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The emergence of Azerbaijan  
as regional leader

Development and Sustainability

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**Abstract**

In the immediate post-Soviet period, Azerbaijan was in political, economic and social distress. Twenty years since independence however, Azerbaijan has achieved great improvement. Since then, the country marks great scores among the CIS countries in development and competitiveness indexes. Recently, Azerbaijan has been ranked 39th country according to “The Global Competitiveness Report 2013-2014” released by World Economic Forum. Currently, Azerbaijan endorses a new development project for the future; one based on the diversification of economy thus decreasing dependence on the oil sector.

**Keywords**

Azerbaijan 2020, development, sustainability, non oil sector, human capital

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# The emergence of Azerbaijan as a regional leader

## Development and Sustainability

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### **Introduction**

The end of the Cold War and the collapse of the Soviet Union in the early 1990s changed the global status quo and put an end to a long period of great insecurity, thus giving space to optimism for international peace and prosperity to flourish. In the post Soviet era numerous new actors emerged that could potentially assume a more active role in the international arena.

The early optimism however that followed states' independence was soon replaced by instability and uncertainty, as the political and economic isolation of nearly 70 years disabled them from moving ahead based on their own powers. Moreover, the interstate armed conflicts over disputed territories that erupted shortly after, and the political and economic distress would soon lead to social unrest hence compromising their long desired independence.

Azerbaijan was not an exception. The political instability of successive weak administrations since the dissolution of the Soviet Union and the war with Armenia over Nagorno-Karabakh resulted in economic insecurity and public dissatisfaction that threatened the country with social upheaval in the beginning of the 1990s.

Twenty years later nonetheless, particularly during the last decade, Azerbaijan has achieved great improvement in the political, economic and social life of the country. Since independence, Azerbaijan marks great scores among the CIS countries in development and competitiveness indexes; it has improved basic indexes such as poverty and GNI per capita and went up 25 places in the UN Human Development Index between 2005 and 2011, joining the high human development group<sup>1</sup>. Recently, Azerbaijan has been ranked 39th according to "The Global Competitiveness Report 2013-2014" released by the World Economic Forum.<sup>2</sup>

Furthermore, since 2001 Azerbaijan is a Member of the Council of Europe; while since January 2012, is the first ex-Soviet country of the new members to serve as non-permanent member of the UN Security Council.

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<sup>1</sup> UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>

<sup>2</sup> World Economic Forum, available on [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf)

Azerbaijan has achieved significant progress in the post-Soviet era when many ex-Soviet republics faced the dilemma of returning under the Russian umbrella in order to avoid internal collapse caused by political and economic distress. Within twenty years since independence, Azerbaijan has succeeded in being recognized as a successful example of continuous development and good performance at regional and international level, hence strengthening its position in the wider South Caucasus area.

Azerbaijan's transition and development process can be divided into two significant periods; the years until 2000, after the independence when State's main objective was political and economic stability, and the first decade of the millennium, when the first solid results of the '90s oil boom would allow the development of infrastructure, the improvement of social services and would provide the basis for a future strategic plan aiming at growth and sustainability. Currently, Azerbaijan is entering a new era of development; facing new domestic and international challenges, mostly at economic and social levels, the country has to redefine its priorities and action plan in order to achieve longevity and sustainability.

The following paper aims at highlighting the main factors that led to the successful progress of Azerbaijan since 1991; but more importantly, to examine the future challenges and priorities under a new development plan that is based on endorsing the diversification of economy, the empowerment of human capital and social transformation as main pillars of sustainable development and economic growth.

*Research was based on bibliographical and online resources; however, of great significance was a research trip to Baku and personal interviews with Officials and experts of public and private institutions that provided the opportunity of a closer view in the country's development and domestic policies.*

## **Entering a transition phase**

Azerbaijan constitutes a relatively young state. Although rich in historic and cultural heritage, the country regained its independence in 1991, shortly after the collapse of the Soviet Union. Azerbaijan has an estimated population of 9.5 million and is divided into 66 regions, 13 urban districts and the Nakhchivan Autonomous Republic. Strategically located at the crossroads connecting Asia with Europe and Russia with the Middle East, Azerbaijan is rich in natural resources, oil and natural gas<sup>3</sup>.

Oil and natural gas exploitation began early in Azerbaijan, at the end of the 19<sup>th</sup> century, hence, by the early 1900s, the country was a major supplier of world's oil; almost half of it came from Azerbaijan<sup>4</sup>. During the Soviet period, the country became a major manufacturer

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<sup>3</sup>UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>

<sup>4</sup> BBC News, *Azerbaijan profile*, available on <http://www.bbc.co.uk/news/world-europe-17043424> accessed on 26/8/2013

of oil related products; while in WWII, Azerbaijan was the main supplier of oil and gas to the USSR military forces<sup>5</sup>.

With the dissolution of the Soviet Union though, and later, with the eruption of the war with Armenia, Azerbaijan was found in economic distress. Lacking the financial resources and technologies to continue the exploitation of its natural resources, the oil based economy of Azerbaijan was deteriorating; public dissatisfaction was evident and social upheaval was close.

Within this framework, the administrations of Azerbaijan sought foreign assistance<sup>6</sup>. The breakthrough finally came in 1994, under the Presidency of Heydar Aliyev, who negotiated and succeeded a profitable contract for the production and exploitation of natural resources in Azerbaijan. The contract, that later became known as the Contract of the Century, was signed in 1994 between Azerbaijan and a Consortium of foreign and domestic oil companies, and allowed Azerbaijan to enter into a transition phase. In the words of President Aliyev, State's main objective through this deal was *"to use the resources which belong to the people to its well-being"*<sup>7</sup>.

By the late '90s, with the flow of the first oil money, Azerbaijan had entered a period of internal transformation; having ensured political and economic stability, the State could move forward with state building and social transformation thus, setting the foundations for ongoing development in the future.

Within this framework, in 1999, at the initiative of President Heydar Aliyev, the State Oil Fund of the Republic of Azerbaijan (SOFAZ) was established, aiming at transforming oil revenues to perpetual income for current and future generations with a view to ensuring economic stability and to enhancing the development of non oil sector. The main scope of SOFAZ is to best manage oil revenues for the country's growth, hence, numerous infrastructure and social projects such as the State Program on education of Azerbaijani Youth abroad, are financed by SOFAZ<sup>8</sup>. The Fund's assets in January 2013 amounted to \$34.129bln<sup>9</sup>.

Furthermore, in 2000, Azerbaijan joined 189 other UN Member States, in endorsing the Millennium Declaration which included eight Millennium Development Goals (MDGs) setting

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<sup>5</sup> Ibrahimov, Rovshan (2013) "Azerbaijan's energy history and policy: from past till our days", 7-53, *Energy and Azerbaijan: History, Strategy and Cooperation*", edited by Rovshan Ibrahimov, Baku: SAM 2013

<sup>6</sup> *ibid*

<sup>7</sup> President of Azerbaijan official website, *Contract of the Century*, available on <http://en.president.az/azerbaijan/contract> accessed in August 2013. Indicatively, according to the Contract, the Government of Azerbaijan was to get up to 80% of income from the sale of oil, while 20% would be distributed among the companies. Ibrahimov, Rovshan (2013) "Azerbaijan's energy history and policy: from past till our days", 7-53, *Energy and Azerbaijan: History, Strategy and Cooperation*", edited by Rovshan Ibrahimov, Baku: SAM 2013

<sup>8</sup> SOFAZ, *General Information*, available on [http://www.oilfund.az/en\\_US/about\\_found/history/uemumi-melumat.asp](http://www.oilfund.az/en_US/about_found/history/uemumi-melumat.asp), SOFAZ, *Missions, goals and philosophy*, available on [http://www.oilfund.az/en\\_US/about\\_found/meqsed-ve-felsefe.asp](http://www.oilfund.az/en_US/about_found/meqsed-ve-felsefe.asp)

<sup>9</sup> Ibrahimov, Rovshan (2013) "Azerbaijan's energy history and policy: from past till our days", 7-53, *Energy and Azerbaijan: History, Strategy and Cooperation*", edited by Rovshan Ibrahimov, Baku: SAM 2013

a common framework for improving people's live-conditions by 2015, the deadline of the project. The eight ambitious MDGs included *inter alia* the eradication of extreme poverty and hunger, the achievement of universal primary education, the promotion of gender equality and the empowerment of women and the improvement of health sector (e.g. fighting malaria, HIV, child mortality)<sup>10</sup>.

Azerbaijan's participation in this project gave the country the opportunity not only to improve its indexes but also, to define its short, but more importantly its long term development priorities, and to set a new strategic plan for the future the "Azerbaijan 2020: Outlook for the Future" Project that would ensure longevity and sustainability of the country's development<sup>11</sup>.

## Leading the way to the future

At the dawn of the new millennium, Azerbaijan had achieved significant progress compared to the post-soviet years<sup>12</sup>. Nonetheless, there was still a lot to be done, as international indicators showed a slow progress in human development and social transformation. For example, in 2000, poverty was at 49% and unemployment had reached 40% since, although 90% of state budget was coming from oil exploitation, only 7-8% of human capital was employed in the oil sector<sup>13</sup>. In addition, high corruption and a vast bureaucratic, dysfunctional system – legacy of the soviet period- were delaying any efforts to successful state building.

Moreover, by mid '00s, the dependence of Azerbaijani economy on oil sector had increased significantly; in 2008, state budget was financed 60% by oil revenues while oil exports were 90% whereas non oil exports were at approximately 10%. As a consequence, when the global economic crisis erupted in 2008 and oil prices dropped globally, although Azerbaijan managed to sustain positive economic grows, it revealed the dependence and vulnerability of Azerbaijani economy to external factors and unpredicted threats that could in the long term, result in internal economic instability<sup>14</sup>.

Undoubtedly, within the twenty years since independence, Azerbaijan had completed successfully its transition progress exiting the Soviet era; however, current and future

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<sup>10</sup>UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>

<sup>11</sup> UNDP - United Nations Development Programme in Azerbaijan, *Speech of Mr. Antonius Broek, UNDP Representative, at the validation Workshop on Post-2015 National Consultations in Azerbaijan*, June 2013, available on <http://www.undp.org/content/azerbaijan/en/home/presscenter/speeches/2013/06/21/mr-broek-speech-on-post-2015-national-consultations-in-azerbaijan/>

<sup>12</sup> Ibrahimov, Rovshan (2013) "Azerbaijan's energy history and policy: from past till our days", 7-53, *Energy and Azerbaijan: History, Strategy and Cooperation*", edited by Rovshan Ibrahimov, Baku: SAM 2013

<sup>13</sup> *ibid*

<sup>14</sup> Ibrahimov, Rovshan (2013) "Azerbaijan's energy history and policy: from past till our days", 7-53, *Energy and Azerbaijan: History, Strategy and Cooperation*", edited by Rovshan Ibrahimov, Baku: SAM 2013



challenges, and in particular becoming a full-fledged Upper Middle Income country<sup>15</sup>, require a new strategic state policy that will enable development through different channels of economy, thus, putting an end to the dominance of oil sector<sup>16</sup>.

The “*Azerbaijan 2020: Outlook for the Future*” Project is based on the principle of *diversification* of state’s income resources; namely the development of the non oil sector, the empowerment of human capital and the transformation of social structures as key elements to sustainable development.

## **I. Enhancement of non oil sector**

The development of the non oil sector in Azerbaijan signifies the exploitation of alternative sectors of economy, besides the oil and gas industry. Particular emphasis has been put on the development of transport, information and communication technologies, agriculture and investments.

### ***Transport***

Azerbaijan aspires to become a transport and logistics hub in the center of Eurasia, benefiting from its strategic geographic position, thus providing a safe and cost efficient alternative trade corridor, connecting Asia with Europe.

In this regard, the State is fostering an intensive strategic plan that includes, *inter alia*, the simplification of procedures in order to eliminate important obstacles, such as cost and time; as well as, the construction and restoration of infrastructure, in line with international standards. Special focus has been given on the improvement of structures in the regions and the rural areas that will allow the development of a modern national transport and trade network.

Currently, Azerbaijan has three major infrastructure projects under development that are expected to be completed within the next two years, the *Baku-Tbilisi-Kars railway* that will be ready next year; the *International Sea Trade Port in Alat*; the upgrade of the *Heydar Aliyev International Airport*.<sup>17</sup>

### ***ICT- Information and Communication Technologies***

2013 is announced *Year of Information and Technologies* in Azerbaijan. ICT is a newly emerged sector of the country, one however with great potential that the State aims to

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<sup>15</sup> UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>

<sup>16</sup> President Ilham Aliyev, *Speech at the Fifth Congress of the Yeni Azerbaijan Party*, 7 June 2013, President of Azerbaijan official website, available on <http://en.president.az/news/speeches/>, Ibrahimov, Rovshan (2013) “Azerbaijan’s energy history and policy: from past till our days”, 7-53, *Energy and Azerbaijan: History, Strategy and Cooperation*”, edited by Rovshan Ibrahimov, Baku: SAM 2013

<sup>17</sup> Development Concept “*Azerbaijan 2020: Outlook for the Future*” Project, available on [http://www.president.az/files/future\\_en.pdf](http://www.president.az/files/future_en.pdf)

develop further. The main objective of ICT policies is the promotion and enhancement of information society through the use of ICT in all governmental services and structures, the development of e-services and the introduction of new technologies in every school and household throughout the country.

A first step towards this direction was completed in early 2013 with the launch of the first Azerbaijani space satellite. The latter, on the one hand, will cover the domestic need for internet and TV broadcasting networks; while on the other hand, it will constitute a commercial project for the State to sell to neighbouring countries<sup>18</sup>.

## **Agriculture**

Azerbaijan has a diversified agricultural sector due to wide variations in climate; half of the country's land area is agricultural land. The sector includes the production of fruit, pomegranates, cherries and grapes, vegetables, tobacco and cotton, as well as, of livestock.

Although in the post soviet period agricultural productivity increased –in the late '90s, agriculture accounted for 20% of GDP- in mid '00s, there was a decline of productivity mainly due to the poor legacy of the Soviet period in equipment and rural infrastructure, e.g. drainage systems, but also due to the lack of farmers' knowledge of new technologies. As a consequence, there has been an increase of imports that enhanced rural poverty<sup>19</sup>.

In this regard, taking into consideration also, that the economy of rural areas is mostly based in agriculture, the State has put emphasis on the development and modernization of the agricultural sector. State funds and private sector funding have been enhanced to support new entrepreneurs and to allow the application of modern technologies, thus leading to the effective development of the sector<sup>20</sup>. In early 2013, there was a 4.5% increase in agricultural production<sup>21</sup>.

Moreover, as a consequence of economic stability and in an effort to support state budget further, over the years Azerbaijan has increased its **investment projects** internally and internationally. In 1994, foreign investments to Azerbaijan exceeded internal ones; whereas in 2013, the balance between the two has shifted. Currently Azerbaijan aspires to become a major investor in the wider region through important investments in neighbouring countries, like Georgia and Turkey. After participation in the acquisition of the 51% of Turkey's largest petrochemical company Petkim, SOCAR is building a \$5bln worth refinery in

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<sup>18</sup> *ibid*

<sup>19</sup> Rural Poverty Portal, *Geography, agriculture and the economy*, available on <http://www.ruralpovertyportal.org/country/geography/tags/azerbaijan> accessed on 28/8/2013, Rural Poverty Portal, *Rural poverty in Azerbaijan*, available on <http://www.ruralpovertyportal.org/country/home/tags/azerbaijan#> accessed on 28/8/2013

<sup>20</sup> Development Concept "Azerbaijan 2020: Outlook for the Future" Project, available on [http://www.president.az/files/future\\_en.pdf](http://www.president.az/files/future_en.pdf)

<sup>21</sup> Dadashova, Guldziz (March 2013) "Azerbaijan increases funding of agriculture sector", Azernews, available on <http://www.azernews.az/analysis/51101.html>

Izmir<sup>22</sup>. While lately, the State oil company SOCAR invested in Greece, with the acquisition of 66% of the Hellenic natural gas transmission network operator (DESFA)<sup>23</sup>. It is worth noting also, that Azerbaijan is the second biggest investor in Georgia, SOCAR's subsidiary company SOCAR Georgia Petroleum has been the largest taxpayer in this country for the last three years, and one of the main contributing countries to the development of Afghanistan that presents with great investing opportunities in infrastructure and human capital. Internal investments mostly include infrastructure projects such as roads, highways, bridges, electricity and water projects<sup>24</sup>.

## II. Empowerment of human capital and social transformation

In the post-Cold war era, new theories emerged introducing a broader definition of national development based on human development and well-being as key factors in the decision making processes of international actors, such as states and international organisations. The concept of human development firstly appeared in the 1990s to express the international community's will to look beyond national growth in terms of income and national GDP but to focus on providing the optimum for people with a view to improving their well-being. Although human development is not considered as a means but an end of state development, it could be argued that they are interlinked, as countries with high human development index enjoy high indexes of growth and state wealth as well<sup>25</sup>.

Since independence, it was quite clear for the leadership of Azerbaijan that development should be based not only on economic growth and political stability but also, if not more importantly, on the enhancement of human capital and the transformation of social structures as key elements to sustainability<sup>26</sup>. In the words of President Ilham Aliyev, *"At the center of our policy are the citizens of Azerbaijan"*<sup>27</sup>.

Public welfare and the social transformation of the country were high in the agenda of President Heydar Aliyev. In the mid '90s, new policies and laws were adopted for the development of civil society, media freedom, education and empowerment of women;

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<sup>22</sup> Ibrahimov, Rovshan (2013) "Azerbaijan's energy history and policy: from past till our days", 7-53, *Energy and Azerbaijan: History, Strategy and Cooperation*, edited by Rovshan Ibrahimov, Baku: SAM 2013

<sup>23</sup> TA NEA Online, *Ekleise h symfonia SOCAR- DESFA (Finalization for SOCAR-DESFA Deal)*, 2 August 2013, available on <http://www.tanea.gr/news/economy/article/5032922/ekleise-h-symfwnia-socar-desfa/>

<sup>24</sup> Personal interview with Senior Expert from the Center for Strategic Studies under the President of the Republic of Azerbaijan (SAM)

<sup>25</sup> UNDP Human Development Report, *Summary of the Human Development Report 1990*, available on [http://hdr.undp.org/en/media/hdr\\_1990\\_en\\_overview.pdf](http://hdr.undp.org/en/media/hdr_1990_en_overview.pdf), UNDP Human Development Report, *Lets Talk Human Development* available on <http://hdr.undp.org/en/humandev/lets-talk-hd/>, UNDP Human Development Report, *Human Development: The Concept*, available on <http://hdr.undp.org/en/statistics/indices/>

<sup>26</sup> UNDP - United Nations Development Programme in Azerbaijan, *Speech of Mr. Antonius Broek, UNDP Representative, at the validation Workshop on Post-2015 National Consultations in Azerbaijan*, June 2013, available on <http://www.undp.org/content/azerbaijan/en/home/presscenter/speeches/2013/06/21/mr-broek-speech-on-post-2015-national-consultations-in-azerbaijan/>

<sup>27</sup> President Ilham Aliyev, *Speech at the Fifth Congress of the Yeni Azerbaijan Party*, 7 June 2013, President of Azerbaijan official website, available on <http://en.president.az/news/speeches/>

however, the lack of state income, infrastructures and the existence of dysfunctional social structures delayed any attempts to early state transformation.

Entering the new millennium and having ensured the economic stability of Azerbaijan, state policies focused further on enhancing the human capital and renewing the social services. *Diversification* of state income resources goes beyond financial growth; it signifies the development of all sectors of contemporary society, such as education, civil society, and women empowerment, the eradication of poverty and unemployment, as well as the promotion of transparency, credibility and efficiency of state structures.

### ***Eradicating Poverty and Unemployment***

Eradicating poverty was a major challenge for the State in post-Soviet Azerbaijan. The collapse of state structures, the absence of foreign investments and private sector, as well as, the nearly 1 million refugees and IDPs from the war with Armenia resulted in a high percentage of people living in conditions of extreme poverty.

By the late '90s, the oil boom led to a slight improvement of indicators, as it resulted in new job opportunities in the oil sector; while its boost in the state budget led to new investments in infrastructure and allowed the development of more focused social policies, benefits and state funds for the support of citizens below the poverty line. Nonetheless, as mentioned before, the oil sector provided work for only 7-9% of Azerbaijan's population whereas the major provider of income, especially in the regions, the agricultural sector, was deteriorating.

The key transformations of the first decade of 2000 in the non oil sector and social structures however, allowed significant improvement against poverty and unemployment; the revival of agriculture, the enhancement of new sectors of economy and the restructure of state services led to the creation of new job opportunities, attracted foreign and internal investments, thus resulted in an improvement of the distribution of wealth. Indicatively, GNI per capita has increased to \$7.490 in 2012 from \$720 in 2002<sup>28</sup>.

Nevertheless, eradicating poverty remains in the center of state policies. The new state strategic plan for the future endorses a wide spectrum of policies; the diversification of economy that will allow the development of various economic sectors will eventually result in decreasing poverty and unemployment<sup>29</sup>.

### ***Education***

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<sup>28</sup> UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>, Ministry of Economic Development of Azerbaijan, Main Macroeconomic indicators of the Republic of Azerbaijan, available on [http://economy.gov.az/index.php?option=com\\_content&view=article&id=66&Itemid=135&lang=en](http://economy.gov.az/index.php?option=com_content&view=article&id=66&Itemid=135&lang=en)

<sup>29</sup> Development Concept "Azerbaijan 2020: Outlook for the Future" Project, available on [http://www.president.az/files/future\\_en.pdf](http://www.president.az/files/future_en.pdf)

As noted earlier, the human capital constitutes the future of every country and an essential factor to an effective and sustainable development. In the case of Azerbaijan, in particular, the empowerment of youth in order to explore their full potential has been in the centre of the governmental development policies since independence. In this regard, the State Oil Fund promotes and financially supports the “State Program on education of Azerbaijan youth abroad in the years 2007-2015”. The Project aims at offering students the opportunity to broaden their knowledge and to experience a different lifestyle that upon return to Azerbaijan will bring a wind of change, away from past practices, by living and studying in higher educational institutions abroad<sup>30</sup>.

In addition, special emphasis has been placed on the reform of the educational system in order to meet western standards. To this end, the government has proceeded with the construction of new schools and the renovation of older buildings; currently, is promoting the use of ICT in the education system through the use of computers and e-education in order to achieve the optimum of teaching and learning services<sup>31</sup>. According to UNDP MDGs, Azerbaijan has achieved near-universal primary and secondary education; while is working to strengthen the system further, especially with regards to pre-school and higher education systems<sup>32</sup>.

Furthermore, Azerbaijan fosters a national strategy for the enhancement of sports and physical training. Within this context, new fully equipped sports centres are being in service throughout the country; while in 2015, the country will host the 1<sup>st</sup> European Olympics, in Baku<sup>33</sup>.

### ***Empowering Women and promoting gender equality***

Since independence, achieving gender equality has been a main priority for Azerbaijan; it has ratified essential international documents, including the UN Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) and is fostering an active state strategy towards empowering women and tackling gender inequality in all sectors of society<sup>34</sup>. It is worth noting that in Azerbaijan women were given the right to vote in 1918, years before Britain. Currently, although a small percentage, 16% are Members of the Parliament, it has risen significantly since 1990 when it was only 4.3%<sup>35</sup>. In addition, with

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<sup>30</sup> SOFAZ, *State Program on education of Azerbaijani youth abroad*, available on [http://www.oilfund.az/en\\_US/layiheler/xaricde-tehsil-uzre-dovlet-proqrami.asp](http://www.oilfund.az/en_US/layiheler/xaricde-tehsil-uzre-dovlet-proqrami.asp)

<sup>31</sup> Development Concept “*Azerbaijan 2020: Outlook for the Future*” Project, available on [http://www.president.az/files/future\\_en.pdf](http://www.president.az/files/future_en.pdf)

<sup>32</sup> UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>

<sup>33</sup> BBC Sport, *European Olympics: Baku, Azerbaijan to host first Games* available on <http://www.bbc.co.uk/sport/0/20648045>, First European Games 2015 Baku Official website, available on <http://baku2015.com/>

<sup>34</sup> UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>

<sup>35</sup> Rajabova Sara, *Azerbaijan marks International Women’s Day*, Azernews, March 2013, available on <http://www.azernews.az/azerbaijan/50612.html>

regards to local governance, women also play an important role comprising 30% of all members of municipal councils across country.

Nonetheless, as studies conducted by international organisations show, there is poor implementation of state policies, especially in the labour sector. Indicatively, an average salary for women equals only to 57% of a man's salary; 70% of women are employed in low-wage sectors, mainly in education and social services whereas only 17% of women own businesses<sup>36</sup>. According to UNDP, the main cause for gender disparities can be traced in the stereotypes regarding women roles and responsibilities in the family and society. Within this context, State policies put emphasis on a continued action plan towards creating equal opportunities for men and women that includes legislative reform; public awareness raising, educational campaigns and development of new projects under the State Committee for Family, Women and Children's Affairs Support<sup>37</sup>. In addition, the State is promoting the establishment of Centers for victims of domestic violence, as well as, a monitoring system for the eradication of early marriages and the evasion from education<sup>38</sup>.

### ***Enhancing Civil Society***

The development of civil society, that is gaining ground in post-soviet Azerbaijan, is considered as an important element of the country's democratization. During the Soviet era, civil society organisations were initiated, approved and funded by the Communist Party thus, resembling more to Unions than to CSOs. Since independence however, a plethora of NGOs was established in Azerbaijan. Indicatively, in 2013 there are nearly 3000 officially registered NGOs, developing in 25 different sectors of society, such as education, human rights, women empowerment, culture and youth<sup>39</sup>.

State's main objective is the promotion and development of private non-governmental initiatives that will raise awareness and mobilize the public opinion towards social transformation and improvement. Moreover, the leadership of Azerbaijan is interested in establishing a framework of cooperation between state and private sector with a view to providing society with the best services. Within this framework, in 2007, based on a project-oriented financing, the State established the Council for the support of NGOs, aiming at providing information, technical and economic support to projects implemented by the NGOs for the benefit of the people of Azerbaijan. The Council consists of three members from the government and seven elected members from the NGOs<sup>40</sup>. In addition, taking into

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<sup>36</sup> IFAD - International Fund for Agricultural Development, *Azerbaijan gender profile*, available on <http://www.ifad.org/english/gender/cen/profiles/aze.htm> accessed on 29/8/2013, ILO – International Labour Organisation, *Promoting gender equality and non-discrimination in Azerbaijan* available on [http://www.ilo.org/declaration/follow-up/tcprojects/eliminationofdiscrimination/WCMS\\_164946/lang-en/index.htm](http://www.ilo.org/declaration/follow-up/tcprojects/eliminationofdiscrimination/WCMS_164946/lang-en/index.htm) accessed on 29/8/2013

<sup>37</sup> UNDP - United Nations Development Programme in Azerbaijan, available on <http://www.undp.org/content/azerbaijan/en/home/>

<sup>38</sup> Development Concept "Azerbaijan 2020: Outlook for the Future" Project, available on [http://www.president.az/files/future\\_en.pdf](http://www.president.az/files/future_en.pdf)

<sup>39</sup> *ibid*

<sup>40</sup> Personal interview with Senior Official from the Administration of the President of the Republic of Azerbaijan

consideration that the majority of funds allocated to NGOs, approximately 70%, come from the private sector and foreign organisations like the EU and USAID, the State promotes the development of an action plan for further strengthening such funding initiatives<sup>41</sup>.

### ***Institutional reform***

As noted earlier, the bureaucratic, dysfunctional public sector and high corruption constitute the main obstacles for efficient state building in Azerbaijan since independence, that have resulted in inefficient policy making and mistrust of people to state structures. Within this framework, in order to best overcome these obstacles, the State fosters a strategic plan that includes the adoption of laws against corruption, tax evasion and shadow economy on the one hand; while on the other, promotes the reform of public administration through the modernization and westernization of structures, with a view to creating a cost efficient, transparent and effective public sector. In this regard, the State is promoting a) the automatisisation of the majority of services that will eliminate corruption through the decrease of personal contact between citizens and public servants and b) the concept of the “one stop shop” that is successfully developed in other countries.

To this end, in July 2012, the Government introduced the **State Agency for Public Service and Social Innovations under the President of Republic of the Azerbaijan - ASAN**, a state agency for the optimum quality of public services provided to the people of Azerbaijan; aiming at bridging the gap between state services and citizens<sup>42</sup>.

ASAN, which means *easy* in the Azeri language, has concentrated the services of 25 public entities, of which nine Ministries, an over all of 100 services, varying from passport renewal and payment of utility bills to services concerning real estate and customs clearance<sup>43</sup>. ASAN operates under four principles – efficiency, ethical behaviour, comfort and transparency- to offer information services, electronisation of services and innovation. In order to best realise its main principles and the aspirations of the people of Azerbaijan, ASAN operates mostly through e-services. Indicatively, no hand in hand payments are allowed; citizens have the possibility to book an appointment in order to avoid waiting in queue; all transactions are monitored; while in addition, e-governance is under construction<sup>44</sup>. Within the framework of the electronisation of services, the Agency is also promoting the use of a sim card that will allow continuous remote access to e-public services, from all citizens, even from abroad.

Currently, ASAN services are available in three branches -two in Baku and one in the second largest city of Azerbaijan- and it will expand in two more branches, in September 2013. Moreover, in order to best serve the regions, ASAN operates through two fully equipped buses that can provide all services without exceptions.

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<sup>41</sup> Development Concept “Azerbaijan 2020: Outlook for the Future” Project, available on [http://www.president.az/files/future\\_en.pdf](http://www.president.az/files/future_en.pdf)

<sup>42</sup> Personal interview with Senior Official from ASAN

<sup>43</sup> State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan available on <http://www.asan.az/>

<sup>44</sup> 477 services will be available on line, at the moment, nearly 200 are active.

It is worth noting that within almost one year in service, the Agency has served successfully nearly 400.000 people; approximately 800-1000 people per day.

## **Conclusions**

In the post-Soviet period, Azerbaijan, as all ex-Soviet republics, faced a major challenge; for progress to be achieved, it was imperative to rely on its own powers. The rich natural resources gave Azerbaijan a valuable advantage that the State exploited successfully for the benefit of the country. The “Contract of the Century” in 1994, gave Azerbaijan a significant economic boost that put the country in a transition phase. Seventy years of political and economic isolation though, demanded the transformation of state and social structures that would allow the successful economic results to affect all societal sectors.

Twenty years later, Azerbaijan has ensured economic viability and stability, and has strengthened its position at regional and international level. Nowadays however, Azerbaijan is presented with another crucial challenge; to decrease the dependency of economy from the energy sector. The recent global financial crisis of 2008, as well as social and human development indexes, indicate that independence from the oil sector is imperative in order for continuous growth to have sustainable results for Azerbaijan.

Within this framework, the State is fostering a new strategic plan for the future development of Azerbaijan based on the diversification of economy; namely the enhancement of the non oil sector, empowerment of human capital and transformation of social structures. The “Azerbaijan 2020” Project includes the adoption and implementation of numerous state policies and projects that strengthen state cooperation with civil society and international organizations, with a view to achieving sustainable development and not to remain merely wishful thinking.

Concluding, it is worth noting that in view of the approaching presidential elections, in October, Azerbaijan is increasingly attracting the attention of international media and experts. The successful results of the past twenty years and in particular of the past decade, with respect to economic growth and social development allow estimations on the possible result of the elections. Incumbent President Ilham Aliyev presents with a complete and vigorous development plan for the future that on the one hand, provides him with significant advantage against the fragmented and under- mobilized opposition groups and on the other hand, will allow continuity of the current political stability and economic development path.



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