

AZERBAIJAN



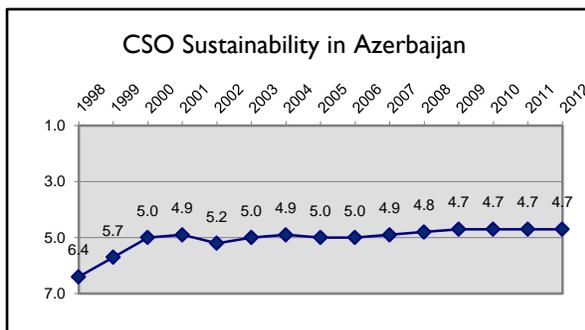
Capital: Baku

Population: 9,590,159

GDP per capita (PPP): \$10,700

Human Development Index: 82

CSO SUSTAINABILITY: 4.7



Civil society in Azerbaijan engaged in heated debates in 2012 on various issues, from the role of government in addressing the problems of local CSOs to the allocation of more public funding to CSOs. The government expressed its willingness to engage in dialogue with CSOs in the preparation of the Law on Social Order and the Model of Quality Standards and Certification of NGOs.

In July 2012, high-ranking government officials met with around 100 representatives of leading CSOs to

discuss ways to simplify the CSO registration process, reduce taxes on the non-governmental sector, and eliminate restrictions on CSOs conducting activities in the regions. Although all of the resulting recommendations were forwarded to the relevant government agencies, no changes have been introduced yet. As a result, CSOs continue to face challenges in registration, funding, and organizational capacity.

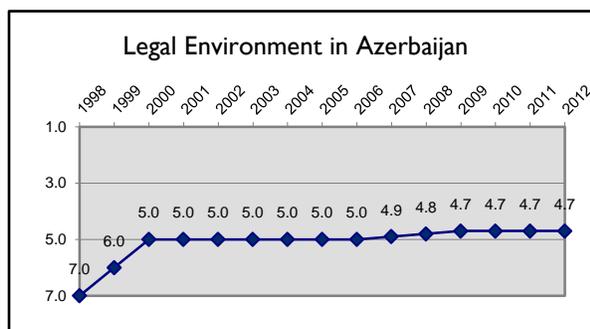
CSOs also experienced several drawbacks during the year. Most notably, the Law on Freedom of Assembly, which increased penalties for unsanctioned protests, was adopted at the end of the year.

At the end of 2012, there were 2,850 registered CSOs in Azerbaijan, 178 of which registered during 2012. The number of CSOs in the regions is quite small. In many regions, such as Shabrand and Siyazan, there are only one or two registered



CSOs. In some of the northern regions, such as Qusar and Xizi, no CSOs are registered. There are many more CSOs in Baku and other large cities, such as Ganja, Sumqayit, Lankaran, Mingechevir, Shirvan, Sheki, Sabirabad, and Imishli, but they face other problems, such as lack of coordination within the sector.

LEGAL ENVIRONMENT: 4.7



The primary types of CSOs in Azerbaijan are public unions and civic associations. According to the 2000 Law on Non-Governmental Organizations, a public union is a voluntary, self-governed organization initiated by natural persons or legal entities with common interests. In contrast, a civic association is a joint initiative of several public unions cooperating to reach mutual goals.

CSO registration continues to be problematic. The registration process is bureaucratic, and requires

organizations to travel to Baku to register with the Ministry of Justice (MoJ). According to a survey conducted by the Democracy Learning public union in 2012, it took 57 percent of CSOs a year or more to register. The other 43 percent of CSOs were able to register within three months; most of these CSOs focus on culture, tourism, ecology, and children and youth. Although CSOs can operate without registration, there are benefits to registering. For example, unregistered CSOs cannot access financial aid from the Council on State Support to NGOs (the State NGO Council) or foreign donors.

Some CSOs have applied unsuccessfully for registration seven or eight times. The MoJ often refuses registration due to a lack of required documents. A few organizations, such as the Support to the Protection of Civil Rights public union, have sued the MoJ after being denied registration. According to the public union’s chairman, an MoJ employee suggested that the union withdraw the phrase “protection of civil rights” from its documents to facilitate the registration process. The public union failed to get the denial overturned in court.

The MoJ also takes a selective approach to registering foreign organizations. For example, the MoJ did not respond to the registration applications of some foreign organizations seeking registration in 2012, including the East-West Management Institute (EWMI) and the International Center for Not-for-Profit Law (ICNL). However, the MoJ restored the registration of the National Democratic Institute (NDI) in September 2012 after suspending it in March 2011.

A majority of the proposals submitted to the President after the July 2012 meeting related to the registration process. For example, CSOs would like to be able to use one-stop shops for registration, register with local MoJ agencies in the regions, and change their information online. A simplified registration process for foreign funds and organizations was also proposed.

On March 14, 2012, the Milli Majlis (Parliament) passed a law amending the Criminal Code. Among other things, the amendments introduce a new chapter focused on the liability of legal entities, including CSOs. The penalties that can be applied to legal entities for committing crimes ranging from infringing public order to defaming the President include fines, confiscation of property, deprivation of the rights to engage in certain activities, and liquidation.

The Code of Administrative Offenses was amended in late November to expand the list of administrative offenses relevant to CSOs. The new provision entails fines of up to 2,000 manat (approximately \$2,500) for failure to publish financial reports in the manner prescribed by legislation. Penalties apply to all legal entities that are required to publish their reports, and thus impact foundations, but not public associations.

Furthermore, in November 2012, the Milli Majlis adopted an amendment to the Law on Freedom of Assembly, which dramatically increases penalties on participants and organizers of unsanctioned protests. For example, individuals can now be fined 1,500 to 3,000 manat (about \$1,900 to \$3,800), up from six to twelve manat (approximately \$8 to \$15). Individuals can also be assigned community service for 200 to 240 hours or placed in administrative detention for fifteen days.

CSOs, especially those operating in the regions, claim that they face pressure from local authorities. For example, after the flooding of the Kura and Araz rivers in 2010, the CSO Kur monitored the distribution of government compensation to the victims and disclosed fraud and corruption. In April 2012, Kur's chairperson was arrested and accused of engaging in hooliganism and plotting an anti-government demonstration in Minbashi village. He was detained for two and a half months and is now under house arrest and police supervision pending final resolution of the case.

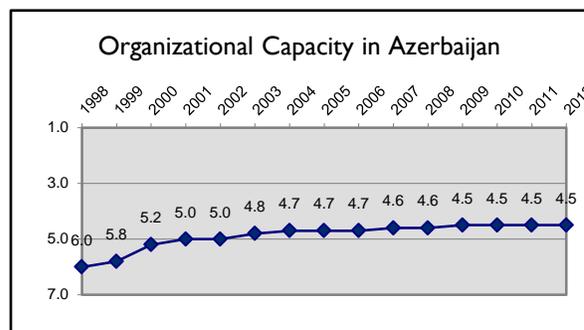
CSOs do not pay value-added tax (VAT) on grants. Some organizations would like to eliminate the 22 percent payment to the social protection fund from salaries, as it was in the past, while others recommend reducing it. These recommendations were also submitted to the President's administration for consideration.

CSOs are legally allowed to earn income by selling goods and services; however, very few CSOs take advantage of this opportunity. Although the 2011 Law on Social Services makes it possible for CSOs to compete for state tenders, the implementing mechanisms were not yet in force during 2012. The President's Decree for the Law on Social Services, adopted in November 2012, is expected to facilitate the law's implementation and engage CSOs in the delivery of social services.

There are very few lawyers to whom CSO representatives can turn for legal assistance as CSOs cannot afford their rates. In addition, few lawyers specialize in CSO legal issues, as it is not considered a lucrative field.

ORGANIZATIONAL CAPACITY: 4.5

Most CSOs still do not plan their activities strategically. In most cases, one person - generally the head of the organization - determines the organization's activities. According to the State NGO Council, only fifty registered CSOs have their own offices, and only one hundred hire staff on a permanent basis. Individual accountants often perform accounting services for fifteen to twenty organizations. Operating CSOs have basic equipment, including two or three computers, copy machines, and furnished meeting rooms.



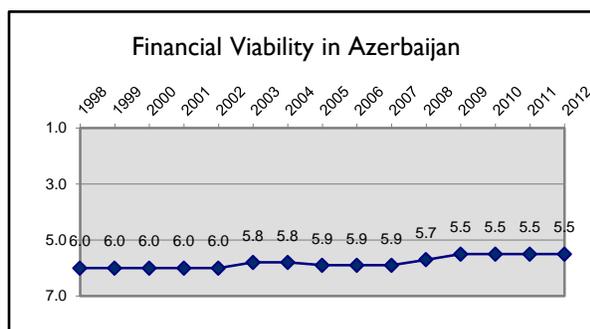
In some cases, CSOs build and serve strong constituencies. For instance, as a result of the cooperation between local people and Kur, 128 households were able to prepare the necessary documents to demand compensation in court for the damage their houses incurred during the 2010 floods. Furthermore, Kur monitored over 4,000 damaged households over the last two years and conducted alternative assessments on more than 2,200 damaged households.

The number of CSOs in the regions is very low. Out of more than one thousand projects supported by the State NGO Council over the last four years, only 200 were implemented by regional CSOs. Members of the Council say that regional CSOs are unable to develop good project proposals. CSO professionals are usually concentrated in the capital and regional CSOs often lack funds. In addition, regional CSOs do not have effective management, human resources, project management, accounting, or public relations skills.

According to the State NGO Council, most CSOs fail to comply with basic legal requirements, such as organizing regular meetings, preparing reports, and selecting their leaders. To increase local CSO capacities,

the State NGO Council prepared the Model of Quality Standards and Certification of NGO Activity in 2012. The Model, which encompasses strategic planning, management, accounting policies, and other common standards, is currently open for public discussion, and the final version is expected to be approved in the next year or two. The State NGO Council has already stated that it will only cooperate with CSOs that comply with these standards.

FINANCIAL VIABILITY: 5.5



Financial viability is the most serious problem faced by CSOs. CSOs remain highly dependent on foreign sources of funding, and local philanthropy is poorly developed. According to estimates by the Center for Public Initiatives, 80 percent of the sector's revenue comes from foreign sources, 15 percent comes from government sources, and only 5 percent comes from other sources such as membership fees, economic activities, and individual and corporate donations.

The Center for Public Initiatives estimates that registered CSOs received 39.5 million manat (about \$50.6 million) in 1,054 grants from local and international donor organizations in 2012. Eighteen of these grant-giving organizations are local donors, ten of which are governmental agencies.

The State NGO Council, which was created in 2007, distributes government funds on a competitive basis to CSOs. In 2012, the State NGO Council allocated 2.03 million manat (approximately \$2.6 million), down slightly from 2.05 million manat in 2011. In 2012, the State NGO Council declared that foreign CSOs can also apply for grants. However, it has not yet awarded any grants to foreign organizations. Some CSOs complain that the State NGO Council gives preference to organizations run by members of parliament and organizations with which the Council has close ties. These complaints were raised during the meeting held in July.

On July 25, 2012, the Youth Fund under the Ministry of Youth and Sport announced the results of its first grant competition, through which it granted 1.95 million manat (approximately \$ 2.5 million) to local CSOs and individuals for youth projects. The Youth Fund is a new public funding mechanism that aims to stimulate activities in the fields of science, education, culture, and other social fields connected with youth policy.

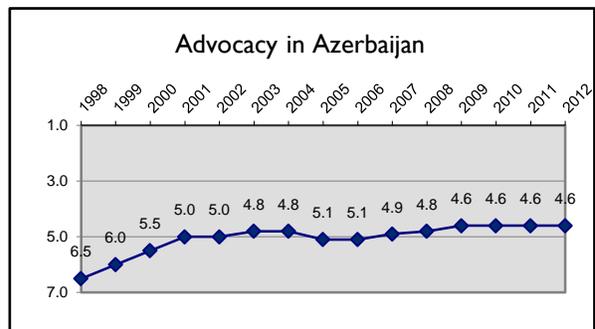
Mechanisms have not yet been created under the Law on Social Services, which was adopted in 2011, to allow CSOs to compete for state tenders for social services.

CSOs are legally required to submit annual financial reports to the Ministry of Finance, but only 1,352 organizations submitted reports in 2012. CSOs, particularly those in the regions, find the report forms complex and find it difficult to travel to Baku to submit the reports. The National Agenda recommends exempting CSOs with annual incomes under 12,000 manat (approximately \$15,300) from the reporting requirement. It also recommends that organizations with annual incomes over 12,000 manat (approximately \$15,000) be allowed to submit their financial statements online.

ADVOCACY: 4.6

A number of civil society representatives regularly participate in parliamentary discussions. In addition, some ministries, including the Ministry of Youth and Sport, cooperate closely with CSOs in the implementation of various projects. However, ministries do not have transparent procedures in place for selecting the CSOs with which they cooperate, instead giving preference to affiliated organizations.

CSOs are sometimes involved in the development of state programs. For example, while preparing a new state program to combat drug addiction, the government solicited comments and suggestions from CSO representatives. The Ministry of Youth and Sport requested Our Youth civic association to provide services, increase public awareness, and engage civil society on issues of youth drug addiction and HIV/AIDS.



In order to contribute to the development of civil society in Azerbaijan, several conferences were organized with the participation of CSO and government representatives. The forum Civil Society in Azerbaijan: National Agenda for Changes was financed by the Budapest office of the Open Society Foundation and the German Marshall Fund and was held on May 17, 2012. At the forum, participants prepared recommendations on taxation, registration, and other issues. In addition, a special working group was formed to link government and CSOs. On May 31, 2012, the State NGO Council organized a meeting on The Role of NGOs in the Development of Civil Society, which focused on increasing the efficiency of CSO activities, strengthening civil society, and cooperating with international organizations.

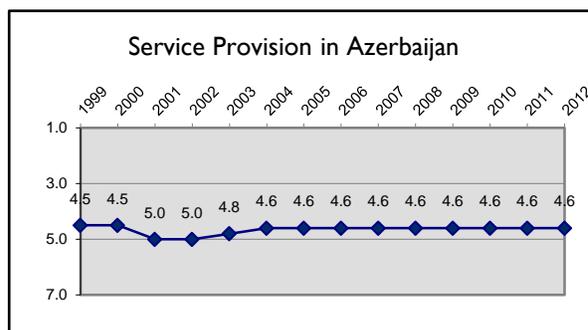
Most significant was the Civil Society Forum organized in July 2012 by the Civil Society Institution. Participants in the forum adopted the recommendation packet “Civil Society in Azerbaijan: National Agenda for Changes.” Many of the recommendations were related to financial viability, including decreasing or eliminating the social protection tax that CSOs must pay on staff salaries; exempting CSOs from VAT on grants; exempting CSOs from taxes on income earned from the stock market and economic activities; increasing state support to CSOs; improving the government funding system; and competitive selection of CSOs to implement social services with state support.

In 2012, with the financial support of the State NGO Council, fifty-six television and radio debates on topics affecting the sector, including fundraising and taxation, were organized.

Parliament did not discuss the draft Laws on Public Participation, Social Order, and Trade Unions that the State NGO Council proposed in 2011. However, some members of parliament participated in public discussions on these bills during the year.

SERVICE PROVISION: 4.6

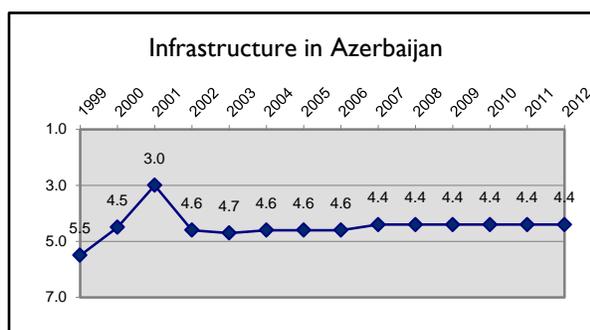
CSOs provide services in a number of areas, ranging from assistance for vulnerable groups to capacity building for youth. According to the Economic Research Center, 30 percent of CSOs engage in scientific research, 11 percent in children and youth issues, 7 percent in tourism and culture, 6 percent in human rights, 5 percent in mass media, 5 percent in social welfare, and 4 percent in ecology issues. As in past years, most CSOs continue to follow the priorities set by donor organizations.



CSOs rarely compete for state tenders. When CSOs do win state contracts, their participation is generally limited to conducting research or providing technical input. The Law on Social Services, adopted in December 2011, enables CSOs to receive government contracts for social services in areas such as assisting the sick, elderly, poor, and victims of human trafficking. However, the law is not implemented yet.

Although several CSOs engage in economic activities such as accounting, teaching foreign languages, and teaching computer skills, the income from such activities is low. For some services such as those in the social, legal, medical, and humanitarian fields, CSOs earn little or no revenue because constituencies are unable or unwilling to pay.

INFRASTRUCTURE: 4.4



Many CSOs participate in coalitions that increase public awareness on various issues at both the regional and local levels. Active coalitions, each engaging up to twenty CSOs, focus on increasing transparency in the extractive industries, advancing democracy, and combating torture, in addition to other issues. The NGO Cooperation Alliance, which includes fifty-one CSOs, has already started monitoring the presidential elections that will be held in October 2013. The coalition will monitor the resources, capacities, number of members, initiatives, and finances of over twenty

political parties.

Almost 500 regional resource centers offer conference halls and limited technical equipment for meetings and public discussions. In 2011, CSOs recommended creating NGO Houses in both big cities and regions to strengthen CSO activities. In June 2012, several CSOs and civic associations, including the NGO Cooperation Alliance and National NGO Forum, discussed the development of NGO Houses. They recommended that an NGO House should host 300 or more CSOs and should provide CSOs with necessary resources such as conference rooms and technical equipment. These proposals were addressed to the President, and await a response.

The State NGO Council and individual CSOs offer various trainings on capacity building, management, fundraising, and social issues. In 2012, the Bridge to the Future public union organized the Gender Academy, which offers trainings to women's CSOs on capacity building, decision-making, and leadership skills in Baku and various regions of the country. This initiative will continue in 2013. With support from the European Delegation to Baku, and the Management Center for Cyprus, the Center for Economic and Social Development (CESD) provided capacity building support to over 200 CSOs from both Baku and rural areas on eight topics in 2012. As a result of this training, eight CSOs attracted new donors and increased their income.

A new website (<http://civilsocietyforum.az>) was created in 2012 to provide CSOs with critical information, including on the recommendations for improving and enhancing civil society in Azerbaijan that emerged from the Civil Society Forum.

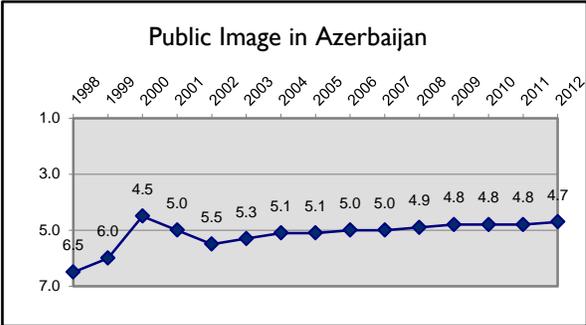
Partnerships between businesses and CSOs are not well-developed in Azerbaijan. Small and medium enterprises, which make up almost 80 percent of business entities, do not have the resources to invest in social projects. There are a few examples of big companies collaborating with CSOs, include Azercell, which provides financial support to the NGO Alliance for Children's Rights, and BP, which supports the Hope Social Support Center.

The State NGO Council is preparing a National Action Plan for the Development of NGOs over the next five years. The plan aims to increase the financial sustainability of CSOs, improve the reputation of CSOs, and increase the role of CSOs in society.

PUBLIC IMAGE: 4.7

CSOs have established close relationships with the print media and electronic news portals and regularly convey their opinions through the mass media. However, CSOs do not have good access to local TV channels due to the high cost for airtime and the unwillingness of TV channels to broadcast programs critical of the government. There are some initiatives to establish CSO TV channels.

In recent years, CSOs have begun using social networks to communicate with the public. CSOs regularly disseminate information about their activities and projects on Facebook. CSO representatives have also held public debates on issues related to the civil sector on social networks.



Government perception of the CSO sector is still not positive, although some government agencies did cooperate with CSOs in 2012. For instance, CESD started implementing a fellowship program with the Ministry of Foreign Affairs and the Support to Entrepreneurship public union started implementing a joint project with the Ministry of Economic Development.

CSO activities are accepted by the public in spite of the persistence of some distrust of CSOs as mere grant seekers. The State NGO Council and several companies initiated a public discussion in order to spread the idea of corporate social responsibility (CSR). However, most businesses are unwilling to cooperate with CSOs, as they do not have enough funding for social projects. Companies prefer CSO projects that provide them with good publicity.

The Entrepreneurship and Market Assistance Foundation launched the Charter of Responsibility in 2011. To encourage local CSOs to adopt the Charter, the State NGO Council placed it on its website in 2012. Twenty-one CSOs initially signed onto the Charter. As a result of a wide campaign to publicize it in both Baku and the regions, many other CSOs joined the Charter, but no official numbers are available. Active CSOs publish annual reports on their activities and projects.