

**SOROS Foundation's (OSI-AF) Priorities for 2010:
Utility Cost and Think-Tanks.**

FardaAsadov: Reports generated from the monitoring will help improve our strategy and ensure the accuracy of our initiatives.

SPOTLIGHT

Executive Director of Open Society Institute-Assistance Foundation, MrFardaAsadov responds to questions about OSI-AF's activity.

-MrAsadov, how was 2009 different from 2008 for civil society? From your observations, what were some of the the successes and failures in 2009?

-2009 was a challenging year for civil society. First, amendments to the law on non-governmental organizations that would have severely restricted the activities of NGOs were proposed. On one hand this was a very negative development. On the other, the response by members of the civil society community was a great success. These organization demonstrated the ability to mobilized effectively and deal with a very serious threat. Moreover, they were able to communicate with the government and foster a culture of dialogue. As a result the feedback from the government was positive;and the restrictive amendments were not adopted. This was the most important event and the most important lesson we learned over the past year.

-How would you evaluate OSI-AF's activities over the past year both on the internationally and domestically? Where did you make a contribution, and where did you fail to do so?

-Overall, there were a lots successes across the network. Recently a proposal was made in the American Congress to lift restrictions on drug use Harm Reduction Programs. The same issues exist in Azerbaijan too. The Global Fund, the Ministry of Health and civil society activists are working together effectively to improve the law here. There are even reports that the amendments to the law are being considered. As a result of many years of hard work with our strategic partner the Extractive Industry Transparency Coalition we were finally able to establish a multilateral group together with the Government in 2009.Guidelines for evaluating access to information, which is guaranteed by law, were developed and using these guidelines, government websites were rated on how they respond to the inquiry of citizens. Working with colleagues in Georgia, Ukraine and Kyrgyzstan, a series of benchmarks were established. A comparative evaluation of how well ministries in these countries provide citizens access to necessary information will be prepared over the next year.

-What are the missions that you failed to complete?

One of them is the Investigative Journalists Network. We wanted to develop a network for journalists with a top-down structure, with OSI-AF playing a big role in the organization, but we did not get the effect we expected. It would have been better if the initiative had come from the journalists. Specifically, if we let the journalists themselves spearhead the initiatives it would

have been much more successful. Consequentially, we did away with the top-down development model for the journalist network and instead decided to restart the program in a different format. We announced that there would be a new open competition for journalists. By the way, many journalists have expressed interest in the new competition. We intend to host a series of events on the on communication and cooperation with competition winners and incorporate new ingredients over time.

-So far, as I understand it, you are still working on the same idea, correct? The idea will just be implemented in a different way and you are still open to new ideas and initiatives.

- Absolutely!

-There were reports that the American NGO International Republican Institute is going to close down its Baku Office and end all of its projects in the country. There were also rumors that IFES is going to leave Azerbaijan as well. Because of the global financial crisis, Oxfam Novib has decided to terminate its poverty reduction program in oil producing countries until 2012. There have been some reports in the media that SOROS is also planning on leaving Azerbaijan. Is there any truth to these stories? Where do you think these rumors started?

-Presumably, these rumors are based on the following facts: People think that since these agencies, which are heavily involved in the development of democracy and civil society, are ending their activities in Azerbaijan, the Foundation is likely to do so as well. On the hand there may be the public perception that democratization and civil society development efforts, including those led by our organizations, have failed. Many negative developments occurred over the past year in this area. The imprisonment of our youth after an unfair trial, repeated harassment of journalists, the rights advocate that was recently beaten up by students in Nakchivan, all these are the realities that are deeply disappointing. Perhaps this disappoint has effected the public's perception making them more pessimistic. They may think that if something appears impossible why on earth continue.

When the State Council for Support of NGOs was first created people thought that this organization was an attempt by the government to centralize the funding of NGOs. Do you think that this will prove to be true over time? For example, those who do not come to terms with the Government will have to leave the country and those who agree with the Government will be allowed to remain only under that patronage of the Government.

-The Government's approach to the NGOs is sort of sensitive. The Government may be interested in controlling their activities. The State Council for the Support of NGOs can, perhaps, be perceived as a body through which the government will attempt influence NGOs. That said, it remains to be seen exactly how this will turn out. From previous experiences, this may not be as bad a development as some would say. For instance, during the NGO law amendment crisis, the Council was able to facilitate a certain level of exchange between the NGO and the Government. Their activities in some ways supported the NGO community and were part of what ultimately brought a successful resolution.

-The Council and OSI-AF have both signed a memorandum in the field of Euro integration and you are conducting a joint grant competition. The goal is to bolster the Donor's Coordination Council to help it coordinate the efforts laid out in the memorandum. Doesn't this imply that there is central control?

-Memorandum signed with the Council should be viewed as an achievement. The basis of the project was mutual respect. We selected NGO participation in European integration efforts as the result of a series of public discussions. This agreement does not put any restrictions on other activities carried out by either organization. Both the Foundation and the Council reserved the right to individually implement their other programs. As far as I know the Council is willing to establish the same partnership under the same terms with other donors as well.

-NGO Council is an establishment with no specific policy. Sometimes it funds laughable projects and the Soros Foundation is a donor with very specific targets and strategies. What do you think brings you together?

-Reportedly, the Council is working to develop a strategy. There is one goal that connects us: support for the civil society, increasing the role of the third sector in the developments happening in the country and the establishment of dialogue between civil society, the Government and the private sector. One of the key tasks of the Council is to help the Government formulate its policy regarding NGOs. This establishment is closer to the third sector than to public office. Given the similarity of our work it is worth thinking seriously about the partnership. The Council has already started making contributions in terms of key issues for the NGOs. Starting from the next year national guidelines for financial accountability will be put in place. NGOs will go through the trainings so that they will be well prepared for this. The content of the trainings will be agreed upon with the Ministry of Finance so that no misunderstandings occur during the implementation stage. In this regard the Council has made a serious and sufficient effort. The trainings are about to go ahead. Perhaps, the Council of State Support for NGOs will take a successful step in creating favorable conditions with regard to European Neighborhood Policy and growing role of the civil society. There are signs that make me hopeful.

What is the amount of funds that the Soros Foundation allocated this year for the development of civil society in Azerbaijan? What would be the percentage share of funds allocated by your Foundation among other donors?

-We obtain funds from two major sources within the Soros Foundation organization. One is a specially allocated fund by the OSI Headquarters, which usually amounts to around \$ 2.5 million dollar. Additionally, the funds for specific network programs are also raised. In some programs this figure may stand well at 50%. For example, the funds raised for the health program from the network program is the same as the funds raised by our foundation. Other partners also contribute a lot of funding. Of these, again, the biggest one is the Global Fund, which allocates funds for health care. Revenue Watch Institute, one of our big donors, assists us in allocating funds for the transparency programs. For the last year funds allocated for the program stood at 50 %, and this year the figure is a little bit less. Consequently, around \$3-3.5 million dollar are being spent. I don't have information about civil society assistance programs developed by US

International Development Agency (USAID). Our activities are not limited only to the grants; they covers the operations as well. Our grant programs amount to \$2 million dollar annually and the grant program of the Council is approximately the same as ours.

And the next year, how much money are you going to allocate for the civil society in Azerbaijan? Will the global financial crisis, still have an impact on financial investment for the next year?

The budgets have not been confirmed yet. However, there is no indication that the funds will be decreased. But, I do not rule out the possibility that the crisis will have impact on the activities of other donors.

Is there correspondence between the funds allocated and the quality of work done? Do you manage to get from the civil society organization the “product” you expect?

-If we look to history, its clear that there have been significant improvements in the capacity of civil society in Azerbaijan. Many of NGOs can function in a professional and organized manner. The establishment of the coalitions in response to support from the Foundation has also been an area of remarkable developments. Obviously, the coalitions have not reached their full potential yet, but they have had success and continue to grow. These coalitions at least are the initiatives that bring some degree of transparency for the civil society. This is because, the Coalition includes both people who require the transparency and the ones who bear the responsibility for fulfilling these requirements. There is a regular exchange ongoing between them. Many institution view themselves as being much closer to engaging in dialogue than they actually are. Unfortunately, challenging issues such as accountancy, professionalism, and NGO transparency have not been addressed in full. Although there have been achievements made in the health and education policy, the level of achievement is not enough. It would be a good idea if some stakeholders were involved in the discussion of the budget process, issues relevant to the public interest were made available on time, and the discussions are conducted on this basis. There are drawbacks related to NGO activity, and freedom of assembly. The Law on NGO registration needs to be defused a bit more so that the process goes smoothly. There are successful projects and unsuccessful ones. Some of the projects are intentionally disrupted by outside actors. There were 5 projects that we had to terminate before completion. One of these projects was the journalists network I already mentioned. Others include relatively small, new partnership projects. Usually, the risk level in these types of projects is high. In 2009 we started a new quality monitoring effort for our projects. Prominent country experts are involved in the project evaluation. Reports generated from the monitoring will help improve our strategy and ensure accuracy in partnership.

-Mr. Asadov, you participated as a guest observer for the general assembly of the EITI coalition, a network that was created as your initiative and for which you have allocated significant funds. This institution is also a manifestation of civil society. What are some of the observations you have based on this event?

-Extractive Industry Transparency Initiative is an international initiative. The Government of Azerbaijan's approach to this initiative is positive. EITI is an excellent opportunity to secure the involvement of civil society in ensuring the transparent use of our natural resources. For this reason, we thought that it was imperative that civil society be intimately involved in these efforts. The Coalition grew out of a series of consultations. When the organization was first established there were around 40 members. Now there are more than 130 organizations and individuals involved. This level of involvement is unique to Azerbaijan. In many other host countries there is much less interest. For example in other countries coalitions were created with the same goals but had to be disintegrated shortly after because of confrontations between the organizations. This experience is extremely dangerous for NGO involvement. Although there are internal contradictions and differences of opinions, the Coalition continues to operate in Azerbaijan. This coalition is also a small model for our society. The thing that gives me hope is that the issue that brought these organizations together remains salient.

-But there are other opinions among the public. Many think that EITI is not fulfilling its goals. This initiative, which was basically founded to improve transparency and foster dialogue with the Government, continues to experience dispute between its members. The struggle occurs because many actors choose to pursue individual interests rather than work toward democracy and civil society improvement. There is a struggle for credibility inside the Coalition. Unfortunately, there are "black" lists along with "white" lists in the elections. And there is a battle being waged to exclude certain individuals from the Coalition Council. Consequently, many qualified professionals are left outside the Council and those represented on the Council are people with little knowledge or vision for EITI. Few professional debates are held. Do these issues ring a bell of warning for the Foundation?

-As I mentioned the EITI network was originally founded with a single purpose in mind: maximize the involvement of Azerbaijan in the 2003 agreement and the establishment of a multilateral group that gives civil society a unified voice on these issues. At that time the economists and the professionals with interest in the economy prevailed in the Coalition. Later the Coalition grew up and of course its membership became more diverse. Currently the Coalition does not simply serve the EITI initiative, but has a wide set of goals. Please also keep in mind that the Coalition also does advocacy along with research and investigation. These activities are what open the representation to a larger potential group of participants. If you remember the period in June when the amendments were about to be made to the Law on NGOs. At that time one of the active institutions was the Coalition. Among the other important tasks such as providing expertise, the Coalition is also responsible for helping civil society get more involved and helping those organizations develop. I assume that we need to evaluate the activities of the Coalition in this regard. I agree, you can not deny that some use this structure for their own gains, but common interests are built upon personal ones. As a result individuals forge an agreement that serves a common purpose. The same is also true in the case of NGO Coalition. Certainly, there are individuals who claim leadership and there are others who might not have the necessary experience, but we shouldn't assume this. There are 130 experts involved, their levels of credibility and experience will of course not be the same. This organization needs to embrace those who lack experience but are enthusiastic. You can imagine how all of these factors can form internal contradictions in the operations of the Coalition. Moreover,

contradictions can also occur because of a conflict of interests. On the other hand, the differing levels of expertise may join the coalition members together in a common quest to increase their knowledge. We need to also consider these issues.

-Perhaps what the Government is doing now just overlaps with what it has undertaken to do originally, and is doing those things willingly. Now that, the Government has undertaken commitments in the field of transparency. Why should we ascribe some successes to the Coalition?

-Let me remind you that EITI initiative includes not one but 2 sides. This implies that the absence of one side already would change the essence of EITI and goes against its goals. On 2 February we passed through the evaluation process. Azerbaijan was the first country to pass the evaluation, just to mention. Although it could be seen as success on one hand, on the other hand it was risk, because there was no other example to compare against. Due to the very influence exerted by the Coalition the Evaluation report was made subject to changes, and establishment of multilateral group and annual working group was introduced to the Government as a condition to be met. I believe that we have to consider this to be an immediate success for the Coalition. The Government has assumed some functions. However, there needs to be as well public control and criticism in a society which is developed. The dialogue needs to be built on this so that the Government has proper understanding of the interests of its citizens and thus tries to improve its policy. Unless these efforts are made and civil society joins certain processes, those mechanisms can not be launched. Thus, a gap appears between the citizen and Government which is not useful for the society. It is essential that the society advances with as wide audience as possible. Also efforts need to be made for the quality implementation of expert function. Evaluation of reports on EIT has to be carried out by civil society, and the ways how to improve the reports need to be sought. All these are pending issues which need to be addressed. And our intention should be generated from the needs of civil society itself and be consistent with their perception level. The outcome of recommendations ranged from top-to-down might be both positive and negative.

- The ambassador of Norwegian Kingdom in Azerbaijan, John Ramberg, has stated that there are still opportunities to improve EITI further. What are these opportunities in your opinion?

-Surely there are many ways in which EITI can be expanded and improved. Firstly, one of the outstanding issues is the individual accountability of private companies. Second is the accountability of the State Oil Company. Third, it is essential that the initiative not only covers sharing agreements but also other relevant fields. Fourth, beside the oil industry there are also other fields of the extractive industry that need to be included in this list. Additionally, there are ongoing efforts regarding a transit EITI; experts from Azerbaijan, Georgia, Kazakhstan and Ukraine have done some work. This is a process that requires a lot of hard work.

-The National Budget Group is an institution that was established thanks to your initiative. However, the credibility of Civil Society Institutes in Azerbaijan is often more the result of the specific individual who leads the organization, not the organization itself.

-NBG initiative has a distinctly different approach than the EITI. Originally we made efforts to build partnership among people with distinct individual expertise and qualifications, and to focus their efforts in this direction. Furthermore, the plan was to involve those most impacted by the expenditure of public funds in the process. These people should be assured that in the coming year sufficient funds will be allocated from the State budget in order to solve their problems. Decisions on how to spend public funds would be made with their participation. In this sense, our aim is to establish cooperation between interest groups, Civil Society activist, and experts. It seems difficult for one single donor to complete this work in a thorough manner. There may be other donors who can pay attention to this activity. Reportedly there is one that exists, but these activities must expand. We are also trying to make sure the donors are involved, but this initiative clearly needs to come from the NBG itself in the first place. We are working to attract attention to NBG's work. Their research is thorough and their empirical evaluation of public expenditures is clear and concise. Many of their reports have captured a great deal of attention and there is a significant level of cooperation between them and public officials.

National Budget Group, from my perspective, is the most potent organization working the field of economy. I've heard that NBG has recently announced a partnership with OSCE in Azerbaijan.

-NBG is able to present the public with more information on budget issues. But government disclosure of the information necessary to write these reports is limited. Only 20-25% of the necessary information is released by the State. What then is NBG doing to maximize the amount of information it has access to?

-It is unlikely that the current amount of information will be sufficient. Moreover, most citizens aren't even aware of these issues. We need to exert efforts to increase the number of citizens who join this process.

Please note that NBG has a limited number of members, and the budget is a big document. The budget package includes thousands of pages. To read and then comment on these issues is not as easy as many assume. However, I also agree that more citizens need to be involved in this field. In fact we had another initiative related to this; a competition was announced in order to attract the youth participation. Currently, OXFAM NOVIB funds the rest of this project.

-The Group has few initiatives, its relationship with the press is weak, and it is not working at its full capacity. The projects financed by the Government and the funds allocated for these projects are not completely transparent. NBG doesn't appear to continue to search for new information; it seems that they are dealing with interpretation of the information on the surface.

-You need to ask them about this, but as far as I know they do pursue information that isn't publicly available. While analyzing this information they reveal a lot of important facts. Interesting facts can appear even when analyzing the existing information. If I am not mistaken they have revealed a lot of information related to state investments. They may have access to somethings and not others.

-According to what I've been told, NBG has not gained access to information on investment expenditures or on Government projects. Moreover, they don't seem to produce any information of interest to the public.

I think that they did it some months ago. The comparative analysis of the paper received by the Ministry of Cabinet made it clear that they exceeded the budget limit and project produced by the NBG provided specific figures. Concerns regarding these issues were raised. In any case, NBG has made such efforts.

For this reason, I can not agree with you on this point. A while ago research made by R. Aghayev, member of NBG sparked a huge row. If you will remember Mr. Rovshan made comparative analysis for the construction costs allocated to social fields. It was discovered facilities constructed at the expense of the budget costs much more than the facilities built by the embassies, just as an example.

Do you have indicators to determine how the funds given to the organization are used? And how do you ensure that the funds are being used efficiently? In general, have you ever thought about applying stricter accountability rules?

-Reports delivered on their activities are thorough; tasks undertaken are completed. Research is conducted and events are held to make the findings public. The products are professional the financial statements are accurate. We do not have any objections in this regard. Perhaps it would be essential to seek new topics, and to conduct more in-depth research. Presumably, this could be determined after the exchange among the experts. The donor is not the expert and is not in a position to do this any better than the NGO. As to the capacity of those organizations represented at the Group, the monitoring is conducted through the involvement of the professionals. The findings include both critical analysis and advisory suggestions. Those points are communicated to them so that their work can improved. The Group might include more prominent, more successful and more popular experts. I presume that in this point we need to launch a self-evaluation mechanism.

Some NGO leaders say that the OSI-AF Board of Director does not actually read the projects handed over to them. The projects are presented based on the title or “image” of the organizations head. What are your thoughts on these comments?

-The Foundation’s Board of Director can not afford to read hundreds of proposal and this is not what it was originally intended to do. BM was established to serve this function. The projects are read by the commission and the recommendations and decisions are made there. Only huge projects are to be reviewed by the Board of Director. Undoubtedly, the credibility, ability, experience of the organization and its management are considered during this process.

-There are rumors that the "experts" on this council are incompetent and give comments on projects they aren't familiar with. Is the composition of Expert Council checked properly?

-These rumors are relative, not absolute. Some can be relied on more than others. The members of Expert Committee are not the same in their competence. However, all of the decision-makers are well-prepared to do their jobs. The advantage lies with the fact that, a number of members at the Committee come together to discuss issues and then come forward with common decision. The Committee may include members with more or less experience. An expert who may have less experience but offers a different approach or perspective will very valuable to the process. The point here is about citizen's initiatives and activity, not evaluation of some scientific research work. Therefore, if an applicant does not understand why their project wasn't supported, I assume that either they are reluctant to agree with the subtle points of the decision-making process or have a misconception about how OSI operates.

Some feel that the way in which the Soros Foundation allocates the majority of its funding (i.e. 60% of the funds are distributed through OSI's network without open competition) restricts other members of the civil society community from receiving grants. There is the perception that delivering grants through a "Coalition" network or group is wrong. This practice seems to violate free competition principles and gives certain organizations a monopoly over the NGO sector. What is the Foundation's policy that govern its network projects?

-These two approaches are complementary. Initiatives that have proven themselves to be successful and have are making a significant difference should be supported. It seems unwise and impossible to establish with a new organization that simple does the same thing. First, there are a lot of risks with starting a new NGO and second, these organizations do not have the experience. If we fail to provide long-term assistance to coalitions we have established, then it would be impossible to improve, ensure internal transparency and develop trust within the network. The projects for these dedicated purposes we view as important and strategically significant. On the other hand, the competitions creates opportunities for new ideas to emerge. In the face of expanding and significant new initiatives we may think of assuming long-term responsibility. Unfortunately, such cases occur rarely. The idea to provide assistance for investigative journalists came from years of competition grants and gradually became a permanent idea. The idea was to create an environment that could bring together NGOs and journalists. This seemed like an achievable goal, but it didn't materialize. The results are clear.

Mr. Farda, since you brought it up, the philosophy of the Network Project was not the only mistake, was it? The reason why the network idea failed, in large part, was do to internal misappropriation.

-Correct misappropriation occur when you can't keep control of the person you have elected to administer the project. These failures were brought to light as the result of an internal investigation. The safeguards in place worked. Still, the outcome of the project in general was unsuccessful.

It is curious that that those individuals who discovered the misappropriation and restored a small portion of the funds back to the organization suffered much more harm than the those who disrupted the project. In this fiasco, it seems the assailant won out.

-Both sides were damaged. Undoubtedly, when such a failures occurs, there is no winner. Normal people who showed interest in the project have also suffered damage. As a result, many well intentioned efforts that people thought would have an effect have failed. I don't believe that people simply take what they can when it benefits them. There are issues such as moral values, identity, and kindness in play. These are essential. If we ignore these, then what is the issue of concern? Is it immoral society?

Letter of notice has already been sent to local and international organizations. Are you going to take any serious measures such as pursuing the matter legally?

-We are going to take serious measures. Sanctions with high effect will be taken. This is unavoidable.

-Some think that the Open Society Institute does not preserve the principles of disclosure. Grant competitions are not transparent. The organizations does not provide information on the results of the competition. Even the Council of State Support for the NGOs, although it was only recently established, forwards formal letters to the organizations.

-We always would like to be able to send official letters, but this would create a lot of trouble. Previously many of the letters were sent out were returned because of a change in address. The letters we dispatched via express. Consequentially, it cost a lot of money, but produced little in terms of results. Now we have an application review mechanism on our website. Using their registration number an organization can get information on the status of a project proposal through this service. On the other hand we are always open to discussion. If somebody feels they need to comment, they are always welcome to do so. They are also welcome to come meet with the program directors and even the executive director if necessary. We are ready to listen to any comments. There is already a Grievance Committee on place. If there are clues that indicate that impropriety occurred the Committee will step in to investigate the issue and make a decision. The Committee of Grievances can not reinstate the project, because, otherwise it would have to review all projects and thus repeat the function of the initial evaluatory Committee. This seems to be illogical.

NGO heads complain that, the members of OSI-AF Board of Director, for example, RasimMusabeyov, ArzuAbdullayeva, ZardushtAlizade get huge grants even though they themselves sit on the board, which of course creates a conflict of interest. As far as I know, this is forbidden according to your internal procedures.

-There is no strict ban, but there is a policy about conflict of interests. If the Board is reviewing a project submitted by or related to one of its members, that member will not take part in the decision. These is a special committee functioning at the Headquarters that reviews conflict of

interests. Any application related to a member of the board of directors is reviewed by this body. RasimMusabeyov, HikmatHajizade and SabitBaghirov are on the management team of NGO called Farcenter that they established together. In spite of the fact that RasimMusabeyov was not part of the specific project, we forwarded the proposal to New York and they made the decision to implement it. In regards to other controversial projects, the one that IlgarMammadov was involved in was also decided upon by the New York office. I can not remember if the projects involving ZardushtAlizade, ArzuAbdullayeva were ever passed.

What are your priorities for 2010? Do you expect any changes to your strategy? Which organizations do you plan to work with over the next year and which do you plan to leave halfway?

-We are not willing to leave anybody halfway. We will continue our key functions. We are going to have new competitions. The range of very important events includes utilities- transparency of gas, electricity and water charges. The specific focus on this sector is a new direction for us. We would be more than happy to assist with the establishment and operations of think tanks. Open competitions will soon be announced; the goal is to expand the capacity of those seeking to establish new organizations. We would like or these organizations to become better organized and managed and more professional, which would ultimately help us assist them long-term. The reason for this new initiative is that there is a need to for real, prominent and professional think-tanks in Azerbaijan. We are often accused of supporting too many initiatives in stead of specializing in a few areas. These are two opposing tendencies. To do a quality job you need to focus all your attention on that particular issue. But to focus all your attention one won issues seems to narrow. Securing of the rights of proprietors during the push for privatization is a big concern. We have never dealt with this. There are dozens of issues. There are even more important ones such as the resolution of the Karabakh conflict that haven't been resolved.

Nothing should ever surprise us given that we live in a land where so many contradictory developments occur.