



Economic Research Center

SEMIANNUAL REPORT

ON

Project

Institutional Support 2009

With financial assistance of

OSI Assistance Foundation – Budapest office

BAKU – 2009

➤ **Implementation of programs/ projects and achievement of planned objectives**

Same with previous years, Economic Research Center continues its fruitful activity towards project implementation. Each of these projects has positive impact on overall activity of the organization, as well as in life of the society. Below you can find brief information about projects of the ERC within first half of 2009:

a) Title of the project: “EITI coalition activity in 2008”

Financial support: Open Society Institute-Assistance Foundation

Project term: 01.01.2008-01.05.2009

It is provided for assisting the EITI coalition in implementation of its activities in 2008.

b) Title of the project: “Empowerment through strengthening local self-governance in Azerbaijan”

Financial support: ICCO and Oxfam GB

Project term: 01.05.2007-30.04.2010

The project is aimed at strengthening local-self governance in Azerbaijan through contributing to increasing people’s trust towards municipalities; empowering municipalities to have stronger voice in their dialogue with the government; and supporting municipalities in increasing their financial capacities.

c) Title of the project: “Health Related MDG Campaign”

Financial support: Oxfam GB

Project term: 30.05.2008 – 30.04.2009

Project aims to urge the presidential candidates to realise the MDG’s 4 and 5 in Azerbaijan.

Project milestones/outputs against objective: **a)** To organise meetings with presidential candidates (30/07/2008); **b)** To organise roundtable meeting with proxies of presidential candidates (30/07/2008); **c)** To hold media campaign as part of MDG 3 and 5 campaigning for presidential elections (30/10/2008); **d)** To organise a press conference as part of MDG 3 and 5 campaigning for presidential elections (30/10/2008)

d) Title of the project: *“Monitoring of implementation of health insurance pilot program and achievement of political changes in this sphere”*

Financial support: Royal Norwegian Embassy/ Eurasia Partnership Foundation

Project term: 22.06.2008 – 31.03.2009

The project aims at contributing to reforms in health insurance system in Azerbaijan. In the long-term perspective, reforms will provide affordable quality health care in Azerbaijan. We strongly believe that to ensure quality and affordable health insurance, a particular attention shall be paid to reforms health management, including institutional arrangements around health financing.

In the short-term perspective, the project aims to contribute to efficiency in use of financial resources in future health insurance reforms.

Main issues to be examined throughout the project include (i) use of resources (adequacy of resources used within the health reforms to implemented activities); (ii) quality of implementation (whether quality of implemented activities meet standards, i.e. WHO); (iii) outcomes and impact (whether activities were implemented as described in the document, and whether it had any impact on improving quality/access to health services). These analyses will be conducted through three stages.

Stage I. This stage will be preparatory, when specific directions within the implementation of health insurance policy for further in-depth evaluation will be selected and monitoring methodology will be elaborated.

Stage II. At this stage, actual monitoring and evaluation will be conducted. By the end of this stage we want to understand (i) to what extent objectives described in health insurance program; (ii) what was the impact produced by these activities; to what extent initial situation changed as a result of these activities (to identify “initial situation”, we will refer to poverty assessment analysis by government and international organisations); (iii) what caused discrepancy between planned and implemented activities; why certain activities (if any) were not implemented as described in health insurance program; (iv) how efficiently the resources were spent.

Stage III. At this stage we will focus at developing advocacy strategy for making policy changes as suggested by our project findings.

e) Title of the project: *“Household Budget Survey (HBS) Methodology Development”*

Financial support: USAID

Project term: 24.06.2008 – 30.09.2009

The goal of the program is to support the institutional capacities of the Economic Research Center to generate, promote and advocating for more accurate and effective economic indicators used to form GoAJ policy, and to build the center's capacities at garnering support for increasingly fact-based and transparent policy-making.

The objectives of the program are to improve the ERC's performance in: **a)** Core institutional capacities, such as their ability to calculate and analyze critical economic and policy-related data; **b)** Conducting advocacy campaigns aimed at promoting a transparent, fact-based and coordinated formulation and application of state policy toward poverty reduction; **c)** Implementing public awareness activities on the impact of poverty rate calculations on socio-economic decision- and policy-making; **d)** Supporting intensive cooperation between civil society and public agencies in the fight against poverty.

The last technological product of Economic Research Centre within this project, "Applied Budget analysis" program gives opportunities for comparative analysis of municipality budget yearly, half of year, quarterly and monthly through electronic version. Serving to "electronic municipality" idea, the program provides flexibility, rationality, transparency and accountability in municipality budget. ERC prepared and published "Applied budget analysis" book for simplifying the program users' work.

f) Project name: "Public awareness and evaluation of state budget expenses for the popular purposes"

Financial support: Open Society Institute's Assistance Foundation

Organizational support: National Budget Group

Project term: 01.08.2008-01.05.2009

The goal of the project is to achieve public awareness in existing problems of oil income management and budget expenses with the help of election campaigns of presidential candidates.

There were arranged meetings of NBG experts with presidential candidates in September-October within the project. Gained large-scale oil incomes of Azerbaijan, as well as budget resources expenditure and negative inclinations in this field, possible risks and dangers that might occur in country's future economic development were discussed at these meetings. Experts draw to attention of candidates that increasing number of manymillioned state investment projects raises threat of irrational expenditure of incomes. On October 9, the Economic Research Center held a

roundtable on “View to rational and transparent management of oil incomes and state budget resources by presidential candidates.”

Note that, expert opinion expressed at the meeting and roundtable took special place at election campaign speeches of candidates, efficiency and transparency issues in oil incomes’ expenditure were the most touched topics.

Another direction of implemented activities within the project is research of budget resources usage for popular purposes. With this purpose, project experts are analyzing budget expenses, as well as surplus funds and especially resources of President’s Surplus Fund. World practice in this field is also learned. In the next stage of the project these researches will be summarized and its results will be presented to the public.

g) Project name: “Corporate social responsibility activity evaluation and its accountability”

Financial and organizational support: State Support Council to NGOs by the President of Azerbaijan Republic

Project term: 26.08.2008 – 26.02.2009

The goal of the project is to assist business community in building dialogue with community, increasing trust to them through social support and transparency maintenance, as well as to provide regular organizational, methodical and informational support for maintenance of non-financial (social) accountability.

In order to achieve project goals, it is intended to held survey among large corporatives and NGOs operating in Azerbaijan, and to learn examination of national legislature and international practice.

As for project activity plan of 2008, survey questionnaire which will be held among corporatives has been prepared, tested with pilot method and last version has been approved. Then, selection of respondents was implemented. For that, it was requested from Azerbaijan Republic’s Tax Ministry for list of country’s largest 100 private tax payers. However, the ministry basing on commercial secret, refused to give this information. After that, the project personnel decided to held survey among randomly selected nearly 100 large corporatives and started survey.

Another activity within the project is to held survey among NGOs, that also has been launched. Within the on-going period of surveys, project experts held a research on learning local legislature examination and international practice. After summarizing of surveys, there will be prepared recommendation packages considering results and conducted research, held events with participation of interested groups, and taking into account

sounded proposals and objections, the recommendation package will be presented to the concerned organs.

h) Project name: *“Introduction to economics and interactive methods of teaching economics”*

Financial support: National Council on Economic Education (NCEE)

Organizational support: Khazar University Economic and Business Research Center

Project duration: 11.2008 – 01.2009

The goal of the project is to improve knowledge and skills of economics teachers of secondary schools.

There were arranged training-courses for economics teachers of secondary schools within the project. Economics teachers of secondary schools of Baku, Sumgayit, and Khirdalan cities and as well Absheron district were involved in courses. Participants gaining contemporary knowledge related to microeconomics, macroeconomics, applied economics, got familiarized with active and interactive methods of economics, took part in decision-making of different business-like tasks and arranging of Olympiads, as well participated in working out of programs and projects. Courses were held on January 02-07, 2009 in AF-Hotel in Novkhani village of Absheron district.

Trainings were held by economists-scientists, possessing rich scientific and pedagogical experience awarded with certificate of USAID National Council on Economic Education. At the end of trainings participant-teachers were awarded with certificates.

k) Project name: *“Agricultural input market”*

Financial support: Oxfam Novib

Organizational support: ERC

Project term: 01.11.2008 – 31.01.2009

One of the greatest challenges of economic management in the country is to diversify the economy in the face of growing dependence on the oil sector. Therefore, development of rural areas is a priority for Azerbaijan with the agricultural sector being a key to this development. The agricultural sector is the most important source of employment in Azerbaijan. Agriculture accounted for approximately 5.5 percent of GDP in 2007 - the largest economic sector in Azerbaijan after oil, construction, transport and communication. Agriculture's share of employment has increased to 38.8 percent in 2007 from approximately 31 percent in 1990.

The real annual increase in the agrarian sector made up 4,5 percent on average during 2003-2008. On the basis of privatized lands and properties of

the cancelled state farms, collective farms and interfarm enterprises following the reforms, 1191 collective, 156 agricultural production cooperatives, 2651 village farm holdings and other private agencies were established, and 843,2 thousand families turned into physical persons. In comparison it have to be mentioned that oil sector gives 60 percent of GDP and covers only 2 percent of employees. 3,2 percent of investment potrfolio and 7,5 percent of fixed capitals belong to agriculture. As result average monthly wage in agricultural enterprices is 86,8 AZN, while same figure for industry is 344,8 AZN, for construction is 381,4 AZN, for transport and comunication is 250,4 AZN in 2007. Since 1999 the producers of the agricultural products have been exempted from all taxes except for land tax. Agriculture received other exemptions from government, for exemple, the debts of the farmers in the districts occupied and eliminated as a consequence of land reforms were cancelled. Moreover the government has started to pay the 50 percent of expenditures spent by the farmers on purchase of fuel, motor oil and fertilizer as well as provide subsidies for grain growing, the “Agroleasing” OJSC has been established to improve technical supply, and the producers are provided with equipments and fertilizers via leasing with concessional terms. The important projects with a total amount of USD 158 million have been implemented in the agrarian sector of the country with the support of international organizations.

l) Project name: “*Development models of Azerbaijan and expectations related future perspectives*”

Financial Support: Open Society Institute’s Assistance Foundation

Project term: 01.12.2008-01.06.2009

The goal of the project is to create rational economic development model of Azerbaijan. Immutable oil income priciple was adopted in Azerbaijan’s “Strategy on oil incomes long-term usage”. However, socio-economic modeling process based on this principle hasn’t been finished. Three important directions for oil-gas incomes reasonable usage was selected within the project:

1. First of all, retreating to collection and consumption (including investment) correlation of oil-gas incomes should be defined based on immutable oil income principle;
2. To rationalise structure of expenditures at the expense of oil-gas incomes and priority directions of economy must be selected for improving effectiveness;
3. rationability and transparency for management oil-gas incomes retreating part to collection

Holding this research in three directions, in the end takes as a major goal creation of reasonable development model of Azerbaijan's economy.

m) Project name: *“Development of Azerbaijan pension system reform”*

Financial support: Friedrich-Ebert Foundation in Azerbaijan

Project term: 01.12. 2008 – 31.05.2009

Social protection of the population being one of the leading orientations of the socio-economic policy implemented in Azerbaijan Republic is constantly in the limelight of the State.

The principal goals of the project are as follows:

- Develop a strategy to promote financial market to facilitate pension reforms, by offering a wider range of investment instruments;
- Develop a strategy to promote a more dynamic insurance sector offering annuities and other instruments for the provision of retirement income;
- And analyze the fiscal implications of pension reform including of its implications for the structure, financing, and management of the budget and the special fiscal accounts;
- Estimate the impact of pension's amount growth on poverty level via creating simulation models.

n) Project name: *“Institutional assistance for Azerbaijan Harm Reduction and advocacy of “Call for health” NGO Alliance through state support program”*

Financial support: Open Society Institute – Assistance Foundation

Project term: 10.01 2009 – 10.06.2009

o) Project name: *“The Dutch Disease in Azerbaijan: A Disease After All?”*

Financial support: The University of North Carolina At Chapel Hill

Project term: 01.01.2009 – 31.03.2010

The research will begin at University of North Carolina at Chapel Hill, but the research financed under this grant will be undertaken in Azerbaijan. The Economic Research Centre in Baku will serve as collaborator, and as base for this project. It will begin on 1 April 2009 and will be completed by 31 October 2009. The proposed research will build upon the results of this preliminary research and will investigate those results in the specific case of Azerbaijan.

The project will begin by documenting the symptoms of the Dutch Disease for Azerbaijan. The project will examine the balance of payments and the national budget over time to document the dominant role played by

hydrocarbon sales in both exports and budgetary receipts. We will also examine the change in non-traded prices over time (wages, housing, and other services) for evidence that the Dutch Disease is working through the theoretically predicted channels.

The project will answer question (1) through a survey of Azeri exporters and manufacturers. This survey will ask about how hiring and production decisions are affected: both direct effects of increased hydrocarbon exports and indirect effects of the Dutch Disease through higher wages or other input prices. The Economic Research Centre (ERC) will conduct a survey among 1000 exporters and manufacturers in 10 economic regions of Azerbaijan. In the framework of each region there will be defined preliminary sampling units. The sampling techniques used are appropriate and based on international recognized methodology: see the note at the end of the proposal for details.

The project will answer question (2) through a detailed study of the timing of public expenditures in Azerbaijan, both at the national and at the local level. Are these expenditures more volatile than those in a comparator country? Are there costs to the residents in terms of services foregone, or to the government in terms of excess costs for late completion?

The project will answer question (3) by researching the application of Sovereign Wealth Funds in other countries. We will then examine the structure (SOFAZ) used in Azerbaijan, and will compare its structure to that of successful Funds. If necessary, we will recommend improvements to that structure to minimize the volatility associated with the Dutch Disease in Azerbaijan.

The final product of this research will be a report that can be published in academic journals or used by the government of Azerbaijan in its efforts to address the implications of the Dutch Disease.

There will also be a conference organized in Baku (at ERC expense) to bring together experts, stakeholders from civil society and mass media to discuss this issue.

As the result of the project, ERC will be preparing Recommendation Packet for government bodies and international organizations.

p) Project name: “A Citizen’s guide to the 2009 budget” book

Financial support: Open Society Institute – Assistance Foundation

Project term: 10.01.2009 – 10.04.2009

The Budget Guide will be worked out as “Citizen’s Budget” in a very comprehensible language with clear explanations of figures for 2009 state

budget of the Republic of Azerbaijan. Additionally, the book includes information on administrative, economic and functional classifications of the budget. The goal is to work on, to publish and distribute it to public usage.

q) Project name: “Study on Country Profile for Azerbaijan”

Financial support: The Japan International Cooperation Agency (JICA)

Project term:01.05.2009 – 30.09.2009

The goal of this project is to create profile of different fields of economy of Azerbaijan, as well as overall economy.

The Country Profile will be a base for future Japanese ODA to the region, serving as the JICA’s medium-term country strategy and program of the respective countries.

Country Profile will include assessments on, among others: (i) general information of the country (area, population, socio-economic situations, and others); (ii) recent economic/social/political development; (iii) economic prospects; (iv) government structure, particularly involving in development projects and the assessments of their capability; (v) government debt-servicing position; (vi) government development strategy and plan; (vii) major sectors’ profile; (viii) development projects planned and their status in major sectors; and (ix) others. Work on the preparation of inputs to the Country Profile will be undertaken throughout from early April to September 2009.

R) Project name: “Advocacy of state support for Harm Reduction programs in Azerbaijan”

Financial support: OSI AF-NY

Project term:01.2009 –06.2009

“Call for Health” Social Alliance collaboration with Harm Reduction Network/Azerbaijan by support OSI AF realized project “Advocacy of state support for Harm Reduction programs in Azerbaijan” (preparatory stage, January-June, 2009) by support OSI AF-NY. Project goal is to facilitate changing in state policy with respect to Harm Reduction programs as a tool of prevention of HIV spreading to achieve conceptual, financial and technical support.

In this stage was defined financial source of harm reduction programs. Was conducted interview among experts on HIV/AIDS field. Situation analysis of HIV and harm reduction related situation was discussed in focus-groups. There were 3 focus-group discussions: among Mass Media, Economic experts, NGO. In Round table participated representatives all organizations

which work on HIV field-government, international organizations, NGO and mass media. In the following, major, stage of the research effectiveness and efficiency of harm reduction programs will be measured. Methodology of calculating economic impact of preventing cases of HIV developed by the London school of Tropical Medicine will be used.

S) Project name: *“Evaluation of impact of the state budget expenditures on social field from macroeconomic equilibrium perspective”*

Financial support: Open Society Institute – Assistance Foundation

Project term: 15.06.2009 – 15.03.2010

Project goal is to provide information-methodical assistance for effectiveness, transparency and accountability of social expenditures of the budget in crisis year and support advocacy activity of the National Budget Group towards this direction.

Below listed are the expected results of the project:

1. Efficiency and transparency of socially directed expenditures of the state will increase;
2. Civil society will be closely involved in budget decision-making process;
3. Awareness level of population about socially directed expenditures will increase;
4. Social direction will save its priority in state expenditures;
5. Potential impact circle of state social expenditures on social welfare of population will increase in crisis year;
6. Information awareness and public control for maintaining of clarity in management of social maintenance and protection system;
7. Responsibility of state bodies dealing with social policy determination and its execution will increase.

T) Household budget Survey Methodology Development and ReReview of Effects of Social Transfers in Child Poverty Alleviation in Azerbaijan.

Financial support: UNICEF

Project term: 01.01.2009 – 01.09.2009

The goal of this project is to collect informations on household characteristics, health status, healths care utilization and costs, schooling, formal and informal costs of education, pres-school costs, household ownership, child allowances and prepare report of the analysis.

Project name: *“EITI coalition activity in 2009”*

Financial support: Open Society Institute – Assistance Foundation

Project term: 01.07.2009 – 01.07.2010

It is provided for assisting the EITI coalition in implementation of its activities in 2008.

➤ **Strategic development of the organization**

• ***Organizational update***

Position of **External Communications officer** enlarges scope of already existing relations and builds up new partnership links & relationships with various key stakeholders in the implementation of its activities. As a result of our efficient activity we even more developed cooperation and communication with international organizations, foreign embassies and etc. Thus, we receive number of proposals from them. Below you find brief information about fruitful activity of External Communications officer in first half of 2009:

- ERC applied for 2009 Templeton Freedom Awards launched by the ***Atlas Economic Research Foundation*** and looking forward for results.
- On March 9-11, 2009 Chairman of ERC Management Board, Gubad Ibadoglu attended Conference “Strengthening Governance for Infrastructure Service Delivery: The role of public –private sector partnerships” in Manila, Philippines. It was organized and financed by Asian Development Bank in Manila.
- On March 23-27, 2009 Chairman of ERC Management Board, Gubad Ibadoglu attended Conference “Health Budget Monitoring and Analyses Project (HBMAP)” in Turkey, Istanbul. It was organized and funded by Open Society Institute-New York office.
- On May 7, 2009, Financial Manager of ERC Anar Bayramov and Accountant Oksana Mammadova participated at Conference “Presenting new financial reporting forms for partners” in Baku, Azerbaijan. It was organized by UNICEF.
- On February of 2009, Deputy-Chairman of ERC Management Board, Vusal Gasimli met with Furuya Kaouru from economic department of Japan Embassy.
- On March of 2009, Financial Manager of ERC, Anar Bayramov, PR Officer, Dunya Jamalova, External Communications Officer, Nigar Mammadova met with representative of Counterpart International, Anar Aslanov. There were mainly discussions about ways of keeping sustainability of organization, so it won’t depend only on Grants.
- On April of 2009, Deputy-Chairman of ERC Management Board, Vusal Gasimli met with economist of Japan’s JICA organization, M.Nagata. V.Gasimli informed about investment projects

- implementing in Azerbaijan. As a result of the meeting, official agreement for three month was signed between ERC and JICA.
- On April of 2009, Deputy-Chairman of ERC Management Board, Vusal Gasimli met with the head economist of Revenue Watch Institute, Akram Aslanov. There was given information about research projects, as well as macroeconomic models of ERC as a think thank during the meeting.
 - On May of 2009, Deputy-Chairman of ERC Management Board, Vusal Gasimli met with head of the representative Switzerland's State Secretariat for Economic Co-operation (**SECO**) in Azerbaijan, Naila Safarova. Mainly there were discussions about impact of global economic crisis in financial sector of Azerbaijan.
 - On May of 2009, ERC PR officer, Dunya Jamalova and External Communications officer, Nigar Mammadova met with Ph.D Candidate at Ruhr University Bochum, Germany and UCD Dublin, Ireland, Jeannette Elisabeth Bell about condition of refugees and IDPs in Azerbaijan.
 - On April 21, 2009 ERC signed agreement to participate as a subcontractor in the “Dutch Disease in Azerbaijan: a Disease after all?” project with the University of North Carolina at Chapel Hill. ERC will be responsible for the survey and local research aspects of this project.
 - Another cooperation opportunity is with the Duke University that wants to held a joint research on Pension Reforms in Azerbaijan. Thus, Prf. Charles Becker visited ERC in June of 2009.
 - 1st year graduate student of University of North Carolina at Chapel Hill, William D. Beaver visited ERC in June for 2 months research in Azerbaijan. His research will be about impact of representatives of Azerbaijan in regional organizations in tolerance.
 - On June 4, 2009 the Deputy-Chairman of ERC Management Board, Vusal Gasimli together with Professor of Duke University of USA, Charles Becker met with the Head of the State Social Protection Fund, Salim Muslumov. S.Muslumov gave information about pension reforms taken since 2003. Importance of strengthening of sustainability of pension system and applying of innovations in future perspective were noted at the meeting.
 - On June 23, 2009 the deputy-chairman of ERC’s Management Board, Vusal Gasimli met with Professor of University of North Carolina of USA, Patrick Conway. Macroeconomic situation in Azerbaijan and

fixed oil incomes principle's applying ways in Azerbaijan was discussed during the meeting.

- ERC arranged number of meetings of Prof. Patrcik Conway with representatives of Center for Social Economic Development, Public Finance Monitoring Center, Revenue Watch Institute, Center for Oil Research, International Monetary Fund, World Bank, State Oil Fund of Azerbaijan (SOFAZ), IBRD and others. The topic of these meetings was about macroeconomic issues in Azerbaijan, efficient usage of oil revenues and other related issues. Below you can find detailed list of people with you Prf. Conway met:

№	Individual	Representative of organization
1	İngilab Ahmadov	Chairman of Public Resources Monitoring Center
2	Vugar Bayramov	Chairman of Economic and Social Development Center
3	İlham Shaban	Chairman of Oil Research Center
4	Francis Delaey, the head of Baku Resident Office	European Bank for Reconstruction and Development
5	ANS TV	Economic Forum
6	Israfil Mammadov	State Oil Fund of Azerbaijan Republic
7	Koba Gvenetadze	International Monetary Fund
8	Galib Afandiyev	Revenue Watch Institute, Coordinator for Caucasus and Central Aisa
9	Amy Peterson	American Councils

- Joseph Sherman will visit ERC within Fulbright Program, he's interested to learn about Impact of oil incomes in economy.
- The Deputy-Chairman of ERC Management Board, Vusal Gasimli met with economist of European Commission Directorate – General for Economic and Financial Affairs, Economic Affairs of Mediterranean countries, Stylianos Dendrinis. Foreign trade policy of Azerbaijan was analyzed at the meeting, as well as issues of coordinating of monetary and fiscal policies were touched upon.
- Mr. Gubad Ibadoglu was selected as a successful candidate of the Black Sea Fellowship Program, organized by the Bulgarian Center for

not-for-profit law with the financial support of the OSU Institute East-East Program. The purpose of the fellowship program is to increase the capacity of the participants and to share knowledge and experience in the area of NGO Legal Framework.

- Successful membership cooperation with such international networks as PASOS, CIVICUS, PWYP, ENTO, IBP and EITI Secretariat in Oslo, Norway is developing. Moreover, ERC recently joined to CAREC Institute Research Program.

Economic Research Center completed implementation of its following projects:

“EITI coalition activity in 2008”, funded by Open Society Institute-Assistance Foundation;

“Health Related MDG Campaign”, funded by Oxfam GB;

“Monitoring of implementation of health insurance pilot program and achievement of political changes in this sphere”, funded by the Royal Norwegian Embassy/ Eurasia Partnership Foundation;

“Public awareness and evaluation of state budget expenses for the popular purposes”, funded by Open Society Institute’s Assistance Foundation;

“Corporate social responsibility activity evaluation and its accountability”, funded by the State Support Council to NGOs by the President of Azerbaijan Republic;

“Introduction to economics and interactive methods of teaching economics”, funded by the USAID National Council on Economic Education;

“Agricultural input market”, funded by Oxfam Novib;

“Development models of Azerbaijan and expectations related future perspectives”, funded by Open Society Institute’s Assistance Foundation;

“Institutional assistance for Azerbaijan Harm Reduction and advocacy of “Call for health” NGO Alliance through state support program”, funded by Open Society Institute – Assistance Foundation;

“Evaluation of impact of the state budget expenditures on social field from macroeconomic equilibrium perspective”

“A Citizen’s guide to the 2009 budget” manual, funded by Open Society Institute – Assistance Foundation.

“Evaluation of impact of the state budget expenditures on social field from macroeconomic equilibrium perspective”, funded by UNICEF

- *Staff developments (changes, updates, etc.)*

ERC staff keep improving their knowledge and skills through trainings,

seminars and etc.

1. Summary.

During this period we continued our activity towards diversification of new donors to implement projects.

Due to fruitful activity of the PR officer its local and international relations were enhanced. Thereby, the Center continues publication of Expert Journal periodically once a month. Meanwhile, along with Journal a monthly newsletter is also being edited in two languages, english and azerbaijani and distributed among our networks.

Besides, ERC's relations with international organizations, diplomatic missions located both in Azerbaijan and in foreign countries strengthens. The main reason of it is the efficient work of External Communications officer towards to it and successful results of ERC's projects. Building of new cooperation links with CAREC Institute Research Program, Duke University of USA, North Carolina University at Chapel Hill can be best prove of it. Moreover, ERC already started its joint project with University of North Carolina (UNC). Thus, Professor Patrick Conway from UNC visited us during June. Besides, Professor of Duke University, Charles Becker also visited ERC during June, related to its research in Azerbaijan. Along with development of new cooperations, ERC continues its close relations with previous international organizations (European Council, European Union institutions, IMF, World Bank and etc.) and networks (Publish What You Pay International Coalition, PASOS, ENTO, CIVICUS and etc.).

2. Major activities.

One of the main resources of ERC is recognition and acceptance of its research findings by different stakeholders. ERC researches team includes professional experts, which are the strongest researches of Azerbaijan in their fields.

Influence opportunities to decision-making process of ERC increase each year. The main reason for it is acceptance and implementation of reports and recommendation Pack by state agencies prepared by ERC. ERC's opportunities for activity expand. Preparation of policy documents, as well as policy analysis has been presented to the society more than before and this raised footholds on the ERC policy documents both in and outside the country.

ERC keeps close relations with Mass Media. As a result of the Center's PR activity, opinions of its experts are more often aired in local newspapers, radio and TVs (on average 5-6 times in a day). Besides, the Economist and

Financial Times print media, Al-Jazeera and CNN Turk TV channels base on results of Center's researches.

Network has been established in 22 regions of Azerbaijan during implementation "Alternative Inflation Methodology Development" project. Trainings have been conducted for interviewers several times. Several years of research again assisted in creation of rich methodological and scientific resource center. ERC always applies conducts different monitoring and surveys, thus the organization has computer programs such as SPSS, STATA and technical staff being able to work with these programs. ERC is provided with modern computer equipment and software, security of the equipments has been ensured.

3. Collaboration with Government, Donors, Private Sector and other key stakeholders.

During last 6 months, ERC continued its successful cooperation with The World Bank, USAID, Counterpart, CHF, the Royal Norwegian Embassy in Azerbaijan, Fredrich Ebert Foundation, State Council for assistance to NGOs. Besides, the Center also continues its cooperation with its previous donors (OSI, Oxfam GB, ICCO, WLI, Eurasia, NCEE).

ERC co-operates with different networks both in local (National Budget Group, EITI NGO Coalition, ENP National Committee) and international levels (PWYP, IBP, ENTO, PASOS, Chatham House, WTTN and etc.). Moreover, as a result of our fruitful actions in cooperation field, we've achieved to build collaboration with CAREC Institute Research Program.

Participation of international organizations and state bodies at ERC roundtables also can be proving of good relations with them. For instance, on average representatives from 8 state bodies, like the Ministry of Economic Development, the Ministry of Communications and IT, the Ministry for Health, the State Committee on issues of Refugees and IDPs, the Ministry for Tax, Ministry for Labor and Population's social protection, the State oil Foundation and etc., and 6 international organizations, like the USAID, UN, IMF, World Bank, Asian Development Bank, UNICEF, OSCE Baku office and others took part at each ERC event.

Among participants of the events we also can see representatives from Embassies of different countries in Azerbaijan, like US Embassy, Embassy of Japan, Embassy of Royal Norwegian Kingdom and many others.

Another example of our successful cooperation is that due to active participation of Mr. Ibadoglu at ADBI Workshop on "Strengthening Governance for Infrastructure Service Delivery: The Role of Public Private Partnerships" held last 9 -11 March 2009, in Manila, Philippines he was

invited to take part in it next year as well. Moreover, ERC received proposal to implement joint projects in future.

4. Timeline of events.

During the first of half of the 2009 the “Expert”, an editorial monthly publication of ERC, has been released for 3 times.

5. Challenges Encountered and Lessons learnt.

During last 6 months, ERC continued its hard work to ensure transparency, accountability in its activity. Notwithstanding to majority number of donors, its access to financial source is still limited. But due to our latest activity, we hope to solve this challenge in near future. As in previous years, it's attributed with weak cooperation in private sector and lack of sale opportunities of Center's products, services. With creation new opportunities in this direction the Center started its work on its products and services offer based on business. As, we've mentioned in our previous report that the Center was planning to apply prepared for municipalities “Transparent budget” and “Applied budget analysis” softwares based on profit. Thus within last six months, we've almost completed initial stage. As the installation process of these softwares in municipalities is going on and we conduct popularization of it. Moreover, ERC is going to launch periodical (monthly, quarterly and yearly) publication of “Review of Azerbaijan's economy” and to distribute it to subscribers on profit basis, enhance sale and subscription opportunities of the Expert Journal.

Attachments

1.1 Success Stories

This attachment will include success stories generated as a direct result of the project. Each success story should be three to five short paragraphs. It is expected that the sub-grantee can come up with **at least two success stories** per quarter. The success story must include photos of the beneficiaries, can be submitted as an attachment to the report. The Success story can be attributed to the SNGO or any of its clients, constituents, or beneficiaries.

2. Press Coverage

Copies of articles in local media. Newspapers and internet articles must include the masthead of the publication, date of event and date of publication. Radio or television coverage must include name of broadcaster, subject of story, duration of story, and broadcasting times and dates. The SNGO must include at least incidents of press coverage per quarter.

3. Summary of Key Meetings with Stakeholders (table)

4. Issue Tracking Matrix (table)

5. Action Tracking Matrix (table)

(See att. A 1.1, B 1.1, C 1.1, D 1.1, E 1.1)

Submission of the Report

The report and the attachments should be submitted in a hard copy and electronically by e-mail, and sent to the responsible person, attention to the assigned Project staff, within 10 days from the end of the reporting period.

➤ **Financial sustainability / fundraising / income generating activities**

As in the previous years the main achievements of organizational activities' will mostly be related to "***Household Budget Survey (HBS) Methodology Development***" project. As we continue this project and look forward for even more outstanding results than in previous years.

➤ **Use of the core and institutional funding by OSI's Think Tank Fund**

Due to the activity of External Communications Officer to scope of already existing relations has been enlarged effectively and new partnership links & relationships with various key stakeholders in the implementation of its activities has been build up. The relationships with networks such as ***ENTO, PASOS, PWYP*** and others developed and have had its positive benefits for ERC through learning, sharing experience with each other. The project caused a few organizational culture changes involving re-shaping values, beliefs and behavior taking a great deal of time and hard work from everyone involved. Moreover, during these last months ERC joined CAREC Institute Research Program and build several collaborations (UNC, Duke University).

The other positive term of ERC due to co-operation with **OSI's Think Tank Fund** is **PR** activity. The PR service of the ERC has achieved successful results. This proved firstly its level of participation in the events organized by the ERC, at the same time spreading rate of materials prepared from the events by mass media. During the reporting period 4 newsletters comprising information about ERC activity for january, february-march, april-may and june was prepared and spreaded among accociate organizations, as well as in the Center's website. There was also prepared and printed calendar on Millennium Development Goals and its execution condition in January and distributed among interested groups. Then, an enlightenment bouklet on compulsory health insurance was prepared and printed by the ERC in March, and distributed among interested groups.

On April of 2009, Economic Research Center (ERC) published ""Citizen report card: from public opinion to real policy"" book within the ""Strengthening local self-governments in Azerbaijan"" project, with joint financing of Great Britain's "Oxfam" and Netherland's ICCO organizations. Information about citizen report card survey held in municipalities of

Agjabadi, Tartar, Barda districts within the project, its role in increasing of citizen participation in local self-government was reflected in this book.

➤ **Future plans and challenges**

Some challenges are caused by governmental structures while public hearing and other events like these. But due to efforts of project teams these problems are solved and generally institutional activity of ERC is not damaged, the goals and purposes are achieved successfully.

As well as lack of free media, democratization process and transparent budget system in the country are essential challenges.

General overview of challenges could be classified as;

- Institutional Challenges;
- Limited or no involvement in State Programs;
- Limited cooperation with business communities (ProCon GFK Market Research center)
- Limited access for information spreading
- Limited access for information from the State bodies

Currently, ERC faces some challenges with receiving information from state bodies and wide spread of information among interested parties, society (this is related to closing of Azadlig Radio, Voice of America, BBC in Azerbaijan).

Another latest challenge is connected with below given factor.

Azerbaijan's parliament has delayed a vote on a package of controversial laws on NGOs, after civil society groups and opposition deputies gave the proposed additions and amendments a rough ride.

Critics maintain that the changes are intended to starve NGOs of the foreign aid they need and hamper the work of independent-minded groups.

The wave of protests in and outside parliament appears to have surprised the authorities. They have insisted the changes are intended to make NGO operations and finances more transparent and accountable.

The package, which was put onto the daily agenda of parliament, the Milli Majlis, last weekend, on June 19, drew criticism immediately from opposition deputies.

On 30 June 2009, the Parliament of the Republic of Azerbaijan adopted changes and amendments to the Law on Non-governmental Organizations (NGO Law).

- The adopted version of the NGO Law is a significant improvement in comparison with the draft initially proposed, although it still contains a number of unclear provisions that will be subject to interpretation.

- While a few new restrictive provisions remain, over 80 percent of the restrictive provisions were eliminated from the final text approved by Parliament on June 30.
- As a result, how the NGO law is implemented will have an important effect on whether NGOs experience the law as a positive or restrictive development.
- More than ever, a commitment to robust public dialogue is critical.
- Continued consensus building and understanding in Azerbaijani society about the issues concerning this important legislation – and the vital role of a vibrant of civil society to a stable and secure developing democracy – will be instrumental.
- Immediately after the Azerbaijani Draft NGO Law was introduced, including the above restrictive provisions.
 - The analysis, coupled with efforts to encourage constructive dialogue among stakeholders, stimulated discussion among Azerbaijani policy makers, NGOs and the international community. The recommendations made by the Presidential NGO Council, the Civil Society Defense Committee (the chairman of ERC Management Board Gubad Ibadoglu was one of main founder this Committee), and the international community addressed most of the restrictive provisions in the original Draft NGO Law.

Problematic provisions

- Nonetheless, the NGO law as adopted includes some problematic provisions, including a few new provisions inserted as the law made its way through the Parliament. These include:
 - Deputies to managers of branches or representations of a non-governmental organization whose founders are foreigners or foreign legal persons can be only the citizens of Azerbaijan.
 - Only those foreigners and stateless persons who have a permanent residence right in the Republic of Azerbaijan can be founders of an NGO in Azerbaijan.
 - State registration of branches and representations of foreign NGOs in the Republic of Azerbaijan can be carried out on the basis of the agreement signed with such organizations.

Future plans

- The ERC will plan to conduct project of “Social Security Reform in Azerbaijan” with the collaboration DUKE University (USA) and Public Association “The Actuarial Society of Kazakhstan”. The goal of this project is to actuarial services for insurance companies, non-state pension funds and other institutions.
- The ERC will plan to conduct project of “Alternative Inflation Rate and Model Development” with the collaboration Switzerland's State Secretariat for Economic Co-operation (**SECO**) and University of Bilkend (Turkey). The goal of this project includes the calculation of Monthly, Regional and Sectoral Consumer Price Indices using the methodologies and weights derived in the preceding project. The products of this project will be determination of the most appropriate calculation and forecasting methods for inflation.
- We are going to publish Economic Review, quarterly publication and distribute it among stakeholders on commercial purpose.

Activity Report

For activity part was alternative inflation calculation program in Azerbaijan funded within the project. During the reporting period, on January, February, March, April and May the following events were carried out:

1. The Economic Research Center (ERC) presents the findings of the January of this year's statistical price observations in 11 regions of Azerbaijan. This research was conducted as a part of the ERC's "Alternative Inflation Methodology Development" project financed by the OSI Think Thank Fund in Budapest within the framework of Institutional Core Funding.

According to the price observations

Statistical observations indicate that there was observed 1.54% decrease in consumer price index (CPI) in Azerbaijan during January. Deflation in Baku was 2.06%, in regions – 1.04%. The highest deflation rate on commodity groups was observed on food production – 2.31%. During the research period deflation level on non-food products was 0.77%, but on service sector – 0.49%. Consumer price index (CPI) increased 10.72% on January of 2009 compared to January of last year.

Carried statistical observation shows that the most price decrease in this January compared with last month was on food products – cattle liver (11.55%), butter (10.92%), sunflower-seed oil (9.79%), corn oil (6.46%), chicken (9.77%), bony beef (6.24%); on non-food products – cement (9.41%), electric drill (5.37%), 750 hallmark gold ring (1.17%). The highest price increase on food products – cucumber raised under glass (22.89%), quince (17.38%), pomegranate (14.40%); on non-food products – analgia (18.62%), for service sector – rent for tent (5.20%). *Here you can find information about published articles:*

№	Newspaper	Article name	Date
1.	Uch Nogta	Inflation was 15% in the country last year	17.01.09
2.	Hafta ichi	Inflation is around 8-10%	17.01.09
3.	Yeni Musavat	Inflation was 15% in Azerbaijan last year	17.01.09
4.	Bizim Yol	Reduction of unemployment increased inflation level	17.01.09
5.	Ayna		17.01.09

6.	Olaylar	Economic Research Cener: there was observed deflation last month	17.01.09
7.	Markaz	Prices of food-product impact on inflation most of all in Azerbaijan	17.01.09
8.	Express	Alternative calculation : Deflation was observed in December	
9.	Paralel	Inflation was 15.4% in Azerbaijan last year	17.01.09
10.	Gundalik Bakı	The most admissable level of inflation of the year presented	17.01.09
11.	Bakı Khabar	Inflation level was 15% in 2008 in Azerbaijan	17.01.09
12.	Khalg Jabhasi	Inflation was 15.4% last year	17.01.09
13.	525-th newspaper	Annual inflation was more than 15%	17.01.09

2. Economic Research Center (ERC) presents statistical findings of prices in February of 2009 in 11 regions of Azerbaijan within the “Calculation of Alternative Inflation Level” program implemented within the Institutional Support project of OSI Budapest Foundation. Statistical observations indicate that there was observed 0.81% decrease in consumer price index (CPI) in Azerbaijan during February. Deflation in Baku was 0.88%, in regions – 0.75%. The highest deflation rate on commodity groups was observed on food production – 1.15%. During the research period deflation level on non-food products was 0.27%, but on service sector – 0.60%. Consumer price index (CPI) increased 8.32% on February of 2009 compared to February of last year.

Carried statistical observation shows that the most price decrease in this February compared with the last month was on food products – new potato (18.18%), yogurt (8.63%), chicken (6.87%); on non-food products – chopped wooden (13.12%); on service sector – internet connection (45.05%). 2.34% price decrease was observed in Consumer Price Index (CPI) since the beginning of the year. Materials related to the event were published in “525th newspaper”, “Markaz” and “Express” newspapers, newsletter and webiste of “Turan” agency, aired on “Khazar” TV.

Also visit the following links:

<http://www.hafta-ichi.com/newv/2009/04/14/anons=4>,

http://news.xazar.com/az/33535/itm_fevralda_deflyasiya_081_t%C9%99%C5%9Fkil_edib.html,

<http://www.presspost.az/index.php?type=xebergoster&id=12503>

3. Economic Research Center (ERC) presents statistical findings of prices in March of 2009 in 11 regions of Azerbaijan within the “Calculation of Alternative Inflation Level” program implemented within the Institutional Support project of OSI Budapest Foundation.

Statistical observations indicate that there was observed 0.84% decrease in consumer price index (CPI) in Azerbaijan during March. Deflation in Baku was 1.05%, in regions – 0.63%. The highest deflation rate on commodity groups was observed on non-food production – 1.78%. The most price decrease was observed in construction materials (2.67%), cloth and footwear (1.65%) and household goods (1.60%). From food products the most price decrease was observed in milk and milk products, egg (6.34%) and fruit-vegetable (2.26%). Consumer price index (CPI) increased 1.97% on March of 2009 compared to March of last year.

3.16% price decrease was observed in Consumer Price Index (CPI) since the beginning of the year. Let’s remember that there was observed 5.34% inflation on March of last year. Materials related to the event were published in http://xeber.azeri.net/listehlak_qiymetleri_indeksi_081_faiz_azalib-n309.html , “Bizim Yol” (<http://www.bizimyol.az/index.php?mod=news&act=view&nid=23172>), “525th newspaper”, “Turan” information agency and etc.

4. Economic Research Center (ERC) presents statistical findings of prices on April of 2009 in 11 regions of Azerbaijan within the “Calculation of Alternative Inflation Level” program implemented within the Institutional Support project of OSI Budapest Foundation.

Statistical observations indicate that there was observed 0.36% decrease in consumer price index (CPI) in Azerbaijan during April. Deflation in Baku was 0.08%, in regions – 0.64%. The highest deflation rate on commodity groups as in the last month was observed on non-food products – 0.76%. The most price decrease was observed in construction materials (2.92%), cloth and foot-wear (0.73%) and household goods (0.23%). From food products the most price decrease was observed in milk and milk products, egg (3.68%) and fruit-vegetable (2.43%). There was observed annual deflation for the first time in last ten years on April compared to April of 2008. As, based on results of months consumer price index decreased 1.47% within 12 months. Here, most price decrease was observed in food products – 4.92%. During the reporting period, 1.69% price decrease was observed on non-food products, and 3.88% -- services.

3.51% price decrease was observed in Consumer Price Index (CPI) since the beginning of the year. Let’s remember that there was observed 5.34% inflation on April of last year.

According to calculations of the ERC experts, currently minimum consumer basket value is 103.36 manat for able-bodied citizens of the country, 81.69% manat – for pensioners, 96.58 manat – for children up to 15 years.

Here you can find information about published articles:

№	Newspaper	Article	Date
1	Sharg	Prices of dates, apple, onion increased	15.05.09
2	Yeni Musavat	Price of onion increased. Banana costs here is 2 manat, in Russia – 1 manat, and in Europe – 90copeck	15.05.09
3	Markaz	The price of food-product increased, deflation process slows down	15.05.09
4	Ekho	Twice expensive than in Russia	15.05.09
5	Bizim Yol	The cheapest April of the last 10 year ERC: currently value of minimum consumer basket for children up to 15 years is 96.58 manat	15.05.09
6	Uch Nogta	Price increase expected in consumer market	15.05.09
7	Paralel	Price decrease of products slackened last month	15.05.09
8	Olaylar	Deflation observed in April	15.05.09

5. Economic Research Center (ERC) presented statistical findings of prices on May of 2009 in 11 regions of Azerbaijan within the “Calculation of Alternative Inflation Level” program implemented within the Institutional Support project of OSI Budapest Foundation.

Statistical results indicates, that there was observed 0.22% price increase in Consumer Price Index (CPI) in Azerbaijan on May of this year. Moreover, inflation level was 0.20% in Baku, and 0.24% -- in regions.

The highest inflation rate on commodity groups comparing to the last month was observed on service – 0.37%, on food products – 0.19%, non-food products – 0.16%. The most price increase in food products was observed in pomegranate (28.17%), chicken-egg (12.06%) and vermicelli (3.50%) and wheat flour (1.41%), on non-food products – cut boards (6.20%). Deflation was observed on food products – strawberry (38.11%), eggplant (32.48%), greens, onions (6.67%), tomato (5.88%), fresh potato (5.84%), natural honey (3.03%), on non-food products – tie (4.23%), pajamas- 1-3 years (3.61%), and on service sector – wedding dress rent (7.40%).

Statistical observations carried out by ERC on prices of last 5 months indicate that there was observed inflation in May for the first time in 2009. Thus, transition from deflation observed in the country last 4 months to inflation was covered. However, statistical observations of last 2 years indicate vice versa, as, then, there was observed inflation in the beginning of the year and usually from May it transited to deflation. According to ERC experts, though transition from deflation to inflation increases expenditures of consumers, but it can activate business activity in economy.

Last price observations carried out by ERC indicates that 3.29% in the first 5 months of this year, and since May of last year 2.65% yearly deflation was observed.

Here you can find information about published articles:

№	Newspaper	Article name	Date
1	Yeni Musavat	Inflation starts, prices increased in May	09.06.09
2	Achıg fikir	First inflation rate of 2009 was indicated in Azerbaijan	09.06.09
3	Bizim Yol	Oil price increased, inflation “revived”	09.06.09
4	Hafta ichi	The first inflation was observed within last 5 moths	09.06.09
5	Express	Inflation “returned”	09.06.09
6	24 saat		09.06.09
7	Gundalik Bakı	The first inflation of 2009 was observed: inflation rate in Baku is 0.20%, and in regions – 0.24%	09.06.09
8	Markaz	The first inflation of this year was observed	09.06.09
9	Uch Nogta	The first inflation of this year was observed	09.06.09

6. Economic Research Center (ERC) presents statistical findings of prices on June of 2009 in 11 regions of Azerbaijan within the “Calculation of Alternative Inflation Level” program implemented within the Institutional Support project of OSI Budapest Foundation.

Statistical observations indicate that there was observed 0.30% decrease in consumer price index (CPI) in Azerbaijan in June. Deflation in Baku was 0.08%, in regions – 0.64%. Deflation rate on commodity groups was observed only on food products in regions and seasonal products – 2.19%. However, there was observed inflation in non-food products and services in regions (properly 0.44 and 0.90%), as well as in Baku (0.10 and 0.34%). The most price increase in commodity groups in the country was observed in services – 0.62%.

As we have mentioned, the most price decrease was observed in seasonal products. In this case, the most price decrease was observed in watermelon (57.14%), egg-plant (48.01%), fresh potato (31.34%), cherry-plum (27.10%), green bean (26.73), and melon (23.08%). But in non-food products most price increase was observed in bicycle for children under school age (28.64%), cut plank (3.57%), wallpaper glue (1.24%), and etc. And in service sector most price increase was observed in aerobics (8.8%), men hair cut 7.89%.

Statistical observations of ERC carried out on prices of last 6 months of 2009 shows that during this period there was 3.58% deflation in Azerbaijan. Hence, the highest indicator is on food product with 5.12%.

Comparatively to last year's June, there was observed 3.03% price decrease in CPI this June. Annual deflation in regions was 2.23%, and in Baku – 3.77%.

Here you can find information about published articles:

№	Newspaper	Article name	Date
14.	Uch nogta	Price increase of gas will condition inflation	15.07.09
15.	Yeni Mwsavat	Price increase of gas will condition inflation	15.07.09
16.	Bizim Yol	Price increase observed in the country. Economic Research Center: "Inflation is expected in July"	15.07.09
17.	Ayna		15.07.09
18.	Olaylar	Price decrease observed in food-products	15.07.09
19.	Markaz	Annual deflation level was 3.03%	15.07.09
20.	Express	Bakıda inflyasiya, əyalətdə deflyasiya... Inflation – in Baku, deflation – in districts	15.07.09
21.	Gundalik Bakı	0.3% inflation observed in Baku	15.07.09
22.	Bakı Khabar	Inflation level in Azerbaijan was 15% in 2008	15.07.09
23.	Khalg Jabhasii	Price decrease observed in June	15.07.09
24.	525-th newspaper	"Average annual income increased 122.5%, but expenditures – 134.6%"	15.07.09
25.	Ekho	3Level of inflation was 3.58% within six months	15.07.09