Opening the Doors of Policy-Making: South Caucasus and Central Asia

Needs Assessment for Azerbaijan

Baku, March 2011
Foreword

The absence of cohesive coalitions working for regional and international cooperation limits the effectiveness of civil society’s lobbying and advocacy around accountability of governments and international agencies. According to the CIVICUS report, Azerbaijani CSOs are characterised as “inefficient in achieving their purposes, particularly in increasing their members’ access to financial resources and in providing technical and informational support of their activities. Perhaps one of the most serious challenges facing Azerbaijani civil society is the extremely low level of cooperation between CSOs and among CSOs in different sectors, as well as their weak international linkages” (R. Sattarov et al: Civil Society In Azerbaijan: Challenges And Opportunities in Transition - CIVICUS Civil Society Index Report for Azerbaijan, 2007).

Across the country, central and local governments restrict core civil society freedoms of association, assembly and expression through repressive legislation and ideological dominance. Even though the country constitutions and other major legal acts provide for the freedoms for civil society and citizen participation, the mechanisms for the realisation of these freedoms are missing or very basic and unusable. In the country, civil society remains weak, with not much influence on public policy or opinion. Partially as a legacy of the old Soviet regime, the concept of citizenship -- including the responsibility of constituent involvement -- has yet to take root among much of the population and therefore lacks the concept of political will. As for the socio-cultural context, there are “relatively low levels of interpersonal trust and public spiritedness, representing significant socio-cultural and psychological barriers to the development of a vibrant civil society” (R. Sattarov, 2007).

Although Azeri civil societies exist in quite restrictive environments, there are some windows of opportunity for civil society advocacy. A vibrant civil society can play a significant role in the fight against corruption, legitimizing political leadership and counter-balancing recidivism. On the other hand, a weak civil society may also

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undermine reform, failing to provide leadership for the role it must play in strengthening the reformers' position (V. Bayramov: *Ending Dependency: How is Oil Revenues effectively used in Azerbaijan?* p.77).

**Introduction**

This assessment will seek to describe the present situation of policy analysis in Azerbaijan. The methodology used by the author has been desk research and more importantly, semi-structured face-to-face interviews with representatives of policy research institutions, international development agencies, independent policy analysts, and university lecturers in Azerbaijan. The list of interviewees is attached at the end of the report.

Azerbaijani legislation allows for the establishment and existence of informal association (*Article 15 of the NGO Law of Azerbaijan Republic*). It is important to note that legal capacity of informal associations is different from legal capacity of registered NGOs. According to the 2010 NGO Sustainability Index Report, there were about 1,200 informal NGOs in Azerbaijan. Unfortunately, more recent statistics are not available, but we believe that approximately the same number remained in 2010. (*The 2010 NGO Sustainability Index Report for Central and Eastern Europe and Eurasia, 10th Anniversary Edition* (May 2010); developed by United States Agency for International Development, Bureau for Europe and Eurasia, Office of Democracy, Governance and Social Transition, available at: [www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex](http://www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex)).

According to the USAID NGO Sustainability Report, in 2010 NGOs remained active in their efforts to mobilize their constituencies, engage in policy dialogue, monitor and evaluate government effectiveness, and improve service delivery in communities. Government and NGO figures for the exact number of registered NGOs vary from 2,600

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to 3,220. Most sources agree that only 70–80 percent of registered NGOs are active. Despite progress in certain areas, the NGO sector faces restrictions due to latent government interference, especially during election periods. In some cases, local officials attempt to control the activities of NGOs and create obstacles if NGOs fail to inform authorities in advance about their activities. The majority of NGOs are still dependent on funding from international donors, although many are making serious attempts to diversify their sources of funding. In some cases officials required NGOs to change their charters, denied registration with limited explanation, and demanded multiple submissions of registration documents. NGO representatives from distant regions have to travel to Baku for registration-related proceedings. International and local NGOs combined efforts to create a more favorable legal environment for the development of the NGO sector. The Law on Volunteers was adopted in July.

Supply side of policy analysis

Through interviews, it was determined that there are three main sectors that produce policy analysis in Azerbaijan: government-sponsored institutions connected to certain state ministries and agencies, NGOs – including think tanks and research centers –, and a small number of private research consulting firms.

The state-sponsored research centers are considered the “primary organs” to conduct policy analysis for the government. These include the Center for Strategic Studies under the President of the Republic of Azerbaijan, the Institute for Scientific Research on Economic Reforms, and the R&D Center of the Central Bank, among others. However, it was noted by multiple interviewees that these institutions lack the skills and capacity to carry out high quality, independent analysis. Some have worked with international organizations (World Bank, IMF, etc.) to help with necessary training or consultancy. On the basis of this assistance, these institutions have been able to produce some policy analysis. However, the importance of these institutions to the government decision-making process has decreased in recent years. Five years ago, there was a larger dependence on these institutions for policy decisions; financial support came from...
international donors, such as the Asian Development Bank, but now it is only state funding and there is less government reliance on the results of their produced research.

Ayxan Nasibli, Advocacy Manager, Azerbaijan Micro-Finance Association, public policy analyst, lecturer at Azerbaijan State Economic University, explained that as a result of unsuccessful activities by these special state institutions, some key individuals became more respected and non-government think tanks slowly became more popular within the last 10 years. It is difficult to put an exact number on how many “third sector” policy analysis organizations there are in Azerbaijan. The most recent Global “Go-To Think Tanks” report for 2010 suggests that there are 12 think tanks in Azerbaijan.

A more valuable list would be of those organizations that are actively participating in the public policy analytical process. When asked in the interviews about NGOs that actively carry out policy analysis, the following incomplete list was compiled (alphabetically):

- Caucasus Research Resource Center
- Center for Economic and Social Development
- Center for Economic and Political Research
- Center for Innovations in Education
- Economic Research Center
- National Budget Group
- Public Finance Monitoring Center
- Public Association for Assistance to Free Economy
- Support to Economics Initiatives

Barring any glaring omissions from this list, it is safe to say that the majority of local NGO-produced policy research and analysis comes from these nine organizations. This is certainly a small number compared to the more than 1,800 think tanks in the United States, but it is fairly consistent with the numbers in other South Caucasus countries - Georgia and Armenia- and definitely more than those existing in Central Asia.
One obstacle for these research centers is that it can be difficult for them to independently choose their own research projects, as it requires funding and human resources that most organizations cannot sustain on their own. Reliance on donor funding is very high, making it no surprise that the topics of research are very much influenced by the source of funding, which mainly includes international organizations such as: European Commission, UNDP, World Bank, OSI, ADB, UNICEF, USAID, GTZ, local embassies, etc. This can be a disadvantage since public policy analysis should start with addressing the local problems and influencing the government, not being controlled by donor interests. Kanan Karimzada, noted that civil society organizations in Azerbaijan are always trying to figure out the “buzz words” currently being favored by funders, noting past interest in areas such as: inflation, mortgage markets, WTO accession, and the recent increase in interest for European integration projects. However, in many cases, these organizations are able to develop proposals that reach both the research agenda of the organization and the desired “theme” of the donor.

In general, the most common methodology used is desk research and surveys. While the majority of analysis is qualitative, some limited quantitative approaches have been used by more qualified think tanks within the last couple of years to make more solid arguments. One example has been the Economic Research Center’s success in developing data for an alternative inflation rate in Azerbaijan. They have been able to use this data and make recommendations based off of statistical observations. The results of the inflation rate have been very public and have prompted a response from the government. Once again, the amount of empirical research, such as surveys with household and businesses depends on the amount of financing. The level of qualitative analysis is still nascent in Azerbaijan, relying mostly on correlations and simulations. The capacity of these research organizations to do deeper analysis using statistical software packages (SPSS, STATA, e-views) is still low.

In addition, it needs to be noted that the generally accepted policy format (including alternative matrices, cost/benefit analysis) is not being used. Gursel Aliyev mentions that most policy papers will only include brief, general analysis that provides recommendations. He also commented that since many international donors are not
usually policy decision makers in Azerbaijan, the policy papers written for them on the country are not generally in common policy analysis format.

The very small third group that supplies policy analysis mostly consists of marketing research companies. The finance/banking sector, international development sector, government ministries and others pay these companies to conduct research and analysis in contracted projects. For example, GTZ holds many tenders that require high expertise in specific fields such as international trade, customs, and agriculture. This work requires a higher set of skills and these few companies tend to have the human capacity to conduct qualitative and quantitative research using advanced methods. While the focus is mostly on marketing research, there sometimes exist limited policy analysis as it relates to the research topic.

**Demand and impact of policy analysis**

Clearly, high-quality independent policy analysis has the potential to positively influence the public policy-making decision process. However, in practice, the Azerbaijan government has shown extremely little interest or demand for non-governmental policy analysis. In fact, Elchin Rashidov, Public policy consultant, lecturer at Azerbaijan State Economic University, mentions that government policy decisions come as complete surprises to the public, noting the lack of robust policy analysis guiding governmental decisions. So while it can be said that the government is a beneficiary of non-governmental policy analysis, it is extremely rare for the government to implement these policy recommendations. This can be explained by the reality that there is monopolization on state government decisions. The legacy of Soviet-style bureaucracy and thinking still remains and creates various obstacles between state and non-state actors. Gubad Ibadoglu, Chairman of the Management Board, Economic Research Center, Member of Management Board, National Budget Group, states that the level of cooperation depends on specific ministries. For example, the Ministries of Agriculture and Finance have been less receptive to policy analysis while the Central Bank, for
example, has a younger, more progressive staff that has been more receptive to outside input and recommendations.

Fuad Chiragov, Project Coordinator, Center for Economic and Social Development, states how this general lack of interest by the government can also be attributed to the fact that a large percentage of NGOs are very close to opposition political parties and these position parties often use NGOs to criticize the government. There are not many independent policy research organizations that exist in Azerbaijan. This is worsened by the fact that there are currently no opposition members in Parliament. Furthermore, Gursel Aliyev notes that even if there is any demand for government-funded research, it tends to be given to so-called “GONGOs” or Government Organized Non-Governmental Organizations and the quality is not very high. These projects may occasionally involve international consultants with higher capacity, but they are often driven by money instead of top-quality research.

Overall, the arena of policy research is very small because there is limited impact. Elchin Rashidov perhaps explained it the best saying, “You don’t water the tree that bears no fruit.”

As mentioned in the previous section, the main demand for policy research comes from foreign donors. However, they are generally not interested in “pure” policy analysis papers, but rather situational analyses and recommendations. International donors are interested primarily in getting local NGOs active and not always in facilitating policy changes. In addition to foreign donors, there is a small demand for research from businesses that are interested in economic trends to help them safely invest their money. Kanan Karimzada, Project Coordinator, Center for Economic and Social Development, notes that the problem is that it’s mostly large corporations interested in this information and they tend to have enough staff to see trends themselves. The information would also be valuable to local SMEs, but they are not very well developed and are more concerned with managing the required informal payments that they deal with.
Nevertheless, there has been some success regarding the impact of policy recommendations. The government has adopted multiple recommendations prepared by the Center for Economic and Social Development on areas related to amendments to the tax code, increasing transparency in oil tenders, and inspection standards. The Economic Research Center has also had success in the field of social protection, having its experts be invited by the ministry for discussions on policy changes. One problem is that changes in the policymaking process can take several years so an immediate impact is not always seen. In addition, the government never publicly acknowledges specific policy research centers for their contributions.

Relations between policy experts and policymakers

There is very little interaction between policy analysts and the government. The current situation can be attributed to both sides. There is a lack of advocacy skills by policy experts needed to develop a strategy to attract media and other organizations’ attention and bring recommendations to the government. It is common for many policy analysts to do research and come up with recommendations, but then to never contact the government. Many times, the only interaction between policy experts and policymakers is when it is facilitated by international organizations. Therefore, if the donor is not interested in advocacy of policy outcomes, the NGO will most likely not do it itself.

This lack of relations between the two sides is not helped by the fact that the government does not always show public interest in non-governmental research or discussions. Government officials regularly do not attend NGO-sponsored meetings, events, or conferences that they are invited to. However, it is noted that while there is no public showing of support, unofficially, government officials in ministries are receptive to reading real analysis if it is translated in Azerbaijani. The problem is that most members of the government don’t have the authority to make changes. All policy changes come from the executive body of the government.
The organizations that have been most successful in getting their research heard by the government are those that have good relations with individual government officials and the media. Media is very important in getting out a particular message and also in building credibility with the public. If well-researched criticisms of the government are able to make the front page of the newspaper or on the nightly news, there is a better chance that the government will address the topic. One problem is that opposition figures are not given the space to address the public on television.

An even larger problem is the issue that the Azerbaijan Parliament does not have the political power to make changes. Initiatives tend to come only from the executive office and it is very rare for legislation to originate from Members of Parliament. So even if strong relations are created between policy experts and MPs, it is not always enough to bring new policy changes up for discussion.

Variables

Legal

All of the think tanks are registered as NGOs in Azerbaijan. There is no special legislation for policy research institutions. As far as obtaining data or information from government agencies there is an “Access to Information” law that states that any request for information must be answered within 2 weeks. In practice, it depends on the information requested and the specific ministry or agency on whether it will be given. Some government agencies, such as the Ministry of Finance and the Ministry of Economic Development have a reputation for not being cooperative. The State Oil Company of Azerbaijan Republic (SOCAR) takes a long time to answer requests, while the State Oil Fund of Azerbaijan (SOFAZ) is normally on time and helpful. In general, if it is determined that it would not serve the best interest or security of the country to give this information, then it will not be given. Unfortunately, this caveat is used extensively to limit access to information. There seems to be a prevailing feeling by ministries that their information should be secret and does not need to be made public.
However, at least one policy analyst interviewed stressed that accessing data is possible. As long as the data is for non-political purposes, will serve the interest of the government, and the government doesn’t consider the NGO or analyst a threat, then they will be able to communicate by giving data and information, even if it is done in an unofficial way. It is important to make good relations with the government officials, voice your concerns, and make that they understand that the research outcome will be in their best interests.

An additional problem is that the official statistics made public by the State Statistical Committee are not the most reliable. Some statistics, such as the number of movie theaters in the country are reliable, while other more sensitive numbers (inflation, unemployment rate, etc.) show gross falsification. The Economic Research Center provides an inflation calculator for a list of common goods and the Caucasus Research Resource Center has conducted a household survey for all three Caucasus countries that is available online. Unfortunately, there are not many other alternative indicators that can be used in research.

**Political**

There is no formal cooperation or platforms between the government and civil society in developing policies or legislation. There is currently a strong push by civil society to become more involved in this process, but it has not been very successful. In the current state of affairs, there are certain “safe” topics that are more likely to encourage government involvement and “unsafe” topics that are ignored by the government. One good example given by Gubad Ibadoglu is that research on oil revenues is not a problem since the government of Azerbaijan is a participating in the Extractive Industries Transparency Initiative, which requires some cooperation with civil society. However, when it comes to oil expenditures, the government is very closed to giving information or having discussions.
Other topics considered to be “safe” are: education, human trafficking, and health. The main thing interviewees stressed is that when making criticisms you have to be careful not to put the blame on higher-up officials and rather to focus on the local level problems. For example, while directors of high schools are fair game, university directors are considered hands-off. Topics that are considered “unsafe” are: human rights, democracy, minister corruption, and other political matters. Economic reforms are deemed to be in the middle.

Human capacity

It is evident that there is an absence of professional training in Azerbaijan in the field of policy analysis. The human capacity (research skills, writing skills, quantitative skills) of both state and non-state policy research institutions is still low. Even the ones who are educated abroad do not know much about policy analysis. Qualitative methods are often full of wrong assumptions and basic textbook mistakes. And while overall writing skills are average, policy-specific writing with concise, clear, policy language is not well developed.

There are multiple factors causing this: First, local university curriculum does not teach policy analysis. There is no public policy degree. Therefore, local universities do not produce policy analysts. It is still an untapped source of future policy researchers. Second, out of the students who do study abroad, policy analysis and economics are not the most popular fields of study. Additionally, those students with a foreign education who return to Baku are more interested in working for oil companies, government agencies, or various international organizations. This creates a problem for policy research organizations, as there is not a large pool of properly trained policy analysts to choose from. However, since the policy arena is already quite limited, it is still difficult for newcomers to enter the policy research market. Gubad Ibadoglu gave the example that the National Budget Group, an alliance of NGO experts, announces competitions for research, but receives a very low number of applicant proposals. It’s a case of both low supply and low demand. Furthermore, those with a western education are often tempted.
to leave Azerbaijan for better living and working opportunities abroad. Many are required to return to Azerbaijan for two or three years as part of terms for certain scholarships. Nevertheless, put simply, if they have the option and do not have any major ties holding them back, the majority will leave.

Most of the current experts are over the age of 35. The most qualified are those who have completed advanced degrees or participated in fellowships or trainings abroad. Others are former government figures or come from different political parties. While the Soviet education was good in its days, it does not provide the skills needed to produce modern policy papers. In contrast, while a number of younger generation Azerbaijanis are gaining these skills, there are no strong incentives to draw them to the policy analysis field. Not only is the financial incentive low, there is also a political risk involved in being seen as critical of government policy.

It is important to note that there is an awareness of these problems in Azerbaijan, and at least one organization, the Caucasus Research Resource Center (CRRC), is working to improve the situation. In fact, the mission of CRRC is to promote policy analysis and build the capacity of social researchers. CRRC operates a library and computer lab that offers access to academic journals and statistical software packages to students and researchers. CRRC has also developed methodological trainings and events on research and policy analysis. Starting in 2010, CRRC started a Junior Research Fellowship program that aims on training young university students or recent graduates on how to do research. More than 90 students entered the first training on academic writing and introduction to policy analysis. The most successful students continue throughout the program, learning quantitative research skills and producing their own policy papers. At the end, the best students are given prizes, local paid internships, or positions at the regional office. The program is still young, but has the potential to be a valuable source of new policy analysts in the future. The Center for Economic and Social Development also established its own summer internship program in 2010, inviting both local and foreign researchers to participate in a three-month program including economic and social research.

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Cultural

The work of policy experts is still not very well understood by the general public. Given certain Soviet holdovers, there is not a strong precedent for seeing someone outside of the government (NGOs) making recommendations to the government. In Azerbaijan today, the status of an expert can be determined by how often he/she appears on the television or radio. Yet, younger analysts (under 35) do not appear often on television and don’t receive very much attention by the public. It is difficult for the younger generations to understand the current dynamics created by the Soviet past. It is necessary to understand the timeline of policy outcomes in order to come up with a decent argument. At the same time, the older generation faces the difficulty of not always being able to read current case studies, statistics, or reports in different languages.

Gender biases also exist. Only 16% of the Parliament is women and there are not many women working as policy analysts. Also, in government positions, there still exists a very hierarchal work structure. Lower ranked workers do not speak even they see a problem. When an elder official walks into a room all of the younger workers need to stand up. These cultural attitudes can kill the motivation of the younger generation of analysts and encourage them to work in a more progressive professional environment.

Technological

The technological research capacity of most research institutions in Azerbaijan is low. Most think tanks simply do not have access to technical software or the skills to use it effectively. There is a heavy reliance on using “Google” or other search engines to get access to free papers. One interviewee claims that he believes 90% of NGOs in Azerbaijan have no idea what JSTOR or other academic journals are. There is area for improvement in teaching Internet search skills, making connections with western universities, setting up videoconferences with researchers or professors, and getting more

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access to books or journals. The main problem for all of this is funding and a lack of qualified trainers.

Quality of analysis

The quality of analysis in Azerbaijan is varied. While there are some rare quality papers being produced, the majority still lacks the basic structure and critical writing skills needed to be effective. The last 10 years has brought a gradual improvement of outputs, but there are still no international quality standards guidelines that are being met. Plagiarism, whether it be copying entire passages or translating without citation, is still widespread. Pure policy papers are still not being produced in Azerbaijan.

Another question is how pleased international donors are with the produced outputs. This, of course, depends on each donor’s interests. But, it is clear that most donors would like to see more concrete outcomes of the money they have spent. Some donors do not understand that policy change can take up to 2-3 years or longer. Donors would like to see the project’s policy recommendations being adopted during the duration of the project implementation. This is generally not a viable option, as think tanks still do not have the needed pressure on the government. Furthermore, even if the government does use certain policy recommendations, they would never publicly give any credit to the organization for the changes. This never happens. In summary, the amount of funding from donors doesn't equal the quality of results by the NGO unless it is extremely influential and can produce results that are related to the donor’s strategic goals.

Economical considerations

As mentioned before, there is very little financial incentive to work as a policy analyst, especially as a newcomer. The younger generation of western educated individuals would much rather work for international companies or organizations where they can easily make $3,000-$4,000 a month. Current policy researchers tend to only make $700-$800 a month. Given the high amount of time and research needed for such work, the
financial incentive needs to be higher to increase motivation and the quality of research. While it is possible to work as a consultant on multiple projects, this is a less stable option that becomes less realistic when you start having kids and a family. In addition, policy work can be dangerous in Azerbaijan. Criticizing the government can make your life much more difficult. Even government employees face risks of losing employment if they try to bring unwanted change.

The main reason for the limited salaries is the low financing NGOs receive. It is very difficult to diversify incomes away from international donors. NGOs need support for salaries and operating expenses. Unfortunately, the outlook does not look much better for the upcoming 3-5 years in achieving financial sustainability of these organizations. Gubad Ibadoglu, however, is hopeful that after five years there will begin to be reduced dependence on donors as oil revenues decrease and the government potentially becomes more interested in listening to and sponsoring policy research. Still, as long as NGOs have little influence on the policymaking process, there will continue to be small demand for policy analysis and projects will have to meet the interests of the donors, rather than being directly guided by the mission of the NGO.

**Recommendations**

- New legislation that requires non-state actors to participate more in the policymaking process
- Increase institutional funding support to think tanks to allow them to conduct research in the most pertinent areas
- Introduce the best practices of western policy research organizations to increase quality in the long-term
- Increase trainings, invite international experts for different topics (cost/benefit analysis, decision-making tools, transparency, etc)
- Trainings on statistical software and increased access to data
- Improve advocacy skills of think tanks. Increase the relations between policy research organizations and the government. Make sure officials understand

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calls, positive policy outcomes and convince them to work with research organizations on a particular issue for a particular time to bring about change.

- Bring OSI Academic Fellowship Program to Azerbaijan to create an Economic Policy specialization degree at a state university. This would fund internationally educated lecturers to teach policy analysis courses. By establishing a Masters degree program, it will become more sustainable and increase the number of qualified social researchers in Azerbaijan.

- Government needs to be more responsive to peoples needs and increase research funding to NGOs.

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