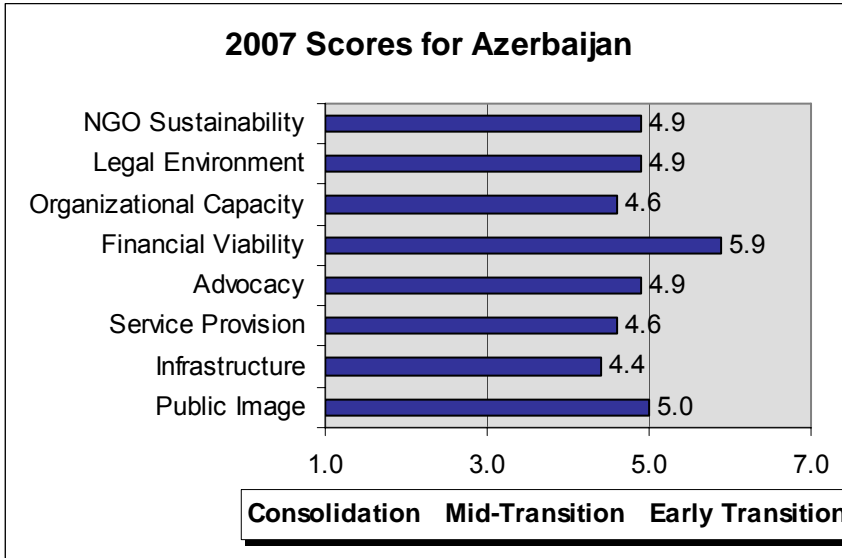


# AZERBAIJAN



**Capital:** Baku

**Polity:** Republic

**Population:** 8,177,717 (July 2008 est.)

**GDP per capita (PPP):** \$9,000 (2007 est.)

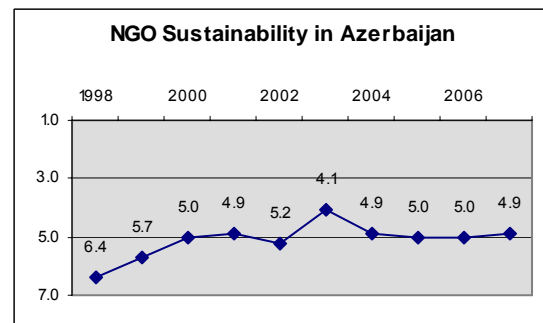
## NGO SUSTAINABILITY: 4.9

The sustainability and capacity of the NGO sector in Azerbaijan has improved over the past year. During the same period of time, the number of registered organizations increased 16 percent, reaching approximately 2,800, of which roughly 600 to 700 were active and visible.

There is a positive trend towards dialogue and cooperation between the state and the NGO sector. There has been more participation of government officials at NGO events, as well as recognition of NGO expertise – most notably in the spheres of legislation and local self-government. More significantly, a Presidential Decree created a state fund to support NGOs – with an initial allocation of 1.5 million AZN (approximately \$1.76 million) in the 2008 budget.

Despite these improvements, the government, primarily in the regions, generally continues to mistrust the NGO sector. While an appropriate legislative framework is in place, many organizations continue to experience difficulty registering, needing to submit numerous documents multiple times or the intervention of “influential forces.”

International and local NGOs have made significant progress in creating a more favorable legal environment for NGO sector development. Several draft laws and amendments to existing laws were prepared with active public participation and submitted to the Parliament. NGOs continue to depend almost solely on international funding, but are beginning to generate some local financing by expanding their services and membership, collecting membership fees, offering fee-for-service training courses, and establishing links with private companies.



The spectrum of services rendered by the NGO sector expanded slightly, and now includes humanitarian relief, environmental protection,

gender, youth, human rights, civic and legal education, health, and economic development. NGOs in the regions are benefiting from the opening of NGO Resource Centers and more NGO management training, and are engaging in new advocacy campaigns. NGOs are becoming more proactive in public relations and media, and are launching websites and producing annual reports.

## LEGAL ENVIRONMENT: 4.9

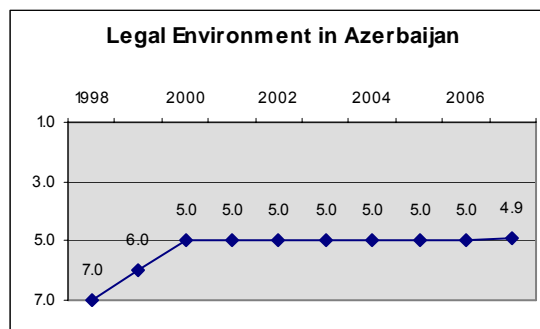
With financial and diplomatic support from international NGOs, local NGOs made significant efforts to enhance the legislative framework governing NGO activities by introducing amendments to existing laws and drafting new laws. A preliminary agreement between Milli Majlis (the Parliament) and a coalition of local NGOs, led by the NGO Forum, created a working group of experts to work on draft laws. During the year, the working group drafted several amendments to legislative provisions affecting NGO activities, as well as five draft laws on Associations, Foundations, Community-Based Organizations, Volunteers and Charity. All legislative initiatives were submitted to Parliament and included on the 2008 Parliamentary agenda.

In July 2007, a Presidential Decree created a state body for NGO issues and a foundation to support local NGOs through grants and other means. A coalition of international and local NGOs is encouraging the government to implement the decree in accordance with best international practices. Most of the coalition's recommendations were accepted by the government, including the creation of a Council of State Support of NGOs, which was established by another presidential decree in December 2007. NGOs are currently making nominations for the Council.

NGO registration is improving. While only 100 NGOs were registered in 2005, this number reached 548 in 2006 and 229 in the first half of 2007. That said, while the law on state registration is favorable, NGOs still encounter difficulties when registering. The Ministry of Justice unnecessarily delays the process and

While there are positive developments, the growth of the NGO sector and civil society in Azerbaijan is still restricted by the lack of government support, increased competition for limited financial resources, weak constituent relationships, and a lack of public awareness and understanding of the sector. Positive initiatives related to legislation and local financing set the foundation for significant improvements, but results may not be visible for several years.

returns documents to applicants multiple times. At the same time, local executive entities conduct unofficial investigations of NGO leaders and staff to determine if they are politically engaged. While there have not been any reported cases of the state dissolving NGOs, most NGOs feel that their activities are closely monitored and controlled. This is especially true in the regions, where local executive authorities request official notifications of public gatherings such as seminars, trainings and roundtables.



The number of experienced lawyers in not-for-profit legislation is steadily increasing. However, this is less so in the regions, where NGO leaders have become proficient in legal issues related to registration, accounting and governance out of necessity.

Tax laws remain unchanged: they still require organizations to pay 22 percent of their consolidated payroll into the Social Insurance Fund. Only grants from bilateral donors such as the U.S. Government are exempt from taxes, including the social tax. However, 14-35 percent of individual salaries must still be paid to income tax and three percent to the Social Insurance Fund. A draft Law on Charity, which

would provide tax incentives to local and international businesses that fund charitable activities, was vetted with the public and submitted to Parliament.

NGOs can legally apply for government tenders. However, NGO participation is minimal, as the tender process is not transparent and very

#### **ORGANIZATIONAL CAPACITY: 4.6**

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NGOs are beginning to attract constituencies to their work strategically and several organizations work actively with local municipalities to engage citizens into discussions about local issues. Over the past year, several organizations – some of them regional – made progress developing management systems and improving their internal and external governance. Additionally, more NGOs now allow public access to their finances through annual reports, informational bulletins and leaflets, thereby increasing their transparency and public awareness of NGO work. Despite these improvements, most NGOs still fail to understand the importance of strategic planning.

While there is still no Law on Volunteers and NGOs have no legal right to recruit volunteers, there are more and more young people seeking to participate in NGO activities. The makeup of NGO staffing remains unchanged, on average consisting of three or four men, often members of one family. Lack of funding allows only a handful of NGOs to employ qualified, permanent, salaried staff. Most NGOs, especially in the regions, only hire staff to meet the immediate demands of current projects and grants, often recruiting employees from a

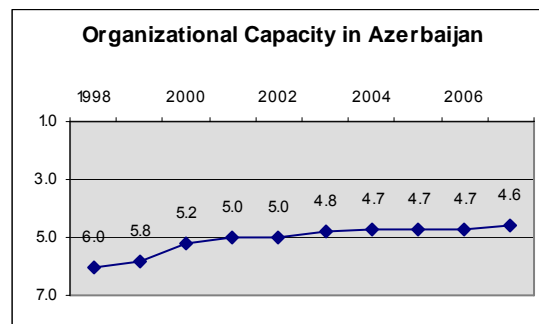
#### **FINANCIAL VIABILITY: 5.9**

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There is limited progress with respect to financial viability. Most NGOs operate with international funding. A few NGOs have access to state funding and some continue to benefit from limited non-financial support from different groups and volunteers. The combination of a societal lack of altruism or culture of philanthropy, a weak transitional economy, and low public awareness of the role

burdensome, requiring deposits, bank guarantees and other expensive and complicated actions. Additionally, such financing is very limited and NGOs generally mistrust governmental structures. As a result, most government tenders are awarded either to commercial entities or GONGOs.

volunteer base. Otherwise, they switch to “standby position,” operating on a minimal level with minimal staff. On the other hand, NGOs, including those in the regions, are increasingly able to hire experienced staff, as more young people complete higher education in the country and abroad.

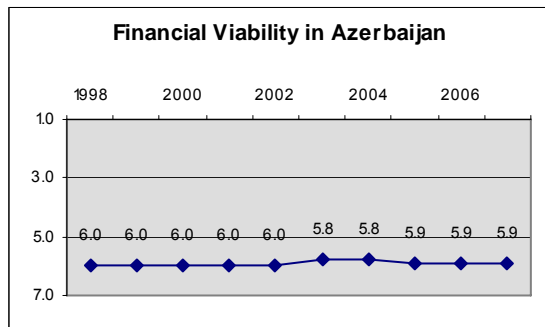


NGOs in Baku generally have better technology and equipment than their peers in the regions. However, infrastructure in rural areas, including stable electricity and Internet access, is improving. Additionally, over the past year eight NGO Resource Centers were opened throughout the country as part of a USAID civil society project, offering services such as Internet access and other forms of communication.

of NGOs in society hinder NGOs’ ability to attract local donations.

While USG assistance is decreasing, more funding is expected from the European Union, other international donors, and local state structures. The State Fund for NGOs, which is expected to begin operating in 2008 with an initial allocation of 1.5 million AZN

(approximately \$1.765 million), should improve funding diversification and overall NGO financial viability. While some NGOs are skeptical about this Fund and the selection process of its “grantees,” the initiative does increase and recognize the role of NGOs in civil society development.



Different ministries have awarded grants and social contracts to local NGOs. Of special note, the Ministry of Sports and Youth issued several grants to youth and sports-oriented NGOs.

Local corporate philanthropy is undeveloped and, when it exists, assistance is provided

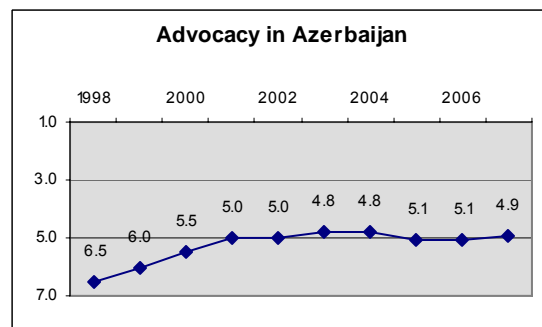
#### ADVOCACY: 4.9

Overall, the attitude of authorities towards NGOs and their activities has improved, perhaps because NGOs are increasingly apathetic to politics. In some cases, government officials, generally at the central level, rely on NGOs as sources of expertise and information. For example, the 2007 State Anti-corruption Strategy was created jointly by the State Commission on Anti-corruption and NGOs, including the Azerbaijani branch of Transparency International, whereas this same strategy for 2004-2005 was developed solely by the state. Additionally, NGOs and their coalitions have been permitted to work on legislative initiatives. NGO expert working groups created draft language about student credits as part of the Law on Education, several initiatives in the agricultural sphere, and a draft Law on Volunteers, some of which are now on the Parliament’s agenda. However, the NGO voice is often ignored particularly when dealing with human rights issues. At the local level, NGOs are attempting to improve the

directly to the beneficiaries, and not through NGOs. Collection of membership fees is often only symbolic, and supplemental income generation is not popular among NGOs, as they are reluctant to subject themselves to profit taxes and related complications with tax authorities.

The overall state of financial management systems and practices has improved. While most moderately developed NGOs use Excel to prepare budgets and reports and track expenses, some are introducing financial software, primarily of Russian origin. NGOs now recognize the necessity of budget forecasts and financial projections, but do not have the human resources or skills to include them as part of their daily financial management. Cash operations are preferred, but some NGOs have started using the banking system, including ATM cards for salary payments. Conducting an independent audit is a luxury for which most NGOs do not have financial resources. An additional barrier to audits is that qualified local low-cost auditors are not readily available.

transparency of local budgets and increase the public’s role in local decision making. Most municipalities and executive authorities are receptive to these initiatives.



During the past year, several advocacy campaigns were launched by diverse coalitions including NGOs, local businesses, and media. Over 50 NGOs are involved in the Improving Transparency in Extractive Industry (EITI) project aimed at increasing the transparency of payments from mining companies (BP, SOCAR,

EXXON, Lukoil, etc) to the Government of Azerbaijan, as well as the use of their profits. As a result of an advocacy campaign led by the local NGO Multimedia, several municipalities, some ministries, and the Parliament assigned staff and allocated additional funding to improve public access to information through better functioning government websites.

Additionally, as described above, as a result of significant lobbying efforts by a coalition of local NGOs, several legislative initiatives to enhance NGO effectiveness and sustainability were included in the 2008 Parliamentary agenda. Local and international NGOs also contributed significantly to the adoption of the Presidential Decree on State Support of NGOs, which establishes the legal ground for developing real cooperation between government and NGOs. Specifically, this Decree authorizes the Cabinet of Ministers to prepare and submit recommendations on the establishment of a state

body to address NGO issues and create a foundation to provide assistance to NGOs. Within the framework of USAID's Civil Society Project, in December 2006, ICNL and a group of engaged NGOs facilitated a public debate on the role of the NGO sector in the country's economy and on various mechanisms of government support for NGOs. Following a spring 2007 workshop on international legal mechanisms for public financing of NGOs, several members of Parliament, various ministry officials, and NGO representatives solicited ICNL's comparative analysis and advice on drafting similar legislation, which resulted in the Presidential Decree. Despite these examples, coalitions of like-minded NGOs remain limited and are often viewed as donor-driven. Strong coalitions are inhibited by the personal ambitions of authoritarian activists/leaders combined with a narrow view on social problems and lack of collective thinking and decision making skills.

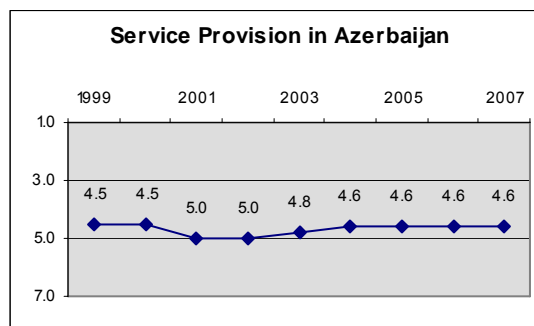
#### **SERVICE PROVISION: 4.6**

Overall, the NGO services menu is diversified and NGOs generally ensure that their activities are consistent with their missions. Many NGOs now design their projects around the direct problems and needs of the population. Activities include humanitarian relief, public and economic development, human rights protection, elections, health, and basic public services. Some NGOs provide quality services and products, however, the need for social services is growing, and the NGO sector is incapable of fulfilling these needs. Donors have also become increasingly focused on supporting needs-based projects.

Executive authorities are more accepting of NGOs working to improve social services and public infrastructure. Some ministries (e.g., Ministry of Youth and Sports, Ministry of Ecology, Ministry of Economy, Ministry of Labor and Social Protection) have created or identified NGOs with which they want to cooperate.

NGOs offer seminars and presentations and publish materials for use by various official bodies and ministries. For example, the local

NGO ARAN published a book on the legislative and regulatory framework of municipalities in Azerbaijan. Several NGOs developed and provided training modules on organizational capacity development to interested organizations around the country. During the year, several new NGO Resource Centers, located primarily in the regions, were opened and provide free access to e-communication, library, and meeting space.



Some NGOs collect fees for their services, but many do not charge their clientele. Some NGOs have started offering fee-for-service trainings to the general public, most commonly language, accounting, and computer courses.

## INFRASTRUCTURE: 4.4

The infrastructure for NGOs improved significantly over the year, as several NGO Resource Centers opened throughout the country, even in remote rural areas such as Sheki, Imishli and Barda. In addition to free access to e-communications, literature and donor information, these centers provide assistance related to registration, fundraising, and NGO taxation. Very few Resource Centers generate substantial income from their services, although they do earn revenue by renting conference rooms. Some centers offer NGO-focused training such as courses in organizational development, languages, computer and accounting.

Skilled trainers and training opportunities in NGO management, including specialized training in strategic management, financial sustainability, fundraising, public relations, advocacy, and proposal writing, are available in Baku and other urban settings such as Ganja, Barda, Imishli, Lenkoran, and Sheki. Azeri-language literature, often on human rights, is also available, and translations are usually of high quality. A very limited number of NGOs re-grant international donor funds.

## PUBLIC IMAGE 5.0

Over the last year, media coverage of the NGO sector improved significantly. NGOs began to work intensively with local and national media outlets – creating core groups of journalists, inviting them to events, preparing regular press releases, organizing project launch/completion events and press conferences, and writing articles. NGO experts are frequently invited by TV companies to participate in public debates on various topics. Some newspapers and informational e-agencies (AzerPress, Turan, APA, Bakinfo, ABC.news, Day.Az) cover the NGO sector on a regular basis. Though published irregularly due to its dependence on grants, the journal “The Third Sector” covers NGO activity. In addition, many NGOs are creating websites, including [www.gaba.az](http://www.gaba.az), [www.development2006.org](http://www.development2006.org), [www.fscs-az.com](http://www.fscs-az.com), [www.aran.az](http://www.aran.az), [www.uluchay.org](http://www.uluchay.org), and [| Year | Score |
|------|-------|
| 1999 | 5.5   |
| 2000 | 4.5   |
| 2001 | 3.0   |
| 2002 | 4.6   |
| 2003 | 4.7   |
| 2004 | 4.6   |
| 2005 | 4.6   |
| 2006 | 4.6   |
| 2007 | 4.4   |](http://www.bf-</a></p></div><div data-bbox=)

Examples of NGOs cooperating with authorities remain rare. However, NGO partnerships with mass media and local businesses are improving as a result of more proactive public outreach. Some local businesses have expressed their willingness to work with NGOs on issues of corporate social responsibility.

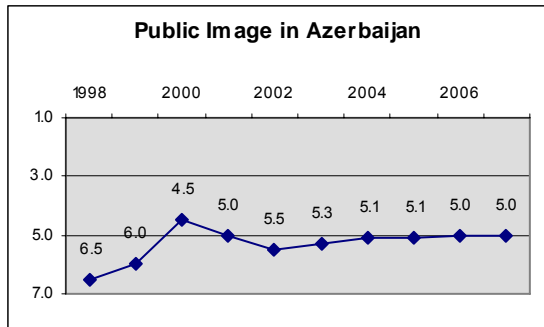
A fairly advanced information network covers most of the country. There are a number of popular online resources that provide credible information on vacancies and trainings, and offer virtual space for debates and exchange of views.

[az.org](http://az.org). While these websites have been created primarily to attract donor funding, NGOs understand the need to make them more constituency-focused and will continue to develop them further and create Azeri, English and/or Russian versions.

Although the advertising law does not provide privileges for public service announcements (PSAs), the charters of most private local radio stations, TV companies, and newspapers provide a 50 percent discount for PSAs. In reality, though, it is difficult for NGOs to obtain these rates, or they are simply unaware of these incentives and therefore do not request them.

Despite the improved media coverage, citizen awareness and support of NGO activity remains low. NGOs working on human rights are more likely to be recognized by the public, whereas

those working on social projects are often known only by their constituents.



Officials are starting to recognize NGOs as sources of expertise, and are showing a

heightened willingness to attend and participate in public events and joint working sessions. The business sector remains rather ambivalent to NGOs. There is a nascent culture of corporate social responsibility and charity, and businesses are more likely to fund and implement social projects themselves, as opposed to contracting NGOs, if they engage in such work at all.

There is still no sectoral code of ethics for local NGOs, and most NGOs are not fully transparent to the public. Some of the more developed NGOs have created internal Codes of Conduct, policies and procedures, and many NGOs are beginning to publish, distribute and post annual reports on their websites.