechanisms are underdeveloped, and many NGOs simply seek staff or volunteers from immediate circles of relatives or acquaintances. The potential of volunteer contributions is being increasingly recognized and the concept of volunteerism is becoming more widely accepted, although only a handful of NGOs effectively use volunteers at the current time.

Most NGOs have a limited sense of commitment to their stated mission. Outside of a few, well established NGOs, the majority of NGOs are driven by the motivation to gain access to the widest possible range of grant funding, across various areas of

activity. This strategy is becoming less effective as the donor community places increasing pressure on NGOs to demonstrate specific areas of expertise and experience to obtain project funding. Few NGOs have undergone strategic planning and follow up. Some progress is being made in this area, due in part to strategic planning seminars conducted by various international NGOs (e.g., ISAR, SOROS, IRC). However, strategic planning skills have not yet gained currency in practical application, and in general are not being used to guide the activities of most NGOs. The majority of NGOs lack perspective on the value and purpose of developing a local constituency. NGOs' links to constituencies are weak overall, and where they exist tend to only include short-term linkages in relation to funding opportunities. Some NGO leaders indicate that the tendency for NGOs to be perceived in strictly political terms (i.e. pro-government or pro-opposition) hinders effective constituency

building among the wider population. There is a growing awareness regarding the need for constituencies, and progress has been made within some target groups such as youth and women. In general, however, this is not a priority issue for the majority of NGOs.

Only a small percentage of NGOs have professional facilities and office equipment. Most office facilities and equipment are acquired through donor grant funding. In the regions, even where equipment exists, it is often out-dated and cannot be used effectively due to lack of technical knowledge and limited access to adequate utilities. Some NGOs lacking in office space or equipment are able to access computers, fax machines, and the Internet at resource centers.

## FINANCIAL VIABILITY: 5.8

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The primary source of funding for NGOs is grants provided by international donors. Among NGOs only a small core group is capable of accessing funding from multiple donors, while the vast majority struggle to exist from grant to grant and experience significant funding gaps. In most regions outside the capital, access to grant funding for NGOs is limited.

### FINANCIAL VIABILITY

2003	5.8
2002	6.0
2001	6.0
2000	6.0
1999	6.0
1998	6.0

The short term funding security of most NGOs is overwhelmingly dependent on its connection to an international donor. Financial management systems in some NGOs are improving as a result of the influence of international donor organizations. In many NGOs, however, particu-

larly in those outside the capital, it is rare to find any written financial procedures. If they do exist, financial procedures usually meet only the minimum requirements imposed by donors. Financial transparency is often lacking. Independent financial audits are rarely conducted, financial statements are seldom prepared, and financial documents are almost never publicly disseminated, even if they are available.

A small number of NGOs are exploring alternative sources of support for their activities. Some NGOs are beginning to realize the benefit of cultivating relationships with communities as a source of support, even if this is only non-financial support. To gain increased financial independence, some NGOs have implemented fee-for-service activities such as the rental of training facilities, medical diagnostic tests, and legal

advice services. Other income generating activities such as advertising for private companies or establishing small artisan workshops have also been initiated. A growing number of NGOs have also tapped into financial resources from foreign oil companies. This is most evident along the Baku-Tbilisi-Ceyhun (BTC) pipeline route where NGOs competed for social and infrastructure support grants for the communities along the BTC route. It is likely that foreign oil companies will con-

tinue to serve as a small-scale funding resource for NGOs in the future. To date, however, these initiatives have been limited in scope and provide only a small supplement to donor financing. At this stage the potential for NGOs to earn income from sources other than grants is constrained by lack of tax privileges for non-profit entities, and also the practical challenge of NGOs identifying and providing marketable products and services in demand by the general public.

### ADVOCACY: 4.8

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In Azerbaijan, NGOs have achieved limited success in influencing the legislative process through lobbying efforts, and few examples of issue-based advocacy exist. Lack of transparency in the government decision-making process significantly reduces NGOs' opportunity to influence legislation. By default, therefore, NGO lobbying efforts are often reactive. Neverthe-

#### ADVOCACY

2003	4.8
2002	5.0
2001	5.0
2000	5.5
1999	6.0
1998	6.5

less, NGO participation in advocacy and lobbying efforts is increasing. Inroads are being made through individual contacts and through a few progressive government entities that hold a more favourable view of NGOs. Space is thus being created for interaction and advocacy. In some cases, for example, NGO representatives have gained access to parliamentary working group sessions or have been permitted to present proposals regarding draft laws or state programs.

Azerbaijani NGOs also are increasingly active in attempting to shape public opin-

ion and the public agenda on selected issues. This is leading to an increased awareness and understanding about how to use the media and other mechanisms to influence opinion. The Independent Consumers Union is active in using the media to raise awareness regarding consumer rights issues, and AYLU is attempting to shape public awareness regarding gender violence through regular inserts in Zerkalo newspaper. In response to the arrest of a local university professor, the Xachmaz Human Rights Resource Center organized a successful advocacy campaign, drawing on the support of several other NGOs to raise awareness of this issue and calling for the professor's release.

Many NGOs were involved in voter education activities in the pre-election period. Some NGOs also registered their members as individual observers in order to monitor the election. While some NGO members were involved in the demonstrations after the elections, this was as individual supporters of various political parties, and not necessarily as NGO representatives.

## SERVICE PROVISION: 4.8

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NGOs provide services in a wide variety of fields in response to community needs and donor priorities, covering such areas as humanitarian relief, the environment, youth, human rights, gender, civic and legal education, conflict resolution, community development, and economic development. Within these areas Azerbaijani NGOs provide services independently or in cooperation with international NGOs in

SERVICE PROVISION
2003 4.8
2002 5.0
2001 5.0
2000 4.5
1999 4.5

various areas throughout the country. Some NGOs are beginning to incorporate participatory community assessments into their project

planning. There is also small anecdotal evidence that a few NGOs are beginning to recover costs for services, although this is rare as people have little disposable income and NGOs are hesitant to do anything that may attract the tax authorities. As a result, the majority of NGOs remain grant focused, often resulting in donor priorities taking precedence over community responsiveness. In general, the level of government support and recognition for these services is low, although it should be noted that this varies depending on the organization providing services, the type of activities being conducted, and the attitude of individual government representatives or entities.

## INFRASTRUCTURE: 4.7

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There are several NGO resource centers in Azerbaijan – both in Baku and in the regions – providing information and support for NGO activities. These include centers established to provide general access to information, equipment and training opportunities for NGOs, and well as centers targeted at more specific areas of support such as legal services or human rights ad-

INFRASTRUCTURE
2003 4.7
2002 4.6
2001 3.0
2000 4.5
1999 5.5

vocacy. Due to shifts in donor funding, some of the more well established NGO resource centers supported by international or-

ganizations have been phased out or have scaled-down their services during the past year. Although resource centers still remain in most areas of the country, NGO representatives indicate that currently demand is greater than the supply of services.

The majority of organizational capacity building seminars and technical trainings for NGOs are conducted in association with international organizations, although there is a growing cadre of trained and qualified Azerbaijani trainers. Overall the pool of trainers remains relatively small, concentrated in the capital and focused on areas related to humanitarian activities

and NGO management. Most Azerbaijani trainers are 'professional trainers' rather than experienced NGO practitioners and therefore are often challenged to meet the advanced technical training needs of strong NGOs. Accessing training services in the regions is sometimes difficult and

expensive, and the availability of training is often dependent on project funding. Sometimes it is difficult for NGOs to access information about existing training opportunities.

### **PUBLIC IMAGE: 5.3**

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Public awareness of NGOs and their activities remains low, although a recent public opinion survey shows a positive trend in this regard. This year's survey indicated that 22 percent of the population was aware of NGOs operating in their community, a significant jump over the same survey last year that showed only 16 percent were aware of NGOs operating in their community. Many NGO representatives acknowledge that not enough

<b>PUBLIC IMAGE</b>	
2003	5.3
2002	5.5
2001	5.0
2000	4.5
1999	6.0
1998	6.5

is being done to promote NGOs and their activities. Although some NGOs have websites, publish promotional brochures, and use various forms of media to disseminate information about their organizations, the public reach and effectiveness of these mechanisms is limited.

The public perception of NGOs is often influenced by the government's tendency to have a negative view of the NGO sector. This general attitude of the government impacts the level of acceptance of NGOs

as reliable and capable service providers, and as credible sources of information and expertise. The private sector has only a minimal understanding of NGOs and there is little interaction between NGOs and the business community.

In general, signs of progress exist in the media-NGO relationship, although coverage of NGO-related activities remains limited. NGO activities fall outside the media's main areas of interest and often unless NGOs invite media representatives to events and activities there is little coverage. Due to the high expense involved, TV programs covering NGO activities are limited and often low quality. Most media coverage of NGOs is found in the print media, while the majority of the population accesses news and information primarily from television. Accessing media coverage in the regions outside the capital is even more difficult, and many NGOs indicate that it is easier to get national coverage than local/regional coverage. These issues limit the effectiveness of the media coverage that NGOs are able to obtain as a means of increasing public awareness about NGOs and their activities.