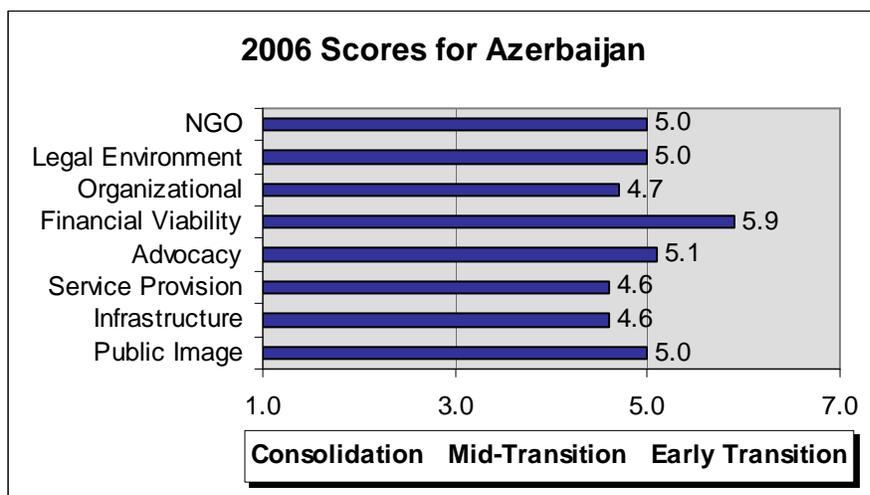


Azerbaijan



Capital: Baku

Polity: Republic

Population:
7,961,619

**GDP per capita
(PPP):** \$7,300

NGO SUSTAINABILITY: 5.0

Over the past year, the sustainability and capacity of the NGO sector remained generally unchanged. The number of NGOs in Azerbaijan is still approximately 3000, of which 60% are registered and roughly 600 are active and visible.



The government continues to mistrust NGOs and would like to exert greater control over the sector. Though minor amendments to the legal framework were meant to simplify NGO registration, government officials are inconsistent in the time they take to process applications. Many organizations continue to experience difficulties when registering and require intervention by “influential forces” to be registered. Many of the NGOs created under the umbrella of government ministries are used to misappropriate public funds and grants. During the recent elections, several NGO

leaders were elected to Parliament, while many other MPs created their own NGOs.

Legal reforms adopted in late 2005 repealed a restriction barring NGOs that receive more than 30% of their funding from foreign donors from monitoring elections. The lack of an independent electronic media or a fair judicial system limits the ability for NGOs to exercise their rights. As political opposition from the NGO sector has weakened significantly over the past year, authorities have reduced their pressure and control over NGOs.

The majority of NGOs struggle to secure local financing and rely solely on foreign donors. The tax laws remain largely unchanged. Organizations are required to pay 22% of their consolidated payroll towards the Social Insurance Fund, though NGOs engaged in social projects are exempt and only required to pay income tax. Funds from the United States government are also exempt under a bilateral agreement with the government of Azerbaijan.

Over the past year, NGOs slightly increased the number of services they provide in areas such as humanitarian relief, environmental protection, gender and youth support, human rights, civic and legal education, health care, and economic development. The poor infrastructure, lack of government support, high competition, weak relationships with their

constituents, low public awareness of civil society, and the strengthening of the state, however, restrict the role that NGOs play in developing civil society.

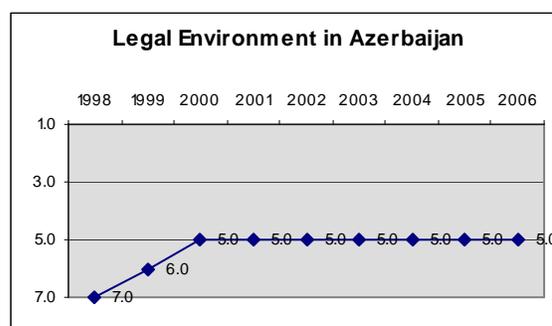
LEGAL ENVIRONMENT: 5.0

The legal framework governing NGO activities includes the NGO Law of June 2000, the Grants Law of 1998, the Tax Code of 2000, the Civil Code of 1999, the Law on State Registration of Legal Entities, the State Register of 2004, and the Regulations on NGO Registration. Amendments to the Grants Law require that NGOs register all grants with the Ministry of Justice (MoJ). At the time the amendments were adopted, many in the NGO community were concerned that the government was exerting greater control over the sector and that the requirements would be yet another burden on NGOs. So far this has not been the case. The Ministry of Justice only requires that NGOs inform it of their grants, and if an organization fails to do so, it can be fined \$30. Recent amendments to the NGO Registration Law have reduced the number of documents required by the MoJ for registration, and applicants are no longer required to submit the signatures of all of their founders.

In the past, an amendment to the NGO Law prohibited NGOs receiving more than 30% of their funding from foreign donors from engaging in election monitoring activities. An overwhelming number of organizations, however, exist solely on grants from foreign and international donors. Under a great deal of pressure from the international community, the government adopted amendments that remove the restriction and permit NGOs to engage in election monitoring.

Laws governing NGOs are often adopted under pressure from the Council of Europe, the European Commission on Human Rights, and other international organizations. NGOs report that these laws are seldom enforced or honored. The MoJ, for example, is required by law to respond to an application for registration within 30 days of receiving it. The MoJ has yet to create the appropriate mechanisms,

however, and regularly exceeds the 30 day limit. The inability to register prevents NGOs from opening bank accounts and registering with the Bureau of Internal Revenue Statistics Committee and Social Security Fund, which they are required to do within 10 days of registering with the MoJ. NGOs in the regions have even greater difficulty registering. The ten regional departments of the MoJ have the authority to process registration applications but do not do so. The most that an NGO can do is register as a limited liability company. Many NGOs require intervention from “influential forces” or have to pay bribes to register, though once they register they face other legal obstacles to their operations. Government officials are currently reforming the process for registering NGOs and LLCs. Under the new plan, the registration office will merge with the Notaries Department and more employees will be hired to better process applications. In the meantime, USAID is planning to assist the MoJ to train its current staff.



The legal framework provides more detail in addressing reporting and dissolution requirements than it does internal management, scope of permissible activities, or voluntary dissolution. By law, only the courts have the right to dissolve NGOs. The lack of independence from the executive branch, however, leaves NGOs with little defense

against the arbitrary actions of government officials. The legal framework contains many contradictions. The new labor laws, for example, demand that labor unions give annual vacation to their staff; the majority of NGOs do not have vacation policies, which places them in violation of the labor law.

The State has yet to demonstrate an interest in developing the NGO sector and does not have a program to support its activities. While a presidential decree shields businesses and for-profit companies from excessive State intervention, the nonprofit sector enjoys no such legal protections. Similarly, the legal framework has yet to recognize philanthropic activity, which the government may treat as illegal.

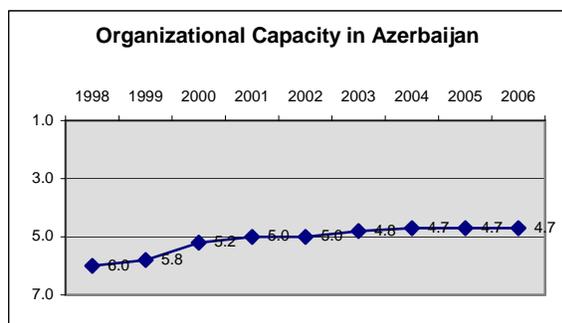
NGOs in the regions operate in a particularly hostile environment. Though the law makes a clear distinction between the roles of NGOs and those of the State, NGOs are required to obtain permission from local executive authorities in order to hold meetings. Government officials have recently taken a softer approach towards NGO activities. In the recent elections, some NGO leaders were elected to Parliament; similarly, some MPs created their own NGOs. Many are now of the opinion that the NGO sector is less of a political opposition force and that government officials, sensing less of a threat, have softened their attitudes towards NGOs. Only a small

number of local attorneys are trained in NGO legislation and they generally work in nonprofit legal organizations in Baku. Access to reliable attorneys in the regions is minimal.

The tax laws remain largely unchanged; they still require organizations to pay 22% of their consolidated payroll into the Social Insurance Fund. NGOs that receive grants for social service projects enjoy a moratorium on the tax until 2007, though they must still pay 14% income tax and 3% from individual salaries into the Social Insurance Fund. Some international donors such as USAID enjoy tax exemptions as the result of bilateral agreements between governments.

NGOs and charitable organizations have the right to conduct economic activities, but their income is taxed as though they were for-profit corporations. Such taxation practices and the absence of a law on philanthropy present major obstacles in developing local philanthropy and are a reflection of the State's disinterest in strengthening the NGO sector. NGOs are permitted by law to apply and compete for government contracts. NGOs rarely apply, however, due to the absence of appropriate regulations and transparency, the lack of financing, and a general distrust of government structures. NGOs created by government entities operate with state funding, but they generally do not have contracts.

ORGANIZATIONAL CAPACITY: 4.7



Over the past year, NGOs made some progress building local constituencies for their initiatives. This is especially true for organizations that

provide youth services and heighten the awareness of the NGO sector.

Though many NGOs are increasingly more professional and focused on well-defined missions, many continue to engage in activities outside of their missions to secure grants. NGOs continue to be weak in terms of their strategic planning and decision making. The majority of NGO leaders lack adequate training in strategic management and are only able to plan for short-term actions. Some NGOs make their financial information available to the public and most organizations are more transparent than government entities. NGOs, however, still

lack the public's trust. Donors are able to verify that NGOs use their funds appropriately by requesting information from the organizations or monitoring of their activities in the field.

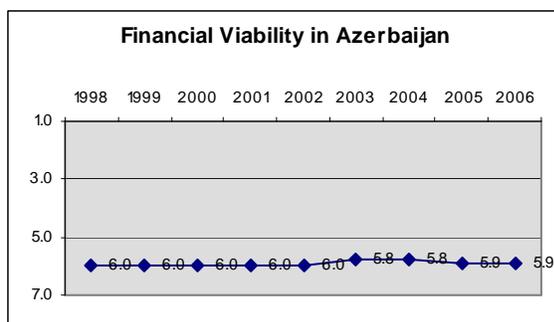
Azerbaijani law is silent on volunteerism and fails to recognize that NGOs have the right to recruit volunteers. A growing number of young people are seeking out opportunities to become involved in NGO activities. Many organizations are made up of three or four people, often from the same family, and inadequate funding allows only a few NGOs to maintain a qualified, permanent, salaried staff. More often,

employees are hired according to the demands of ongoing projects and grants. The USAID Civil Society Project now engages its local partners to include experts and MPs involved in drafting laws on volunteerism, community based organizations, charities and private foundations, and to create tax exemptions for local donors that support NGO activities.

Over the past year, the improved infrastructure has led to larger-scaled projects. NGOs in Baku have access to better technology and equipment than those in the regions, though internet access and other forms of communication are improving.

FINANCIAL VIABILITY: 5.9

The majority of NGOs depends solely on grants from international donors. Some NGOs have access to local funding, but most of these exist under the umbrella of various ministries and allow government officials to access public funding. NGOs receive limited non-financial support from different groups and volunteers. This is due to society's lack of altruism and culture of charitable giving, as well as the weak, transitioning economy, which has left the majority of the population to struggle for its own livelihood.



Foreign states and international organizations increased their support for NGOs over the past year. NGOs enjoyed a greater diversity of funding sources, which may be explained by the growing interest in the region by international organizations and increased State income from the oil industry. The issue of whether NGOs may receive grants from the State budget is under debate.

Most NGOs are active only when they have received a grant; otherwise they switch to "standby" and operate with a minimal staff, such as one bookkeeper. The ability to conduct an independent audit is a luxury that most NGOs are unable to afford. Without an adequate law on philanthropy, NGOs are less able to provide relief and community outreach. Some NGOs, however, have been able to work with invalids, refugees and on housing issues. NGOs lack sufficient capacity and experience to engage successfully in economic activities. Some organizations collect membership fees, but it is still an uncommon practice.

ADVOCACY: 5.1

NGOs are increasingly apathetic and less involved in political activities. As a result, government authorities are taking a more neutral position towards NGOs, which is better than the negative treatment in the past. Some ministries such as the Ministry of Youth and Sports and the Ministry of Ecology have created

NGOs with which they have cooperative relationships. This has led to more opportunities for joint projects concerning a variety of issues. In order to monitor and evaluate the bird-flu, several state organizations partnered with NGOs that were registered specifically for that purpose. Despite these

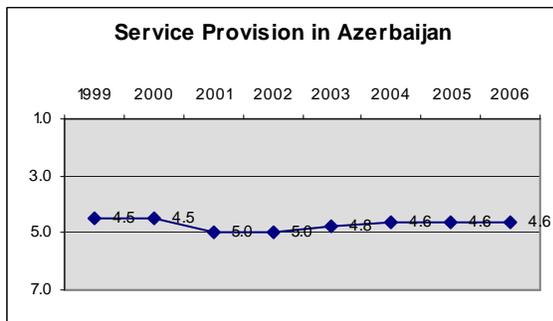
advances, government restrictions on NGO activities in areas such as charity or rehabilitation have prevented more significant civil society development. The executive authorities in some regions, for example, have made efforts to prevent or interfere with NGO initiatives to educate the public about the role, duties, and functions of a municipality.

Many NGOs place great value in forming coalitions and the sector launched several successful campaigns over the past year. NGOs initiated campaigns to lobby Parliament to approve laws against the trafficking of women as well as amendments to the family code. The number of coalitions of like-minded NGOs, however, remains limited. Personal ambitions of NGO leaders and activists, together with

narrow views on social issues and the lack of collective thinking and decision making skills all stand in the way of building strong coalitions. The slight improvement in the advocacy dimension is the result of the Moj's creation of a public council that supports local NGOs.



SERVICE PROVISION: 4.6



Many NGOs develop projects according to needs and problems of their constituencies. The NGO sector provides a variety of services including humanitarian relief, public and economic development, defense of human rights, election monitoring, health care, and other basic public services. Some NGOs provide quality services and products. The demand for social services is growing, however, and the NGO sector is still unable to satisfy the need completely.

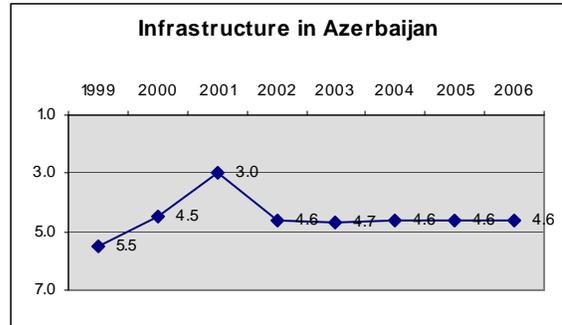
NGOs organize seminars and presentations, and publish materials for use by various government bodies and ministries. The American Alumni Association, whose members graduated from Universities in the United States, developed numerous events covering issues such as the economy, ecology, education and youth policies for government officials. Some NGOs charge fees for their services, though many provide services free of charge. Though the State has created barriers to NGO development, a few local organizations have received State grants or contracts to provide social services. International donors such as the World Bank have begun granting the State funding on the condition that it provides contracts to NGOs. As a result, the Ministry of Culture, Youth and Sports, the Ministry of Economic Development, and others have begun turning to NGOs.

INFRASTRUCTURE: 4.6

NGOs have access to only a limited number of resource centers throughout the country. The resource centers provide information, training, and literature; only a few centers in Baku are able to provide advanced legal assistance, donor information, and consultations on NGO tax

issues. Few of the resource centers generate an income by providing services. Generally, only international organizations provide funding to NGOs; local foundations are limited to re-granting international donor funding.

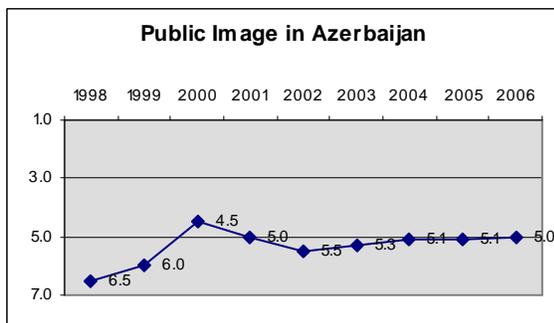
Azerbaijan benefits from a fairly advanced information network that covers the majority of the country and allows NGOs to exchange information. In addition to existing online resources such as the Open Society Institute's "Azerweb" (www.azerweb.com) and the Society of Human Research (www.ngo-az.org), new on-line resources (www.ngoforum.az, www.ngo-az.org, www.alumni.az, and www.3-cusektor.org) now offer information on job openings and trainings, as well as virtual space for debates and an exchange of views. Despite the benefit they provide, these resources have shortcomings in terms of their content and how the information is distributed. The websites often conceal or delay publication of information due to competition for limited grant opportunities.



Skilled trainers and training opportunities are more readily available in Baku than the regions, where specialized training in strategic management and fundraising is generally unavailable. Materials in the Azeri language are generally limited to topics such as human rights and are of high quality. NGOs rarely cooperate with government officials or local businesses to create inter-sectoral partnerships. Relations with mass media outlets have improved.

PUBLIC IMAGE: 5.0

Over the past year, media coverage has become slightly more positive. Though the law does not require it, local radio and television companies provide air-time for NGOs at a discounted rate. Some newspapers now provide regular coverage of NGO activities. This year's debate over the ban on NGO election monitoring increased the public's awareness and interest of the NGO sector. Citizens remain poorly informed about NGO activities and do not offer widespread support.



Government officials at the State and local levels have expressed dissatisfaction with the sector, seeing NGOs as a threat to their political and economic power. Some officials rely on NGOs as a community resource and depend on their expertise and credibility, though their voices are often quashed when they speak out on human rights issues. The business community is ambivalent towards NGOs.

Some NGOs have developed strong relations with the press in order to improve their public images, though the majority continues to lack the necessary skill, financial resources, and experience in public communications. Most NGOs reach the public through print media, including brochures and press releases, though their effect is marginal. The NGO sector has yet to adopt a code of ethics and most organizations lack transparency; even the top NGOs do not publish annual reports.