

## Azerbaijan

Capital: Baku

GDP per capita: \$572

Population: 7,700,000

Inflation: 4%

Unemployment (1997): 19.3%

Foreign Direct Investment: \$780,000,000

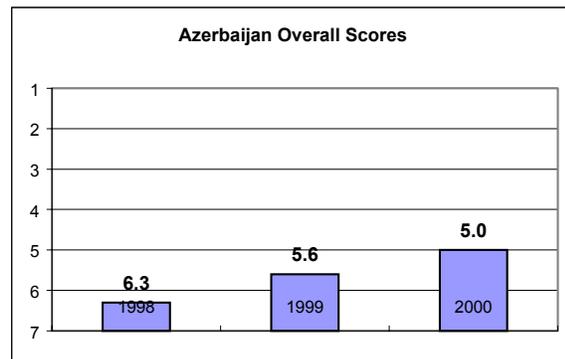
### OVERALL DESCRIPTION: 5.0

The local NGO sector in Azerbaijan has experienced significant growth in the last few years in both size and capacity. Approximately 300 active organizations now work in a wide range of sectors. NGOs have increasingly focused on providing basic social services in their communities; however, human rights groups and election education/monitoring NGOs also operate and are developing their capacity. While Baku-based NGOs remain significantly more developed than NGOs in the regions, there has been an increased focus on developing the capacity of organizations outside of the capital over the past year.

The legal environment in which NGOs operate improved significantly over the past year. The President signed a new NGO law in September 2000. While the new legislation fails to address all issues important to the development of the NGO sector, it does provide NGOs with recognition from the government and a legal basis to conduct their work. The government still does not provide open support to the NGO sector and limits political activity by NGOs. However, a tolerance for the sector has developed to some degree over the past year, in part due to international pressure.

NGOs in Azerbaijan are becoming more dynamic and are increasing their capacity to program effectively. Volunteerism in organizations is growing and the stronger organizations see the value of clear management structures. In addition, some of the more advanced organizations have begun to diversify their funding sources. But local business and government still provide limited financial support.

While competition for funds still exists among NGOs, organizations are beginning to share information with each other more readily than they have in the past. NGOs working on issues pertaining to children, environment, health, human rights, and migration meet regularly. Finally, public awareness of NGOs is slowly increasing. NGOs are developing better working relationships with the mass media, which reports almost daily on their activities. NGOs are also beginning to understand the value of



## **AZERBAIJAN**

promoting their activity more widely to garner support in terms of volunteers, understanding and funding.

### **LEGAL ENVIRONMENT: 5.0**

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The legal environment for NGOs in Azerbaijan has improved considerably over the past year. In September 1999, the Constitutional Court confirmed that the law on grants passed in April 1999 exempts all grant recipients from taxation on grant monies except on salaries paid to staff with these funds. In September 2000, the President signed new NGO legislation. While the legislation does not address all key issues, it is a positive first step in a country that has not previously recognized NGOs. The new legislation makes some progress in defining permissible activities, internal management, reporting, and dissolution of NGOs, but does not preclude state control over NGOs. In addition, the legislation restricts the ability of NGOs to monitor elections if they receive more than 30% of their financing from foreign entities or individuals.

The government of Azerbaijan has become more tolerant of

NGOs recently. Registration has become more straightforward, with fewer delays. In addition, politically suspect groups have had greater success in getting registered. For example, in January 2000, the government finally registered a number of human rights groups after a three-year wait. However, despite the increased tolerance of NGOs, most organizations still remain hesitant to directly criticize the government.

Taxation remains a problem for some NGOs as a result of deep-rooted corruption. In addition, some tax collectors are not familiar with new laws exempting NGOs from certain taxes. No tax exemptions or deductions exist for individuals or corporations that donate to local NGOs, thus affording little incentive for charitable contributions. NGOs are able to earn income; however, income is taxed at the same rate as a for-profit organization.

### **ORGANIZATIONAL CAPACITY: 5.2**

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Local NGO organizational capacity continues to improve in Azerbaijan. A core group of local NGOs has emerged with a clear mission and organizational goals as well as internal structures and permanent staffing. While these organizations can not yet be viewed as sustainable entities, they are in the process of instituting the right mechanisms.

Serious problems still remain. First, most NGOs still

do not have a clear understanding as to the importance of developing a constituency. Many organizations develop and implement project ideas without interacting with the project's target population. However, some of the more advanced organizations are beginning to work more closely with their constituencies. For example, a number of organizations recently carried out surveys and assessments within their target popula

tions to determine the type and priority of programming.

Most NGOs in Azerbaijan also lack a clearly defined mission, thereby allowing organizations to pursue multiple areas of programming depending on the type of funding available.

While some NGO leaders are beginning to have a better understanding of the importance of internal management structures, few organizations understand the distinction between staff and board members. Furthermore, in most cases, boards consist of friends and relatives.

NGOs in Azerbaijan are becoming increasingly successful in recruiting and utilizing volunteers, although systems for recruiting volunteers remain unstructured.

Only a small number of the large and more advanced Baku-based NGOs in Azerbaijan have their own modernized basic office equipment. According to the Humanitarian Research Center, while 140 NGOs in Azerbaijan have email access, few of these organizations actually have their own computers or fax machines.

### **FINANCIAL VIABILITY: 6.0**

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The majority of support for local NGO activities still comes from foreign foundations, businesses, and embassies. The concept of philanthropy in Azerbaijan is not well developed, and current tax laws fail to provide any incentive for local individuals or companies to make charitable contributions. However, there is some indication that a few local companies provide some financial and in-kind support to local NGOs, such as use of space or donation of supplies.

Few NGOs currently have financial systems in place. The majority of NGOs work project to project and tend to respond to different donors' financial reporting requests.

Stronger NGOs are beginning to develop a core of financial supporters as they learn to program more consistently.

For the most part, NGOs do not receive significant revenue from earned income. The concept of a non-profit organization generating income is difficult to grasp and many NGO representatives claim that they should not charge for their services. In addition, under the current tax legislation, NGO earned income is taxed the same as income earned by a for-profit entity. However, even within this context, a few organizations are beginning to charge for their services or publications or collect membership fees.

### **ADVOCACY: 5.5**

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Given the constraints that exist within the country, NGOs in Azerbaijan still have limited experience in advocacy and lobbying. Direct

communication between NGOs and policy makers remains relatively limited, although relationships are developing on some levels, generally be

## AZERBAIJAN

cause of personal contacts or intervention from international agencies.

Despite these restrictions, NGOs have taken steps to influence policy or raise awareness about certain issues. For example, the Democratic Congress brought together NGOs and political opposition groups to advocate for democratic change in Azerbaijan during the last elections. Human rights and environmental NGOs have attempted to raise the visibility of their issues by holding press conferences or dis-

seminating information internationally. In early 2000, the NGO community was involved in reviewing and commenting on the draft NGO legislation. In some cases, NGOs have also commented on draft legislation in their fields of interest.

While there are some openings for NGOs to get involved in advocacy work, the government is hesitant to allow NGOs to operate within spheres that it considers political. As a result, NGOs are relatively careful about criticizing the government.

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### SERVICE PROVISION: 4.5

NGOs in Azerbaijan provide an increasingly diverse range of services, including health, education, humanitarian assistance, children's issues, community development, income generation, environmental protection, and election education. However, these services still tend to respond to the priorities of international donors instead of the needs of the organization's constituency.

NGOs rarely recover the costs of the goods and services they provide. In general, there is a limited understanding by both the NGOs themselves and the broader public about why NGOs would charge for their services if they are a not-for-profit organization. In addition, due

to current tax legislation, any income they generate from the provision of their goods and services is taxed as a for-profit company. There are some attempts by a few NGOs to charge certain segments of the population for services in order to allow other, less fortunate members of the population to access their services for free.

The government is beginning to more openly recognize the value of NGOs in providing basic social services. However, with the exception of the Ministry of Youth and Sport, the government still does not provide funding for NGO activity or allow NGOs access to government contracts that would enable them to provide such services.

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### INFRASTRUCTURE: 4.5

The number of intermediary support organizations and NGO resource centers providing training, computer and information access continues to increase. The Initiative for

Social Action and Renewal in Eurasia (ISAR) has been working in six regions of Azerbaijan for the past year to make such services available to organizations and initia

tive groups outside of Baku, and opened a resource center in Mingechivir in September. The NGO Forum and the Danish Refugee Council also have plans to open resource centers outside of Baku in the next year. A number of local NGOs also provide valuable training, seminars and other services for the NGO community. For the most part, intermediary support organizations do not earn income from the services they provide, making them highly dependent on continued donor funding.

Local grant-making capacity in Azerbaijan remains extremely limited. Community foundations have not yet been created and only one organization - Hayat, a local humanitarian organization - runs a grant program for local NGO projects, with funds from IOM.

Local NGOs in Azerbaijan are increasingly sharing information among themselves. ISAR and the NGO Forum both hold regular information meetings for the NGO community. NGOs

working on environmental, health, and children's issues meet regularly. In June 1999, the UN NGO Resource and Training Center created the NGO Forum, which claims a membership of over 200 local NGOs. The Forum works to coordinate and promote NGO activity in close cooperation with the government. In July 1999, the NGO Congress was formed in response to the NGO Forum and claims a membership of over 100 local NGOs. The NGO Congress has slowly been absorbed by the NGO Forum, but still exists to some degree.

NGOs are beginning to understand the value and importance of working more closely with the government, business and mass media to ensure their future sustainability. Some of the more advanced and professional NGOs have developed effective partnerships with mass media and the business community; however, there still needs to be more awareness and training to assist the sectors in working effectively together.

### **PUBLIC IMAGE: 4.5**

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Media coverage of NGO activity in Azerbaijan has increased steadily over the past year. There is now almost daily coverage of NGOs by both the major newspapers and other media outlets. News on sensitive issues that NGOs are involved in, such as AIDS or human rights, will sometimes even make the front page. In addition, beginning in January 2000, the Fund for Democracy and Development began to produce a monthly 4-page insert on NGOs, which has been placed in the two top newspapers in Azerbaijan.

Awareness and understanding of NGOs is increasing slowly. However, according to a recent NGO public awareness survey carried out by SIAR Marketing and Research center, only 7 percent of 1,000 people interviewed have heard of a local NGO. When provided with names of some of the larger and better-known NGOs in the country, more people showed recognition of these organizations.

As public awareness about NGOs increases, so does awareness about the NGO sector among representatives of

## AZERBAIJAN

government and business. International businesses are becoming more familiar with local NGOs and the larger ones provide some support to the stronger NGOs in the country. International oil companies use some of the environmental NGOs to provide expertise in certain topic areas. There are some examples of local businesses providing a discount or donating goods to an NGO when they learn about its activities, but most local businesses tend to support NGOs only if they know people involved with the organization. The government's perception of NGOs is slowly changing from negative to more neutral, although some suspicion remains.

NGOs are developing a better understanding of the need to

work with the mass media and publicize their activity to the larger public. The Local NGO Fair organized by ISAR in June 2000 was a good opportunity for the 57 participating NGOs to publicize their work among the local mass media, international NGO and business community, government and general public.

The idea of transparency is relatively new and there is still some fear associated with opening up an organization's operations to the broader public, particularly financial information. As a result, NGOs in Azerbaijan have not yet developed a code of ethics. Most NGOs do not produce annual reports, but may publish brochures highlighting their accomplishments to date.