



**AZERBAIJAN
HUMAN
DEVELOPMENT
REPORT
1999**



United Nations Development Programme
Baku, Azerbaijan Republic

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Foreword

For the past ten years, the United Nations Development Programme (UNDP) has advocated the concept of human development: the expansion of economic, political, and social choices for all people in society. In contrast to the traditional view of development, the concept of human development encompasses the social aspects of human lives in addition to economic well-being. Economic growth is vital to the human development process, but human development cannot arise from economic growth alone. The expansion of choices for people throughout a society is possible only if those people are empowered by good health, access to quality education, and respect for their human rights and freedoms.

The Azerbaijan Human Development Report has analyzed human development in Azerbaijan each year since 1995. Like earlier editions of the Report, the 1999 edition shows that Azerbaijan's abundance of human and natural resources give the country tremendous capacity for human development. Azerbaijan has achieved remarkable economic growth and stability and has accepted the challenge of building a market economy and democratic political system. Several crucial development concerns have arisen in recent years, however, and have become increasingly evident in the Azerbaijan Human Development Reports.

First, Azerbaijan's recent economic growth is largely concentrated in a single sector of the economy: energy. An intense need has arisen for policies and programs that enable the translation of economic growth into human development for the population as a whole. This will require the creation of a business environment that encourages entrepreneurial activity in the non-oil sectors of the economy and in all regions of the country. It will require expanded attention to the social sectors, particularly health and education, and attention to gender balance in all development activities. It will also require new modes of assistance that strengthen the self-reliance of the most vulnerable members of society, in particular the country's sizeable displaced population.

A second area of concern is the extraordinarily difficult and pervasive set of problems that Azerbaijan faces as a result of armed conflict. One-fifth of the country remains under military occupation, and a large proportion of the population is displaced from their homes in war-torn areas. The process of reconstructing and rehabilitating these areas is underway, enabling some of the internally displaced people (IDPs) to begin returning, but the task remains daunting. Many IDPs have been displaced for more than seven years and face little hope of returning to their homelands in the near future. For this reason, the Government's increasing focus on helping IDPs to achieve self-reliance while they remain displaced is a welcome new policy direction.

Third, a complex task of institutional transition and development lies ahead. Appropriate institutions are essential to well-functioning markets and democracy. The rule of law, respect for human rights and freedoms, free and fair elections, an active civil society, and public sector accountability depend entirely on the institutions that support them. The necessary institutions have begun to emerge in Azerbaijan, but an unwavering dedication to their continued creation and development is needed.

As a final note, I would like to call attention to some areas where improved data collection and dissemination would enhance local and international efforts to analyze and address human development concerns. Azerbaijan would benefit greatly from regular, comprehensive studies of household income, income distribution, unemployment, and health. Disaggregated data by gender, region, and the displaced and resident populations are also needed. The publication and ready availability of such data to all interested parties—including government officials, non-governmental organizations, the international community, academics, the media, and the general public—would facilitate the design of policies and programs to advance human development.

It is my sincere hope that this edition of the Azerbaijan Human Development Report will expand current understanding of human development concerns in Azerbaijan and will generate fruitful debate on ways to advance the human development process.

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Contents



Foreword	3
Abbreviations	9
Basic Information about Azerbaijan	10
Executive Summary	12
Chapter 1. Human Development in Azerbaijan	14
1.1 Introduction	14
1.2 Human Development in Azerbaijan: An Overview	14
1.3 Gender and Human Development in Azerbaijan	17
1.4 Regional Patterns of Human Development in Azerbaijan	19
1.5 Human Poverty in Azerbaijan	20
1.6 Conclusion	21
Chapter 2. Economy and Human Development	22
2.1 Introduction	22
2.2 Economic Performance	22
2.2.1 Gross Domestic Product	23
2.2.2 Industry: Increasing Dependence on Energy	23
2.2.3 Agriculture: Strong Reform with Continuing Bottlenecks	25
2.2.4 Investment Trends: Favoring the Oil Sector	26
2.2.5 Inflation	26
2.2.6 Foreign Trade: The Deficit Widens	26
2.3 Public Finance	27
2.4 Privatization and Private Sector Development	27
2.5 Household Income and Consumption Patterns	28
2.6 Employment and Unemployment in Transition	29
2.7 Conclusion	31
Chapter 3. Health and Environment in the Human Development Process	32
3.1 Introduction	32
3.2 The Health Care System	32

3.3 The Health of Population	33
3.4 Activities to Improve Public Health	35
3.5 Environmental Conditions in Azerbaijan	36
3.6 Activities to Improve the Environment	38
3.7 Conclusion	39

Chapter 4. Education and Culture	40
4.1 Introduction	40
4.2 Education	40
4.2.1 School Enrollment and Attendance	40
4.2.2 Expenditures on Education	41
4.2.3 Effect of Conflicts	41
4.2.4 Challenges in the System of Education	42
4.2.5 Steps toward Improving Primary and Secondary Education	42
4.2.6 Trends in Higher Education	43
4.3 Science	43
4.4 Culture and Arts	44
4.5 Religion	45
4.6 Recreation and Sport	46
4.7 Conclusion	47

Chapter 5. Refugees and Internally Displaced Persons: the Situation Today	48
5.1 Introduction	48
5.2 History of Displacement Crisis	48
5.3 Shelter	49
5.4 Income and Employment	50
5.5 Health and Nutrition	51
5.6 Reconstruction and Rehabilitation of the War-torn Territories	52
5.7 Government Strategy for IDPs and Refugees	54
5.8 Conclusion	55

Chapter 6. The Process of Democratization	56
6.1 Introduction	56
6.2 Human Rights and Legal System	56
6.3 Decentralization and the Roles of Central and Local Authorities	57
6.4 The Media	58
6.5 Civil Society	59
6.6 Political Parties	60
6.7 Elections and the Election Process	61
6.8 Conclusion	62

Appendix Tables	64
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References	70
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Tables	
1.1 Azerbaijan's Human Development Index and component indexes	15

1.2 Azerbaijan's Human Development Index in global comparison	16
1.3 The Human Development Index and component indexes of Azerbaijan and selected countries	17
1.4 Women's share of employment and wages by sector	18
1.5 Azerbaijan's Human Development Index by gender	18
1.6 Azerbaijan's Human Development Index and Gender-related Development Index in global comparison	19
2.7 Change in real GDP from previous year	23
2.8 Structure of GDP by sector	23
2.9 Structure of industrial production at current prices	24
2.10 Production of main crops products	24
2.11 Production of main of livestock products	25
2.12 Share of the private sector in GDP	28
2.13 Employment by sector	30
3.14 Annual consumption of food products in Azerbaijan relative of physiological norms	36
4.15 Number of students enrolled in institutions of higher education	43
4.16 Graduates of state-funded institutions of higher education by field of study	44
4.17 Number of cultural institutions	44
4.18 Attendance of cultural institutions	45
4.19 Athletic competitions in which Azerbaijani athletes participated	46
4.20 Medals earned in international athletic competitions	46
5.21 Occupied territories of the Azerbaijan Republic	49
5.22 Types of shelter in which IDPs live	50
5.23 Damage to liberated territories and war-tern territories that are not under occupation	53
6.24 Newspapers issued by political parties	60

Figures

1.1 Human Development Index in Azerbaijan	15
1.2 Birth rates in Azerbaijan	16
2.3 Contribution of the energy sector (fuel and electricity) to the value of industrial production	24
2.4 Inflation in Azerbaijan	26
2.5 Public expenditures by sector	27
2.6 Index of real wages	29
3.7 Public health expenditures as a share of GDP	33
3.8 Number of newly reported HIV cases among citizens of Azerbaijan	35
3.9 Volume of air pollutants emitted	37
4.10 Public expenditure on education as a share of GDP	41
4.11 Number of students enrolled in institutions of higher education	43
5.12 Share of ethnic Azeris in the total population living in the territory of modern Armenia	49
5.13 Sources of income for rural IDP households receiving WFP food rations	51

Boxes

3.1 Structure of the public health system in Azerbaijan	34
3.2 Human resources for health reform	37
4.3 Gender and education	42
4.4 The international community and cultural life	45
5.5 Minimum monthly food basket for an IDP family in Azerbaijan	52
5.6 Governmental strategy for IDPs and refugees	54
6.7 The Universal Declaration of Human Rights and the Constitution of the Azerbaijan Republic	57
6.8 Presidential Decree on Human Rights	58
6.9 Women's Rights are Human Rights: a Regional Conference	58
6.10 Women's NGOs	60

Abbreviations



AIOC	Azerbaijan International Operating Company
AET	Azerbaijan Economic Trends
ASSC	Azerbaijan State Statistical Committee
BICEX	Baku Interbank Currency Exchange
CIS	Commonwealth of Independent States
EIA	Environmental Impact Assessment
FAO	Food and Agriculture Organization
FSU	Former Soviet Union
GDP	Gross Domestic Product
HDI	Human Development Index
HPI	Human Poverty Index
IDP	Internally Displaced Person
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
NGO	Non-governmental Organization
NEAP	National Environmental Action Plan
OICM	Organized Interbank Currency Market
SME	Small and Medium Enterprise
SOCAR	State Oil Company of the Azerbaijan Republic
TACIS	Technical Assistance to the Commonwealth of Independent States (European Union)
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNOPS	United Nations Office for Project Services
WFP	World Food Programme

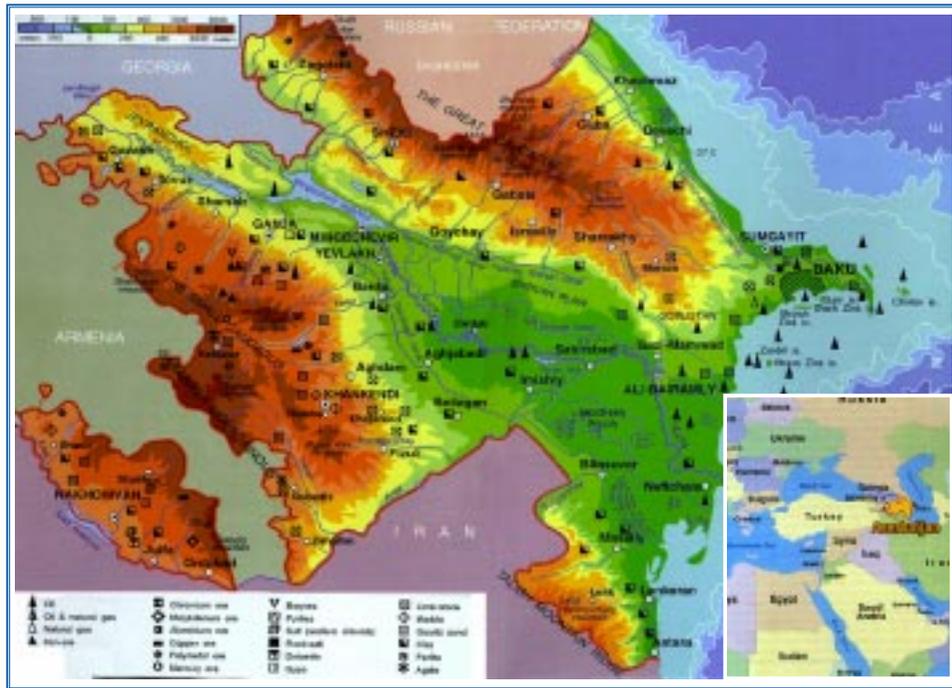
Basic Information about Azerbaijan



Form of Governance	Presidential Republic
Head of State	Heydar Aliyev
Area	86,600 square kilometers (About one-fifth under occupation)
Population density	92 persons per square kilometer
Population	7,949,300 (January 1, 1999) 51.7 percent reside in urban areas, 48.3 percent in rural areas More than 10 percent of the population are refugees and IDPs
Currency	Manat (3,869 manats: 1 USD)
Economic Indicators	Per capita GDP: 520 USD Annual real GDP growth rate: 10 percent Inflation rate: -0.8 percent
Infant Mortality Rate	16.6 per 1,000 live births
Life Expectancy at Birth	71.6 years (75.0 for women, 67.9 for men)
Participation of Women in Governance	12 percent of seats in Parliament (Milli Mejlis) 6 percent of ministerial-level positions 9 percent of regional heads of administration 9.5 percent of ambassadors to foreign countries
Language	The official language is Azerbaijani Other languages: Russian, Georgian, Armenian, Lezghi
Religion	Majority of the population is Muslim Other religions include Orthodox Christianity, Catholicism, Protestantism, Judaism
Employment	10.5 percent of total employment is in industry and construction 29.3 percent in agriculture, 60.2 in services 46.3 percent of total employment is in the state sector (compared to 70.7 percent in 1990).



Executive Summary



Azerbaijan Republic (Geographical data):

Location: Between 44° and 52° east longitude, 38° and 42° north latitude

Capital city: Baku (located in the eastern part of the country, on the Caspian Sea)

Territory: 86,000 square kilometers

11.5 percent is covered by forests; 1.6 percent is covered by water; 50 percent is agricultural land

Coastline: 713 kilometers (Caspian Sea)

Highest peak: Bazarduzu, 4,466 meters

Borders: Iran (756 km.), Turkey (13 km.), Russian Federation (390 km.), Georgia (480 km.), Armenia (1,007 km.)

Human development is the process of expanding the economic, political, and social choices of all people in society. This edition of the Azerbaijan Human Development Report shows that human development is underway in Azerbaijan but that the country is struggling with some substantial obstacles to the process. The Report surveys the human development situation in the areas of economics, health, education, and democratization. One chapter is specifically devoted to the displacement of a large proportion of Azerbaijan's population from war-torn areas and the pervasive constraint to human development that human displacement imposes.

Chapter 1: Human Development in Azerbaijan

Chapter 1 presents Azerbaijan's Human Development Index (HDI)—a composite index reflecting standards of living, health, and education—and other measures of human development introduced by the United Nations Development Programme (UNDP). The chapter shows that Azerbaijan has tremendous capacity for human development and that the HDI has risen in recent years. Nonetheless, Azerbaijan's HDI remains below the world average, and human development prospects remain grim for much of the population. An urgent need has emerged for efforts to strengthen the capacity of the social sectors and for policies and programs that enable the country's recent economic growth to extend beyond the energy sector.

Chapter 2: Economy and Human Development

Chapter 2 discusses Azerbaijan's achievement of economic growth and stability amid the immense challenges of economic and political transition. The chapter shows that despite favorable trends in many economic indicators, a number of obstacles to economic strength remain. The economy has become highly dependent on oil and therefore perilously vulnerable to external shocks. Real incomes remain unacceptably low for the majority of households. Improvements in the non-oil business environment are desperately needed. Translating the country's impressive economic growth and potential into improvements in the quality of life of the general population is a central challenge for Azerbaijan.

Chapter 3: Health and Environment in the Human Development Process

Chapter 3 shows that Azerbaijan's health profile is suffering from weaknesses in the public health sector and the consequences of economic hardship and military conflict. At the same time, the country is experiencing severe environmental problems, many of which stem from the Soviet approach to industrial and agricultural development. The Government, non-governmental organizations (NGOs), and the international community have begun to address a number of the environmental problems of highest national concern. The areas of both health and the environment stand to benefit significantly from policies that stimulate sustainable economic growth and rising standards of living.

Chapter 4: Education and Culture

Chapter 4 shows that the people of Azerbaijan have historically benefited from a strong system of education, scientific advancement, and cultural richness. The economic difficulties and military conflict of recent years, however, have substantially disrupted progress in each of these areas. Long-term human development prospects depend in large part on the quality of the educational and cultural services available to people throughout society.

Chapter 5: Refugees and Internally Displaced Persons: The Situation Today

Chapter 5 addresses the plight of the hundreds of thousands of people in Azerbaijan who are displaced from their homes as a result of armed conflict. The majority of the country's refugees and internally displaced people (IDPs) endure alarmingly poor living conditions, including inadequate shelter and food supplies, sharply limited income-earning potential, and disproportionately poor health relative to the country's resident population. For most of this decade, the consequences of military occupation and human displacement have adversely affected the social and economic life of the entire country. To facilitate the voluntary return of IDPs to their homelands, the Government and the international community have supported substantial reconstruction and rehabilitation efforts in the war-torn areas. The persistence of the displacement problem, however, has led the Government to focus increasingly on helping refugees and IDPs to achieve self-reliance while they remain displaced.

Chapter 6: The Process of Democratization

Chapter 6 shows that while notable progress has been made toward establishing a viable democracy in Azerbaijan, a number of hurdles lie ahead. The future of democracy in Azerbaijan will depend on the acceleration of legal reforms, improvements in the elections process, the creation of a favorable environment for NGOs and political parties, and the decentralization of political power through the establishment of democratically elected municipal authorities.

Chapter 1



HUMAN DEVELOPMENT IN AZERBAIJAN



1.1 Introduction

Human development is the process of expanding the economic, political, and social choices of all people in society. Achievements in education, health, and economic and political empowerment are all vital dimensions of the process.

This chapter provides an overview of human development in Azerbaijan. The first section shows that severe social and economic upheaval caused a substantial setback in human development in the early 1990s. The economic growth of recent years has reversed this trend, but still the country's relatively low per capita income level prevents it from achieving human development commensurate with the potential afforded by its substantial natural and human

resources. Threats to Azerbaijan's ability to maintain its traditional strengths in education and health are shown to give further cause for concern.

The following two sections examine disparities in human development within Azerbaijan. Gender disparities are minimal in health and education, but wage and employment profiles show women to be at a clear disadvantage. When indicators of human development are considered by region, the Baku area is shown to fare better than other parts of the country.

The chapter turns finally to the persistence of human poverty—deprivations among the country's most vulnerable people in the essential dimensions of human life. Azerbaijan's recent economic gains strengthen the potential for human development, but in many ways they have not yet benefited the population broadly.

1.2 Human Development in Azerbaijan: An Overview

Azerbaijan faces substantial challenges to the human development process. The country was one of the poorest republics of the Soviet Union before it regained independence in 1991, and independence was followed by a period of political turmoil and sharp economic decline. The

Table 1.1 Azerbaijan's Human Development Index and component indexes, 1992-1998*

	1992	1993	1994	1995	1996	1997	1998
Human Development Index (HDI)	0.718	0.707	0.696	0.692	0.697	0.706	0.712
Life expectancy index	0.745	0.742	0.743	0.735	0.753	0.770	0.772
Education index	0.870	0.880	0.880	0.880	0.868	0.871	0.878
GDP index	0.540	0.498	0.464	0.462	0.470	0.477	0.487

* UNDP's global Human Development Report 1999 introduced a new methodology for calculating the GDP index. This edition of the Azerbaijan Human Development Report uses the new methodology. To ensure comparability through time, the HDIs and GDP indexes for 1992 through 1997 have been recalculated using the new formula. Also, the life expectancy index has been recalculated using new Government data. The indexes appearing in this table therefore differ from those presented in previous editions of the Azerbaijan Human Development Report. For full explanations of the formulas used to construct the HDI and the other indexes discussed in this chapter, see UNDP, Human Development Report 1999, pp. 159-62.

country's former economic system and trading relationships collapsed in the early 1990s, and the social safety net maintained during the Soviet years has deteriorated ever since.

Compounding the difficulties of transition, all aspects of the country's social, political, and economic life have been disrupted by military conflict in and around Nagorno-Karabakh. One-fifth of the territory of Azerbaijan remains under occupation. The conflict and occupation forced a large number of people to flee from their homes in Armenia and the war-torn areas for safer areas in Azerbaijan. These refugees and internally displaced people (IDPs) have been living for many years in settlements that are socially and economically isolated and unsuitable for long-term habitation. The great majority of them suffer from deprivations in all aspects of human development.

In spite of these hardships, improvements in Azerbaijan's level of human development are now evident. Political stability has been achieved. Sound macroeconomic policies and substantial foreign investment, particularly in the oil sector, have generated economic growth every year since 1996. In addition, the Government has developed a new strategy to help refugees and IDPs achieve self-reliance, giving hope that human development will reach this particularly vulnerable population in the years ahead.

In order to analyze levels and trends in human development, the United Nations Development Programme (UNDP) has introduced the Human Development Index (HDI). The HDI is based on three concepts—longevity, knowledge, and standard of living—and is calculated as a simple average of three corresponding indexes. The life expectancy index uses life expectancy at birth to reflect longevity. The education index uses the adult literacy rate and the combined gross enrollment ratio to reflect knowledge. The GDP index is a proxy for the population's average standard of living, using the concept of purchasing power parity to ensure international comparability. The HDI thus captures essential information on human development, though it does not, and cannot, incorporate all dimensions of the process.

Reflecting the difficulties of the first half of this decade, Azerbaijan's HDI fell

Figure 1.1 Human Development Index in Azerbaijan, 1992-1998

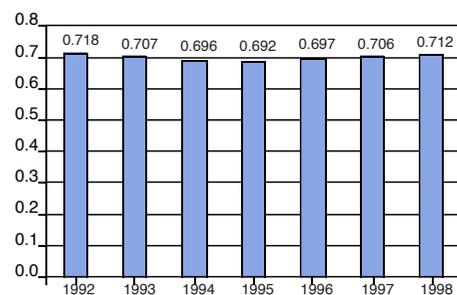
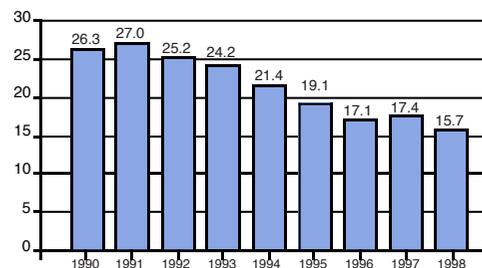


Figure 1.2 Birth rates in Azerbaijan, 1990-1998 (per 1,000 population)



Source: ASSC 1999, Statistical Yearbook of Azerbaijan, p. 38.

steadily between 1990 and 1995. Accordingly, the country's HDI ranking in UNDP's global Human Development Report fell from 62nd among 173 countries to 104th among 174 countries. The decline in the HDI derives mainly from a deterioration in standards of living, as captured in the GDP index. A reversal in this trend has been seen since 1995, as economic progress and increases in the Government's official life expectancy estimates have pushed the HDI steadily upward.

Other demographic data that are not directly captured in the HDI similarly reflect the trend of socioeconomic distress, particularly in the first half of the decade. According to Government statistics, the birth rate has fallen sharply and fairly consistently throughout the 1990s, as shown in Figure 1.2. The mortality rate rose every year in the early 1990s,

reaching a peak of 7.4 per 1,000 population in 1994, the year a cease-fire was reached with Armenia. The marriage rate dropped from 10.6 per 1,000 population in 1991 to 5.1 in 1996 and has risen slightly since then.

Despite its recent upward trend, Azerbaijan's HDI remains below the world average. Income is the primary factor responsible for the country's relatively low HDI level. Although the economy has grown in recent years, the GDP index for Azerbaijan is only two-thirds of the world average and 73 percent of the average for Eastern Europe and the CIS. In contrast, Azerbaijan's life expectancy and education indexes compare favorably with world averages and are similar to the averages for other countries of Eastern Europe and the CIS. (See Table 1.2.)

Azerbaijan's strengths in the areas of health and education give the country great potential for human development, but these strengths are currently in jeopardy. Real public expenditures on the social sectors have declined sharply during this decade, and health facilities and schools have deteriorated in terms of both physical infrastructure and the services they provide. In addition, the economic difficulties facing many people in Azerbaijan, combined with increases in the costs of obtaining social services, have reduced their access to quality health care and schooling. The long-term effect

Table 1.2 Azerbaijan's Human Development Index in global comparison, 1997

	HDI	Life expectancy index	Education index	GDP index
Azerbaijan	0.695*	0.75	0.88	0.46*
Eastern Europe and CIS	0.754	0.73	0.91	0.63
Industrialized countries	0.919	0.88	0.96	0.91
World	0.706	0.69	0.73	0.69

Source: UNDP, Human Development Report 1999.

* In calculating Azerbaijan's 1997 GDP index for use elsewhere in this Report, the UNDP Country Office in Azerbaijan used updated preliminary estimates of per capita GDP in purchasing power parity dollars provided by the World Bank in June 1999. For comparability across countries, the 1997 GDP index and HDI shown for Azerbaijan in Tables 2 and 3 are those presented in the global Human Development Report 1999, which used earlier World Bank estimates. They therefore differ from those presented elsewhere in this Report.

of the collapse in social services may not yet be reflected in the data used to calculate the HDI.

Azerbaijan has an unquestionably high potential for human development arising from its natural and human resources. Table 1.3 shows the relatively high levels of human development achieved by many countries with similarities to Azerbaijan in terms of such factors as population density, per capita agricultural land, per capita oil production, history as part of the Former Soviet Union, and/or geographical location. Ultimately, however, the level of human development is driven

by characteristics other than resources, such as institutions, culture, history, and political and economic structure. Progress in the areas of health, education, income distribution, and institutional development are immediately needed in Azerbaijan to accelerate the human development process.

1.3 Gender and Human Development in Azerbaijan

When indicators of human development are disaggregated by gender, important differences in the levels of human development enjoyed by women and men are

Table 1.3 The Human Development Index and component indexes of Azerbaijan and selected countries, 1997*

	HDI ranking among 174 countries	HDI	Life expectancy index	Education index	GDP index
Australia	7	0.922	0.89	0.99	0.89
U.K.	10	0.918	0.87	0.99	0.89
France	11	0.918	0.89	0.97	0.90
Denmark	15	0.905	0.84	0.96	0.91
Austria	16	0.904	0.87	0.95	0.90
Spain	21	0.894	0.88	0.95	0.85
Cyprus	26	0.870	0.88	0.90	0.83
Portugal	28	0.858	0.84	0.91	0.83
Hungary	47	0.795	0.76	0.91	0.71
Mexico	50	0.786	0.79	0.83	0.74
Bulgaria	63	0.758	0.77	0.89	0.62
Romania	68	0.752	0.75	0.88	0.63
Russia	71	0.747	0.69	0.92	0.63
Kazakhstan	76	0.740	0.71	0.91	0.60
Georgia	85	0.729	0.80	0.90	0.50
Turkey	86	0.728	0.73	0.76	0.69
Ukraine	91	0.721	0.73	0.92	0.52
Uzbekistan	92	0.720	0.71	0.91	0.54
Jordan	94	0.715	0.75	0.80	0.59
Iran	95	0.715	0.74	0.73	0.68
Turkmenistan	96	0.712	0.67	0.95	0.51
Azerbaijan	103	0.695	0.75	0.88	0.46
Moldova	104	0.683	0.71	0.89	0.45
Tajikistan	108	0.665	0.70	0.89	0.40

Sources: UNDP, Human Development Report 1999, and Interstat (Statistical Committee of the CIS), Commonwealth of Independent States and Countries of the World, 1999.

* The countries selected for this table have similarities to Azerbaijan in terms of population density, per capita agricultural land, per capita oil production, history as part of the Former Soviet Union, and/or geographical location.

Table 1.4 Women's share of employment and wages by sector, 1998

Sector	Share of women employed (as a percentage of total employment in the sector)	Average wages paid to women as a percentage of wages paid to men
Oil refining	38.6	74.4
Chemical/petrochemical industry	42.2	62.5
Communications	45.1	83.7
Health	80.9	64.8
Education	65.5	70.1

Source: ASSC 1999, Women and Men in Azerbaijan, p. 50.

apparent everywhere in the world. In Azerbaijan, women and men possess equal rights and liberties under the Constitution. The country's labor law also explicitly prohibits wage discrimination on the basis of gender. Gender inequalities persist, however, especially with regard to economic empowerment.

Women's employment is concentrated in lower-paying sectors of the economy, and women are poorly represented at higher levels of management, even in sectors that employ predominantly women. For example, women account for more than two-thirds of employment in health, education, and cultural work, where remuneration levels are particularly low, and yet they represent only about 35 percent of the heads of clinics and polyclinics and less than 20 percent of management in the education system. The average wages paid to women are lower than those paid to men in all sectors.

Table 1.5 Azerbaijan's Human Development Index by gender, 1998*

	Women	Men	All Azerbaijan
HDI	0.700	0.724	0.712
Life expectancy index	0.792	0.757	0.772
Education index	0.867	0.890	0.878
GDP index	0.440	0.525	0.487

* Following methodology used in the global Human Development Report for the Gender-related Development Index, the gender-specific life expectancy indexes in this table are adjusted to account for the tendency of women to live longer than men. The gender-specific GDP indexes use the female share and male share of earned income, which are estimated from the percentage shares of women and men in the economically active population (45.2 and 54.8 percent respectively, according to Government statistics) and the ratio of female wages to male wages (taken as 0.75, the weighted mean of the wage ratios for all countries with wage data).

Unemployment is likely to be particularly severe among women. Government statistics show that women accounted for about 60 percent of the registered unemployed throughout the 1990s. The sharp output and employment declines observed this decade in fields where female employment was significant, such as light industry and the food industry, further suggest a high level of unemployment among women. In addition, the transition period has brought a collapse in the availability of adequate and affordable childcare options to most Azerbaijani families, and this is likely to have caused many women to drop out of the labor force.

One important area where Azerbaijan has achieved near gender equality is educational enrollment. More significant asymmetries arise, however, in the structure of employment in the education sector, as discussed above, and in the awarding of high academic degrees. Among the people with Azerbaijan's highest scientific degree, Doctor of Science (D.Sc.), only about 10 percent are women, and only about 30 percent of those with the degree of Candidate of Science (Ph.D.) are women.

The UNDP Country Office in Azerbaijan has quantified the gender disparity in human development by calculating separate HDIs for women and men. The HDI for women in 1998 is 0.700 while the HDI for men is 0.724. (See Table 1.5.) Income is the main factor driving this disparity; the GDP index is 16 percent lower for

women than for men. The education index is also somewhat lower for women, reflecting slightly lower literacy and enrollment rates, but women's higher life expectancy compensates for their lower income and educational attainment to some extent in the overall human development measure.

UNDP has devised two indexes to assess gender balance: the Gender-related Development Index (GDI) and the Gender Empowerment Measure (GEM). The GDI is essentially the same as the HDI only discounted to account for gender inequality. The greater the disparity between the achievements of women and men, therefore, the larger the difference between the HDI and the GDI. According to UNDP's global Human Development Report 1999, the percentage difference between Azerbaijan's HDI and GDI, reflecting the extent of gender inequality, is greater than the averages for industrialized countries and countries of Eastern Europe and the CIS but lower than the world average. (See Table 1.6.)

The Gender Empowerment Measure (GEM) quantifies the relative empowerment of women and men in political and economic spheres of activity. It incorporates the relative incomes of women and men and their relative prevalence in Parliament, in administrative and managerial jobs, and in professional and technical jobs. Twelve percent of Azerbaijan's seats in Parliament are held by women, which, according to the global Human Development Report 1999, is equivalent to the world average and higher than the average for Eastern Europe and the CIS. According to Government statistics, women hold 32.3 percent of the managerial positions in Azerbaijan and 44.8 percent of the specialist positions.

The global Human Development Report 1999 makes GEM estimates for too few countries to offer meaningful world and regional averages, and it does not give a GEM value for Azerbaijan. The UNDP

Country Office in Azerbaijan, however, has estimated the country's GEM as 0.463. This level compares favorably with the GEM values reported in the global Human Development Report 1999 for neighboring Turkey, Iran, and Georgia but is lower than the GEM values for most of the countries of Eastern Europe for which the measure has been calculated.

1.4 Regional Patterns of Human Development in Azerbaijan

Sharp disparities are evident in the level of human development across regions in Azerbaijan, and these appear to have intensified during the transition period. In most respects, the Baku region exhibits a higher level of human development than other parts of the country. Less than one-third of the population lives in this region, which includes Baku and Sumgait, yet it accounts for most of the country's GDP. The majority of the investment in Azerbaijan has been channeled toward economic activity in Baku. In addition, the people of Baku have realized most of the benefits of the country's nascent civil society, as indicated by the concentration of non-governmental organizations (NGOs) in Baku.

As was first reported in UNDP's Azerbaijan Human Development Report 1998, the border regions of Nakhchivan, Lenkoran, and Ganja-Kazakh have particularly low income levels, leading to disproportionately low levels of human development. This finding is especially disappointing given that these regions have favorable climatic characteristics and are well-located for trading activity with neighboring countries. The great majority of all imports and exports pass through these regions.

Table 1.6 Azerbaijan's Human Development Index and Gender-related Development Index in global comparison, 1997.

	World	Eastern Europe and the CIS	Industrialized countries	Azerbaijan
HDI	0.706	0.754	0.919	0.695
GDI	0.700	0.752	0.915	0.691
Percentage difference between HDI and GDI	0.9	0.3	0.4	0.6

Source: UNDP, Human Development Report 1999

More regular collection and publication of regionally disaggregated data would enable more thorough assessments of regional trends in human development. This could in turn facilitate the design of policies to help people in all areas of the country to realize benefits from the country's new economic gains.

1.5 Human Poverty in Azerbaijan

The HDI provides a perspective on average well-being. As such, it gauges progress for a community as a whole but can easily mask a high level of distress among the most deprived members of the community. For this reason, UNDP has introduced the concept of human poverty, which encompasses deprivations in the essential dimensions of human life. The human poverty concept includes measurable deprivations, such as short life expectancies, low levels of literacy, low incomes, and unemployment, as well as deprivations that are difficult to measure, such as restrictions on political freedom and personal security.

Substantial human poverty is evident in Azerbaijan, in spite of recent improvements in the overall level of human development. Income poverty is particularly prevalent. Azerbaijan's per capita GDP was low among Soviet republics prior to independence (less than half of Russia's in terms of purchasing power), and the country is now even poorer. Real

per capita GDP in 1998 remained less than half of its 1990 level, and the average real wage in 1998 was just 30 percent of its level in 1990. Households spend the great majority of their income on food, yet average household food consumption falls far short of the amount required for healthy diets. The most recent World Bank poverty assessment, conducted in 1995-96, found 60 percent of Azerbaijani households to be living in poverty, and poverty is particularly intense among IDPs and refugees.

Most of the recent economic growth in Azerbaijan derives from expansion of the energy sector, and this expansion has not spread significantly to the other sectors of the economy. Despite the economic growth of recent years, standards of living simply have not improved for the population broadly.

Many people in Azerbaijan suffer from the other dimensions of human poverty as well. The comprehensive social services provided under the Soviet regime have collapsed as real public expenditures in sectors such as health and education have fallen to small fractions of their pre-transition levels. Most of the people of Azerbaijan continue to live without access to safe water or modern sewage networks. Unemployment is undeniably widespread. Finally, the processes of democratization and legal reform remain in an early stage, limiting the ability of the general population to participate meaningfully in governance and denying many people a genuine sense of personal security.

To assess the intensity of human poverty, UNDP has introduced a Human Poverty Index (HPI). For industrialized countries, Eastern Europe, and the CIS, the HPI incorporates deprivations in four dimensions of human life: longevity, knowledge, economic provisioning, and social participation. These deprivations are represented, respectively, by the percentage of people not expected to sur-



vive to age 60, the percentage who are functionally illiterate, the percentage living below 50 percent of the median disposable personal income, and the rate of long-term unemployment.

According to the global Human Development Report 1999, 22.1 percent of the people of Azerbaijan are not expected to survive to age 60. This component of human poverty is less severe in Azerbaijan than either the world average (25.3 percent) or the average for Eastern Europe and the CIS (24.7 percent). Unfortunately, however, the HPI cannot be calculated for Azerbaijan because of data gaps in other areas. At present, for example, official data on unemployment are underestimates based on registered unemployment only. Azerbaijan would benefit greatly from reliable, nationwide studies of income, income distribution, and unemployment.

A comprehensive national poverty alleviation strategy, and solid commitment to carrying it out, would help to make human development a reality for the population of Azerbaijan broadly. Concrete measures, ranging from training programs to improvements in the business environment, are needed to enhance the potential for income generation among the most deprived members of the population. Strengthening the provision of health care and education, improving public infrastructure such as drinking water and sewage facilities, and accelerating the process of democratization and legal reform will also contribute importantly to the alleviation of human poverty.

1.6 Conclusion

Azerbaijan has tremendous capacity for human development arising from its wealth of natural and human resources. The hardships of military conflict and economic transition, however, brought sharply declining standards of living to many people in the first half of this decade. These hardships were reflected in declining levels of human development,

as measured by the Human Development Index (HDI). The economy's recent upturn has contributed to a reversal of this trend over the past few years.

Nonetheless, human progress continues to be compromised in Azerbaijan in two important ways. First, per capita income remains low compared to that of many countries with similar capacities. The economic growth of recent years has been concentrated in a single sector—energy—and has not yet benefited the population as a whole. Second, Azerbaijan's historical strengths in the areas of health and education are currently jeopardized by low public investment in the social sectors. The poverty facing many of the people of Azerbaijan has further reduced their access to quality health and educational services. If not addressed, these problems will have adverse long-term effects on human development.

The pattern of human development within Azerbaijan shows some persistent disparities. The displaced population is distinctly disadvantaged in all aspects of human development. The people of the Baku region realize higher average levels of human development than others, and men enjoy higher average levels than women. The gender and regional disparities derive primarily from disparities in income.

Human poverty—or the level of distress among the most deprived people in society—is substantial in Azerbaijan. Income poverty is prevalent, many people are unemployed, access to quality health care and education is declining, and in many ways the benefits of democracy and the rule of law are not yet realized. For many people in Azerbaijan, the recent improvements in economic indicators have not translated into human development. Enabling the extension of human development to the population as a whole is a fundamental challenge facing Azerbaijan.

Chapter 2



ECONOMY AND HUMAN DEVELOPMENT



2.1 Introduction

A strong economy provides the necessary foundation for human development. Economically developed countries can have low levels of human development, but high levels of human development are never realized in countries with weak economies. In Azerbaijan, economic growth and stability have been achieved. Translating economic strength into sustainable human development is the challenge that lies ahead.

This chapter provides an overview of the country's economic conditions. The major indicators of economic perfor-

mance are discussed first, showing economic growth and stability but heavy dependence on the oil sector. The chapter turns next to trends in public finance, including declining expenditures and problems with revenue collection. Progress in the privatization process is then reviewed, along with continuing obstacles to private sector development. Indications of continuing poverty—in spite of recent improvements in real income—are then discussed. Finally, employment patterns are shown to reflect both the transition toward a market economy and the country's economic difficulties.

2.2 Economic Performance

Azerbaijan's economy suffered tremendously following the breakup of the Soviet Union, but economic stabilization and growth have now been achieved. The Government has pursued a highly successful economic reform program in consultation with the IMF, the World Bank, and other international financial institutions since early 1995. The reform program and the revival of the country's oil sector have enabled the economic recovery. The increasing dependence on the oil

Table 2.7 Change in real GDP from previous year, 1995-98 (percent)

YEAR	Real GDP	Real per capita GDP
1995	-11.8	-12.4
1996	1.3	0.7
1997	5.8	5.2
1998	10.0	9.2

Source: AET, Azerbaijan Economic Trends, First Quarter 1999

sector, however, has also made the economy vulnerable to external shocks and jeopardized the economic potential of the non-oil sectors.

2.2.1 Gross Domestic Product

Following a seven-year decline, Azerbaijan's Gross Domestic Product (GDP) has increased each year since 1996. In 1998, real GDP grew by 10.0 percent overall and by 9.2 percent per capita. Nominal GDP reached 15,930 billion manats (\$4.1 billion), and per capita GDP was 2.0 million manats (\$520). The economic expansion is closely connected with oil exploration and development.

The sectors that contribute the most to GDP are industry and agriculture, though the shares of both have fallen in recent years. (See Table 2.8.) The share of construction in GDP increased significantly between 1997 and 1998, reflecting the dominant role that construction has played in the economic recovery, largely in connection with the expanding oil sector.

2.2.2 Industry: Increasing Dependence on Energy

Industrial production has collapsed to less than one-third of its 1991 level, and the composition of industrial output has changed greatly. The production of energy—including fuel and electricity—declined much less significantly than production in any other industrial subsector,

Table 2.8 Structure of GDP by sector (percent)

	1995	1996	1997	1998
Industry	27.3	25.9	24.8	22.3
Agriculture	25.2	24.8	20.1	20.3
Construction	3.7	9.3	13.8	16.4
Transport and communications	17.4	10.2	11.9	12.9
Trade	4.8	5.2	5.5	5.7
Other	21.6	24.6	23.9	22.4
TOTAL	100	100	100	100

Sources: AET, Azerbaijan Economic Trends, Fourth Quarter 1998, p. 25; ASSC, Statistical Yearbook of Azerbaijan 1999, p. 211

causing a substantial increase in the share of the value of industrial output that arises from energy production (from 16 percent in 1990 to 68 percent in 1998). The fuel industry alone has accounted for more than half of the total value of industrial production for the past three years.

Growth in the energy sector has recently reversed the downward trend in overall industrial production. The fuel and electricity industries grew by 7.5 percent and 5.9 percent respectively in 1998, leading to an increase in total industrial production of 2.2 percent. New production from the offshore oil wells of the Azerbaijan International Operating Company (AIOC), an international consortium led by BP Amoco, largely accounts for this strong growth in fuel production.

At the same time, all other industrial output has continued to decline. In 1998, for example, the levels of real output in the light industry and machinery subsectors were only 15.6 and 14.2 percent, respectively, of their 1992 levels. These two industries each accounted for nearly 20 percent of industrial production in 1990 but now represent only 2.5 and 3.3 percent respectively. (See Table 2.9.)

Azerbaijan's energy sector began to expand rapidly soon after independence, when the country regained worldwide recognition for the productive potential of its offshore oil and gas reserves. Substantial foreign investment has flowed

Table 2.9 Structure of industrial production at current prices (percent), 1990 and 1995-98

	1990	1995	1996	1997	1998
Electricity	4.1	19.2	17.9	14.0	16.6
Fuel	11.7	46.2	52.4	54.3	51.7
Metallurgy	3.8	1.1	0.3	0.7	0.4
Machinery	18.0	3.6	3.6	3.9	3.3
Chemicals and petrochemicals	6.0	5.4	4.5	3.3	3.0
Construction materials	3.1	1.5	1.1	1.1	1.2
Light industry	19.6	9.5	8.2	4.2	2.5
Food industry	25.6	6.6	7.4	16.6	16.6
Other	8.1	6.9	4.6	1.9	4.7
TOTAL	100	100	100	100	100

Source: AET, Azerbaijan Economic Trends, Monthly Update, March 1999

into the oil sector since that time. While growth of the energy sector promises increased wealth, the economy's growing dependence on the fuel industry is an ominous trend.

International experience shows that dependence on a single export product complicates economic management considerably and that inappropriate management of oil revenues can have dire consequences for the economy. Unpredictable oil price movements and other international developments can lead to sharp fluctuations in budget revenue and foreign exchange earnings, making the econ-

Figure 2.3 Contribution of the energy sector (fuel and electricity) to the value of total industrial production, 1990-1998 (percent)

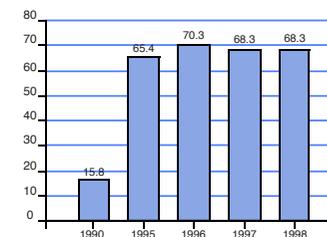


Table 2.10 Production of main crops, 1990 and 1995-98 (Index 1990 = 100)

	Cereals	Cotton	Tobacco	Potatoes	Vegetables	Grapes	Tea
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1995	65.2	50.5	22.1	84.0	49.5	25.8	30.6
1996	72.0	50.5	21.2	115.9	66.6	23.0	9.8
1997	79.7	23.0	28.5	120.6	57.9	12.1	5.2
1998	67.0	20.7	28.7	167.4	58.7	12.0	2.9

Source: AET, Azerbaijan Economic Trends, Fourth Quarter 1998, Annex 1.5

omy vulnerable to severe macroeconomic shocks. Many effects of an oil boom—such as upward wage and price pressures, appreciation of the real exchange rate, and the absorption of scarce financial and human capital—tend to adversely affect the non-oil sectors. Moreover, the expectation and realization of large oil revenues have tended, in many countries, to lead to inefficient investments and weak fiscal discipline.

Two recent international developments have highlighted the dangers of Azerbaijan's reliance on oil. First, the collapse of oil prices in 1997 and 1998 reduced oil-sector revenues and slowed the investment rate (and therefore the projected rate of production). Second, the Russian and Asian economic crises lowered the demand for Azerbaijan's refined oil. These developments greatly reduced the export earnings of the State Oil Company of the Azerbaijan Republic (SOCAR), and since SOCAR is the country's largest taxpayer, this in turn hampered the Government's capacity to raise revenue.

This year has seen some positive developments for the energy sector. The price of oil has been climbing, and a large natural gas field was discovered, promising a substantial increase in Azerbaijan's natural gas production in coming years. These developments, however, further demonstrate the volatility of the energy sector.

Azerbaijan's abundant energy resources and surplus of skilled labor present tremendous opportunities for the develop-

ment of the non-oil sector. Appropriate economic management—recognizing the importance of the non-oil sector to long-term economic security—is imperative in Azerbaijan today.

2.2.3 Agriculture: Strong Reform with Continuing Bottlenecks

The output of nearly all agricultural products has fallen markedly during this decade, reflecting a variety of problems in the agricultural sector. Nonetheless, agriculture remains an important sector of the economy, contributing 20 percent to GDP and employing 29 percent of the labor force. The structure of agricultural production has been stable since 1995 at 59 percent crop production and 41 percent livestock production.

The privatization process in the agricultural sector began in late 1996 and has progressed rapidly. The prices of agricultural products have been decontrolled, and trade has been liberalized. The system of state and collective farms has been dismantled, and a wide variety of small-holder farming structures have emerged, ranging from small family farms to medium companies. The privatization of livestock is complete. About 80 percent of rural land titles have been issued, with the remainder scheduled to be assigned by the end of this year, and state-owned machinery and equipment are being distributed to private farmers. The share of households and private farms in total agricultural production rose from 67 percent in 1996 to 94 percent in 1998.

The market-oriented reforms have been strong and successful, but a number of structural bottlenecks continue to impede agricultural productivity. Most important among these are the lack of rural financing, the poor condition and management of the irrigation system, and the absence of extension and support services. Some of these problems are addressed in a

Table 2.11 Production of main livestock products, 1990 and 1995-98 (Index 1990 = 100)

	Meat (carcass wt.)	Milk	Eggs	Wool (greasy wt.)	Cocoons
1990	100.0	100.0	100.0	100.0	100.0
1995	46.7	85.2	46.3	80.4	22.4
1996	48.8	86.9	48.4	81.3	16.3
1997	51.6	90.8	49.9	85.3	8.2
1998	54.0	95.2	51.5	88.4	2.0

Source: AET, Azerbaijan Economic Trends, Fourth Quarter 1998, Annex 1.5

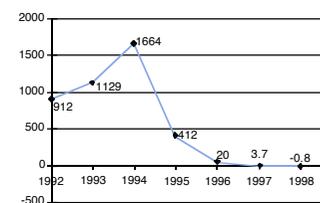
March 1999 Presidential Decree on Measures to Accelerate the Reforms in the Agricultural Sector.

The international community has assisted with Azerbaijan's process of developing an effective, market-oriented agricultural sector. The World Bank, for example, is supporting land privatization and farm restructuring by providing short-term loans to private farmers, rehabilitating irrigation and drainage works, assisting with the development of an extension service, strengthening land registration services, and establishing water users' associations. In cooperation with the World Bank and other donors, the Government plans soon to implement a rural credit project using credit unions.

In addition, some international organizations and NGOs have begun to fund micro-credit programs to finance the start-up of small private agricultural enterprises. Once government regulations on credit programs



Figure 2.4 Inflation in Azerbaijan (percent)



outside the banking sector are clarified, these programs can be expected to have a positive impact on agricultural productivity.

2.2.4 Investment Trends: Favoring the Oil Sector

The liberalization of Azerbaijan's economy brought a burst of investment, particularly in oil exploration and development. About \$5.4 billion was invested between 1994 and 1998, nearly three-quarters of which was foreign investment. Investment has grown rapidly in recent years, at a rate of nearly 80 percent each year between 1994 and 1997, but it slowed to a 12 percent increase in 1998. The deceleration, which mainly reflected slower growth of foreign investment, was largely associated with the fall in oil prices.

While strong and growing investment is a good sign for the economy, the concentration of investment in the oil sector is alarming. In the years 1994 to 1998, the oil sector received 64 percent of foreign investments and 41 percent of domestic investments. Weak public participation in the privatization process and the collapse in the market price of privatization vouchers over the past two years are indicators of the weak investment climate in the non-oil sector. Press reports indicating that Azerbaijani citizens are largely choosing to invest abroad rather than in Azerbaijan have become common. The need to encourage broad-based invest-

ment and growth that will cushion the economy and the labor force from external shocks cannot be overstated.

2.2.5 Inflation

The Government's commitment to strict financial policies brought inflation under control in the mid-1990s. After climbing to nearly 1,700 percent in 1994, the inflation rate fell to 20 percent in 1996 and became negative (-0.8 percent) in 1998. Deflation continued through the first half of 1999, though moderate inflation is expected later in the year as a result of a depreciation of the manat in July 1999.

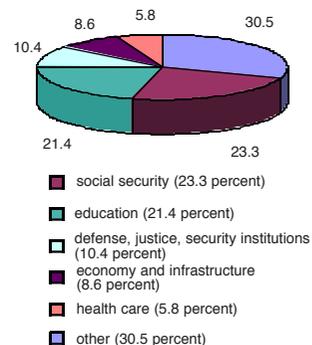
2.2.6 Foreign Trade: The Deficit Widens

Lower oil prices and regional financial crises led to a sharp rise in the trade deficit—from \$567 million in 1997 to \$1,046 million in 1998. The volume of oil exports increased in 1998, but the lower oil prices offset the effect of this increase on the trade balance. The financial crises affecting many important CIS trading partners reduced their demand for Azerbaijan's non-oil exports. At the same time, the depreciation of the currencies of many CIS countries made imports from the CIS relatively inexpensive, leading to an increase in non-oil imports.

In response to concerns that the depreciated currencies of major trading partners had reduced the competitiveness of Azerbaijani producers through a real appreciation of the manat, the Government allowed the manat to depreciate substantially in July 1999. This change in exchange rate policy is expected to help lower the trade deficit in 1999 to some extent.

Improving the non-oil business environment will be necessary for a sustainable reduction in the trade deficit. Businesses outside the oil sector can develop new

Figure 2.5 Public expenditures by sector, 1998 (percent)



Source: ASSC, *Statistical Yearbook of Azerbaijan 1999*, p. 244

export markets and meet domestic demand for many imported goods. This would also reduce the vulnerability of the trade balance to changes in oil prices.

2.3 Public Finance

Over the past four years the government budget deficit has fallen both in real terms and relative to GDP, primarily as a result of expenditure reductions. Health care has seen particularly drastic cuts; in 1998 health care accounted for only 5.8 percent of total expenditure and 1.0 percent of GDP. Actual health care expenditures reached only one-half of the amount budgeted for the health care sector. Expenditures on infrastructure, such as housing, public services, transport, and communication, were also significantly reduced in 1998. Expenditures on education stayed fairly constant. The only sector receiving notable expenditure increases in recent years is social security.

Public expenditures on wages and salaries have been increasing, however, since 1996. Public sector reform and the privatization process have led to smaller numbers of public employees, but the employment reduction has been

offset by pay increases intended to close the gap between wages in the public and private sectors. In 1998 wages and salaries amounted to about 5 percent of GDP and about 31 percent of total public expenditure.

The targets set forth in the 1998 state budget were not met in terms of either expenditures or revenues. In 1998 public expenditures and net lending reached only 69.6 percent of their budgeted levels, and the amount collected in revenues and grants reached only 75.5 percent of its target.

The poor revenue collection resulted in large part from the economy's dependence on oil at a time when oil prices fell. The impact of the oil price decline was especially evident in excise tax revenues (the great majority of which arise from the sale of oil products) and royalties from oil production, both of which fell by at least half of their 1997 level as a share of GDP. Profit tax revenues also fell as lower oil prices reduced the export earnings of the state oil company (SOCAR), which is the country's largest taxpayer.

The drop in oil prices is not, however, the only reason for weak revenue collection. The tax system is complex and unclear in many regards, and tax evasion is common. The Government has begun to address these problems by improving tax administration and expanding the tax base. The Parliament is expected to enact an improved tax code by the end of 1999.

2.4 Privatization and Private Sector Development

Expansion of the private sector has been a national priority since Azerbaijan regained its independence and began the transition toward a market economy. Economic reforms and the privatization process have led to steady growth of the private sector, whose contribution to

GDP exceeded 50 percent for the first time in 1998.

Nonetheless, considerable obstacles to entrepreneurial activity remain evident. Many laws and regulations that apply to businesses and investors are unclear or contradictory, and the current structure of the legal system makes the courts inaccessible to many business people. Moreover, corruption and the discretionary interference of state bodies in the activities of private enterprises are widely believed to be prevalent.

The Government has begun to take steps to improve the business environment. A Presidential Decree on Measures to

The privatization process was slow to get started in Azerbaijan but is now well underway. A Law on Privatization was adopted in January 1993, but the first privatization program, designed for 1996-1998, was adopted by Parliament only in September 1995. Implementation of the program began with the first cash auction for small-scale privatization in February 1996.

Almost all small enterprises (more than 21,000) have now been privatized, but the privatization of medium and large enterprises has progressed more slowly. Medium and large state enterprises are required to be transformed into joint stock companies before they are privatized. About 4,500 medium and large enterprises were envisioned for privatization in the 1995-98 program, but at the end of the first quarter of 1999 only 1,000 of them had been transformed into joint stock companies. The Government has drafted a new privatization program for 1999-2000, but the new program has not yet been approved.

Public participation in the privatization process has been disappointing. Only about 10 percent of the privatization vouchers, which were distributed to the population, have been redeemed, and the market price of the vouchers has collapsed. The weak public participation stems largely from delays in the privatization of some of the most potentially profitable enterprises and from a lack of the financial resources needed to develop privatized enterprises.

2.5 Household Income and Consumption Patterns

The income levels of most Azerbaijani households remain low, though several indicators suggest that real household incomes have increased in recent years. From 1997 to 1998 (a period of no infla-

Table 2.12 Share of the private sector in GDP, industrial output, and agricultural output, 1995-1998 (percent)

Share of the private sector	1995	1996	1997	1998
in GDP	34	38	46	55
in industrial output	5	7	15	26
in agricultural output	60	68	85	90

Improve State Control and Eliminate Artificial Obstacles to the Development of Private Entrepreneurship was issued in January 1999. The Decree acknowledged corruption in the law enforcement agencies and called for significant restrictions on their powers to interfere in the activities of private businesses. It has been followed by concrete actions, such as the elimination of economic control units in key law enforcement agencies.

Addressing the problem of corruption will require deeper structural reforms, however, such as those envisioned in a new public sector reform program under discussion between the Government and the World Bank. The Government is aiming to achieve reforms in public expenditure management, administrative and civil service reforms, and legal and judicial reforms. The effectiveness of these reforms will largely determine Azerbaijan's ability to create a successful business environment.

tion), per capita household income rose from 119,492 manats (about \$30) to 134,146 manats (about \$35), according to Government statistics. About 40 percent of this income derives from wages, 8 percent from social transfers, and the remainder from informal employment, sales of agricultural products, and other sources.

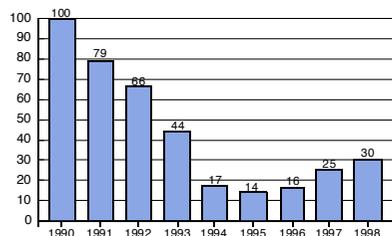
Real wages per capita have increased significantly during the past three years: by 19 percent in 1996, 53 percent in 1997, and 20 percent in 1998. Nonetheless, the average monthly wage was just 168,419 manats (about \$44) in 1998, and real wages remained 70 percent below their 1990 level. Wages are highest in construction, financial services, transportation, and industry and are lowest in agriculture and the public sector. In the fields of health and education, average monthly wages in October 1998 were only 50,961 manats (about \$13) and 133,439 manats (about \$34) respectively, according to a Government survey.

Azerbaijan's Law on Labor prohibits wage discrimination on the basis of gender. The actual wages paid to women, however, are lower than those paid to men in all sectors, even in the fields where the majority of employees are women. In the health and education sectors, for example, average wages paid to women are only 65 and 70 percent, respectively, of those paid to men.

Monthly pensions for elderly and disabled pensioners, which were doubled in August 1997, average around 56,000 manats (\$14.5 in 1998) and are often received with substantial delays. The pension amount varies according to the recipient's work experience. In addition, pensions are higher for women who have many children or have disabled children. This provision benefits women in one respect, but it also reinforces the traditional role of women in the family.

Changes in household consumption patterns during this decade reveal that house-

Figure 2.6 Index of real wages, 1990-1998 (Index 1990 = 100)



Source: AET, Azerbaijan Economic Trends, Fourth Quarter 1998, p. 51

holds concentrated their expenditures on food products as their ability pay for other categories of products—such as medical care, education, clothing, and recreation—fell sharply after the transition period began. According to Government statistics, households spent less than half of their income on food products in 1990 but have spent nearly 70 percent on food every year since 1994.

In spite of the large share of household expenditure allocated to food products, average annual household food consumption in 1998 failed to meet the requirements of a healthy diet. (See Chapter 3.) The inability of most Azerbaijani households to afford a healthy diet, appropriate medical care, and reasonable levels of recreation is damaging to the country's health profile and reduces the potential for human development.

2.6 Employment and Unemployment in Transition

According to Government statistics, total employment changed little during the 1990s, except for a slight dip in the middle of the decade, but the profile of employment has changed considerably. Public sector employment declined steadily throughout the decade but was offset by increases in employment in the private sector. Employment in both industry and agriculture has fallen markedly, though agriculture remains the country's

Table 2.13 Employment by sector, 1990 and 1995-98 (percent)

	1990	1995	1996	1997	1998
Industry	12.7	9.8	7.7	6.6	6.5
Agriculture	30.9	30.8	31.8	29.0	29.3
Construction	6.8	5.1	4.4	4.1	4.0
Transportation and communication	5.8	4.4	4.6	4.5	4.5
Trade and public catering	9.9	14.0	15.8	20.8	20.9
Other	33.9	35.9	35.7	35.0	34.8
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: ASSC, Statistical Yearbook of Azerbaijan 1999, p. 52

largest source of employment (29 percent). Recent years have seen important employment increases in the areas of trade and public catering, reflecting the movement toward a market economy.

The gender profile of employment across sectors reveals a concentration of women in lower-paying jobs and shows the persistence of traditional roles for men and women. For example, women account for more than two-thirds of employment in health, education, and cultural activities. Remuneration is particularly low in these fields, and the preponderance of women in them is consistent with the stereotype that women are best suited for providing social services.

In contrast, women account for less than 15 percent of employment in the construction and transportation sectors, where pay levels are much higher. Not only are men concentrated in higher-pay-

ing sectors, but they are disproportionately represented at higher levels of management in all sectors, including those that employ predominantly women. For example, only about 35 percent of the heads of clinics and polyclinics are women.

Unemployment is widely believed to be high in Azerbaijan, but no reliable estimate is presently available. The Government records only the number of people who have registered as unemployed, which amounts to just 1 percent of the labor force. Most of the unemployed are unregistered because registration procedures are complicated and the unemployment allowance offered to those who register is very low.

Moreover, the official figures for total employment may be overestimates. In some cases, for example, unprofitable state enterprises have created hidden unemployment by putting their employees on long-term unpaid leave, causing these people to be counted among the employed. Further complicating the task of measuring employment is the increase in self-employment and informal employment that has been observed during this decade.

Unofficial labor markets where people are hired on a daily basis at low rates of pay now exist in practically all large settlements throughout the country. The emergence of these markets is a signal that vast numbers of working-age people are desperately searching for work. In addition, substantial labor migration to foreign countries has been observed in recent years. The deterioration of national human capital resulting from long periods of unemployment and from the emigration of skilled labor presents an obstacle to the country's long-term potential for economic and social development.



Unemployment is a particularly serious problem among the displaced population. According to government statistics, only one-third of the internally displaced people (IDPs) who are able to work are employed. Thirty-six percent of the IDPs interviewed in a recent World Bank-sponsored survey consider themselves formally unemployed, whereas only 8 percent considered themselves unemployed before they were displaced from their homes. Many IDPs (at least 40 percent) have agricultural backgrounds, but most of them live in circumstances that prevent them from working in agriculture. The need to make sustainable income generating opportunities available to IDPs while they remain displaced has become acute.

Unemployment is also believed to be severe among women. According to government statistics, women account for about 60 percent of registered unemployment. Some important sectors where female employment was significant prior to the transition period, such as light industry and the food industry, have experienced sharp output and employment declines during this decade. Moreover, adequate childcare options have become unaffordable to most Azerbaijani families, which is likely to have discouraged many women from participating in the labor market.

A great need has emerged for training in the skills needed in the new market economy and for policies that encourage the development of productive employment opportunities. The greatest potential for future employment growth lies in the private small and medium enterprise (SME) sector. Policies that improve the business environment for SMEs are therefore essential.

2.7 Conclusions

In the midst of difficult times of transition and conflict, Azerbaijan has achieved eco-

nomie growth and stability. Economic liberalization has enabled steady expansion of the private sector and has drawn substantial foreign investment to the country. Price stabilization has stopped the rapid decline in real household income that was experienced in the first half of the decade.

In spite of these positive developments, however, the country faces a number of serious economic problems that present obstacles to human development. The economy has become increasingly dependent on oil and is therefore perilously vulnerable to external shocks. The non-oil sector has suffered in the wake of the expanding oil sector, and this problem is compounded by weaknesses in the non-oil business environment.

Finally, while real incomes appear to have rebounded somewhat in recent years, they remain unacceptably low. The population suffers from the effects of low public expenditure in the social sectors, particularly in the health sector. Unemployment appears to be high, especially among women and the displaced.

Immediate action is needed to improve the general business environment, especially for small and medium enterprises, which hold the greatest promise for expansion of the non-oil sector and growth in employment. The challenge now facing economic policy makers in Azerbaijan is to translate the country's impressive economic growth and potential into improvements in the quality of life of the general population.

Chapter 3



HEALTH AND ENVIRONMENT IN THE HUMAN DEVELOPMENT PROCESS



3.1 Introduction

A country's level of human development is determined largely by the health of its population and the quality of its environment. In Azerbaijan, serious concerns have arisen in both of these areas. Economic difficulties and problems in the public health sector have caused the health of the population to suffer greatly since the breakup of the Soviet Union. At the same time, the country faces continuing industrial and agricultural pollution alongside new environmental problems created by military conflict and the displacement of a large proportion of the population.

3.2 The Health Care System

The quality of health care in Azerbaijan is compromised by structural characteristics

inherited from the Soviet years. The system consists of a complex, hierarchical network of medical structures that remain almost completely within the public sector. Staffing concentrates heavily on specialized medical professionals; there are few general practitioners and non-medical professionals, such as social workers. Moreover, the ability to evaluate the system and the country's health profile is limited by a lack of systematic collection, analysis, and dissemination of national health data.

Inadequate public funding hampers all areas of health care. Public health expenditures as a share of GDP have fallen to one-third of their level in the early 1990s, and real expenditures have declined especially dramatically given the fall in real GDP. In 1998, public expenditure on health amounted to less than 6 percent of total expenditure and only 1.0 percent of GDP. Of the amount budgeted for the health care sector in the State Budget Law for 1998, only half was actually spent.

The lack of public attention to the health sector has resulted in deteriorating medical buildings and equipment and the near collapse of emergency services in most rural areas. No effective family planning program is in place, and abortion is the most common method of birth control. Government statistics indicate immunization coverage of

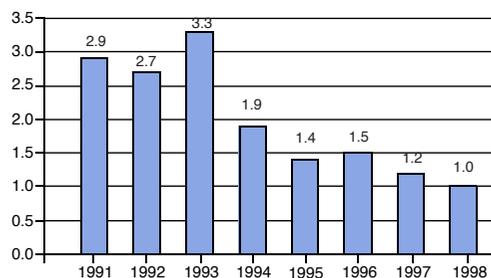
more than 90 percent, but doubts have been raised about these figures, and the country is dependent on humanitarian assistance for its immunization program.

In spite of the low level of public funding, the Soviet tradition of excessive medical staffing and infrastructure has continued. According to Government statistics, for example, there were 36 doctors and 90 hospital beds per 10,000 population in 1998. This is partly a result of the continuing practice of allocating health funding on the basis of inputs (e.g., number of hospital beds) rather than according to the size and risk factors of the population served.

Excessive staffing and poor public health funding result in extremely low formal salaries for medical professionals. This encourages them to supplement their incomes by charging patients informally for health services, a practice that has become almost universal. Private health costs have increased greatly in recent years as patients pay formal and informal charges for health care services and also pay for medications, which are now often available only from private pharmacies. The increase in private health costs has made formal health care unaffordable for many households, and the low quality of services further discourages its use. Many people have therefore stopped using official health facilities even for childbirth and emergencies.

Addressing the health sector's many problems will require serious commitment to health care reform, and some steps have been taken in this direction. UNICEF and the Ministry of Health are leading pilot primary health care reform projects in six districts, which could prove useful as models for the rest of the country. In an effort to address the health system's severe financing problems, the Ministry of Health is developing a cost-recovery scheme with fee exemptions for selected social groups. The Ministry has

Figure 3.7 Public health expenditures as a share of GDP, 1991-1998 (percent)



also established a program to introduce WHO data standards and modern computer technology to the process of collecting and compiling health data.

Unfortunately, however, little progress has been seen to date toward comprehensively reforming the health care system. Since 1996 the Government and the World Bank have held discussions on a major program of technical and financial assistance for health sector reform, but this dialog still has not resulted in an agreement. A Health Reform Commission was established by Presidential Decree in 1998 to develop a reform strategy, but a comprehensive draft program and timetable have not yet been issued.

3.3 The Health of the Population

The weaknesses in the public health system and the persistence of poor standards of living are reflected in the health status of the population. Diarrhea is extremely prevalent among children, particularly children of the displaced, and this decade has seen major outbreaks of measles and diphtheria. A shortage of the anti-malarial drugs and insecticides necessary for malaria control, combined with inadequate shelter, have allowed a resurgence of malaria. Insufficient supplies of anti-thyroid drugs and iodization have led to a high incidence of iodine deficiency disorder, which is associated with goiter and mental retardation. Seven major areas of

Box 3.1 Structure of the public health system in Azerbaijan

In the Soviet years, Azerbaijan's public health system consisted of a dense network of medical facilities. Individuals were assigned to polyclinics for basic care, and rural areas were served also by feldsher-midwife stations. There were hospitals at the local, district, and national levels, with emergency services provided separately. Local sanitary epidemiological stations (SES) were responsible for environmental health, water and food quality, control of infectious and parasitic diseases, and logistical support and monitoring for immunization programs. Specialized centers at the raion and national level provided care for patients with cancer, tuberculosis, mental illnesses, and venereal diseases. In addition, some ministries and major state enterprises provided medical facilities for employees and their families.

While the physical infrastructure and level of services provided by the system have deteriorated dramatically, today's health system in Azerbaijan retains the basic organizational structure that it inherited from the Soviet Union. The Government continues to own almost all medical facilities and to employ almost all health care providers. Under a complex system of accountability, district health departments report to the Ministry of Health for health issues but are funded from local budgets, and the SES units report to the Republican Center on Hygiene and Epidemiology. Policy development takes place in both the Ministry of Health and the Office of the Prime Minister.

Azerbaijan—Sheki, Oghuz, Gakh, Shamkir, Zagatala, Balaken, and Ordubad in Nakhchivan—now meet WHO criteria for severe iodine deficiency. This problem appears to be particularly significant among internally displaced people (IDPs), who were found to suffer from a disproportionately high prevalence of goiter in a 1996 survey by USAID, WHO, and UNICEF.

The number of Azerbaijani citizens known to be infected with HIV—152 as of 1 July 1999—is not high by international comparison, but the number of newly reported cases has increased rapidly in the past two years. Only two new cases were reported in 1996, but 64 new cases had already been reported in just the first half of 1999. The main transmission modes have been intravenous drug use (41 percent of all cases and 65 percent of

the cases among men) and heterosexual contact (30 percent of the reported cases).

International experience shows that an HIV/AIDS epidemic can emerge very rapidly in countries that do not take active measures to combat the spread of the disease. Recognizing this concern, the Ministry of Health and five United Nations agencies initiated a project in July 1998 to build capacity at the community and national levels to prevent the spread of HIV/AIDS and other sexually transmitted diseases. The project involves case management, public information and education, and the establishment of a resource center to support local non-governmental organizations (NGOs) interested in working in this area. The commitment of the Government and people of Azerbaijan to addressing the HIV/AIDS problem in an earnest and straightforward way will determine the country's ability to prevent an epidemic.

The poor quality of health services presents a particular hardship for people suffering from congenital diseases such as sickle cell anemia and thalassemia. The size of the population affected by these diseases is not large, but the human suffering associated with the poor services offered to them is enormous. There is an urgent need for appropriate action in this area, including not only medical programs but also social support activities and information programs that, for example, discourage marriages among close relatives.

The economic difficulties facing a large proportion of the population of Azerbaijan are reflected in their dietary patterns. The Government estimates that low incomes force Azerbaijani households to spend the great majority of their income on food, yet they are still unable to maintain adequately nutritious diets. (See Table 3.14.) As a result, malnutri-

tion and diseases related to poor diet composition are prevalent. The 1996 survey by USAID, WHO, and UNICEF found that nearly one-quarter of the country's children were malnourished and more than two-fifths of them were suffering from anemia.

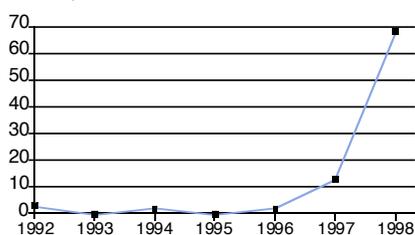
Surveys have consistently found these problems to be particularly prevalent among IDPs. For example, recent surveys of subsets of the displaced population conducted by UMCOR and World Vision found 79 percent of surveyed non-pregnant women to be anemic and 30 percent of surveyed children to be malnourished.

Azerbaijan's official maternal and infant mortality rates are not extraordinarily high by international standards—41.1 per 100,000 births and 16.6 per 1,000 births respectively in 1998—but these figures are likely to be lower bounds. Azerbaijan's official definition of live births excludes many infants who die in the first seven days of life, which results in an infant mortality rate that is 25-30 percent lower than the level that would be found if WHO's definition of live births were used. In addition, deaths following home deliveries are less likely to be reported, and many deliveries now take place at home.

Life expectancy at birth fell during the first half of the decade, reflecting declining standards of living and military conflict. It has been rising since 1995, however, and reached its highest level of the decade in 1998. At 71.3 years, it has slightly surpassed its 1990 level.

Abrupt changes have been seen in official health-related indicators in recent years. Between 1997 and 1998, for example, the official maternal mortality rate increased from 31.0 to 41.1 per 100,000 births and the official infant mortality rate fell from 19.6 to 16.6 per 1,000 births. Each year between 1995 and 1997, the official life

Figure 3.8 Number of newly reported HIV cases among citizens of Azerbaijan, 1992-1998



expectancy estimate increased by at least one year.

3.4 Activities to Improve Public Health

Numerous donors, international organizations, and NGOs are working with the Government to improve Azerbaijan's health profile. UNICEF and the Ministry of Health, for example, are conducting a maternal and child health program that involves breast-feeding promotion, drug distribution to maternity and pediatric hospitals, efforts to combat malaria, and training of medical staff. The country's immunization program is made possible by UNICEF's provision of vaccines and related expertise. Medecins Sans Frontiers and the International Federation of the Red Cross and Red Crescent also carry out important primary health care programs in Azerbaijan.



Table 3.14 Annual consumption of food products in Azerbaijan relative to physiological norms, 1998

	Phys. norm (kg.)	Consumption (kg.)	Deviation (%)
Bread and bakery products	126	158.7	+26
Potatoes	50	38.9	-22
Vegetables and melons	106	87.2	-18
Fruits and berries	54.4	57.6	+6
Meat and meat products	38	16.3	-57
Fish	12	1.9	-84
Milk and milk products	312	189.7	-39
Eggs (number)	211	107	-49
Sugar	22	19.8	-10
Vegetable oil and margarine	5.5	4.8	-13
Butter	9	6.4	-29

Source: Azerbaijan State Statistics Committee

In the area of reproductive health and family planning, UNFPA and UNHCR lead a set of interventions in cooperation with the Ministries of Health and Education. Their activities include training, clinical services, information dissemination, and the provision of medical supplies, contraceptives, and essential drugs. The activities supported by UNHCR target IDPs and refugees specifically and are implemented through NGOs, such as Relief International, the International Red Cross, Children's Aid Direct, and the United Methodist Committee on Relief. In addition, as discussed above, five UN agencies recently joined forces to support the Government's efforts to prevent the spread of sexually transmitted diseases and HIV/AIDS.



3.5 Environmental Conditions in Azerbaijan

The quality of the environment is important for human well-being because of its effects on both health and the economy. Over the course of this century, the environment of Azerbaijan has suffered considerably. The Absheron peninsula was the source of half the world's oil production in the early 20th century, and it became increasingly industrialized and urbanized during the Soviet years. As was typical in countries of the Former Soviet Union, rapid industrial and agricultural development took place amid almost complete environmental neglect. The result has been unsustainable economic growth—growth at the expense of the environment.

This section evaluates environmental concerns in Azerbaijan with regard to water resources, air quality, soil erosion and contamination, and the vitality and diversity of flora and fauna. The steps underway to improve the environment are discussed in the following section.

Water resources and quality. Water resources are scarce in Azerbaijan, and the problem of scarcity is compounded by extremely inefficient water use. The dilapidated and poorly managed irrigation system is responsible for agricultural water losses of about 50 percent, and in industry the recycling of water is virtually nonexistent. About half the drinking water distributed to the Absheron peninsula is lost in the pipe distribution system.

Water quality in many parts of Azerbaijan is very poor. More than 80 percent of the population lives in areas without modern water or sewage networks, and most people do not have access to safe water. The Kura and Arax rivers, which provide most of Azerbaijan's fresh water, are contaminated with industrial, agricultural, and

domestic wastes that are generated both inside and outside Azerbaijan.

The Caspian Sea, the world's largest inland water body, is vital for economic livelihoods in Azerbaijan because of both its hydrocarbon resources and its biological resources. Substantial oil exploration and development activities are underway in Azerbaijan's sector of the Caspian, and historically the Caspian has been the source of more than 90 percent of the world's output of sturgeon and caviar. A number of severe ecological problems now threaten the vitality of the Caspian Sea, however, including water pollution and flooding caused by water level fluctuations. The stocks of sturgeon are declining rapidly as a result of both pollution and over-fishing.

Air quality. Notable air quality improvements have been observed in Azerbaijan during this decade, though they have been offset somewhat by increased vehicular traffic. Unfortunately, the improvements stem from the collapse of industrial output rather than from sustainable environmental management practices, and in spite of the improvements, air pollution remains inordinately high.

The State Committee on Ecology monitors ambient concentrations of air pollutants in eight cities and has found that 96 percent of the air pollution in Azerbaijan is concentrated in five of them: Baku, Sumgait, Ganja, Ali-Bayramly, and Mingachevir. Monitored pollutants in these cities have been found at levels up to five times higher than those allowed by Azerbaijan's air quality standards.

As is the case in many transition economies, highly polluting production technologies continue to be used. This can be seen by evaluating the volume of emissions relative to GDP. In Azerbaijan, the volume of sulfur oxides

Box 3.2 Human resources for health reform

Efforts to reform the public health sector in Azerbaijan are hindered by human resource limitations. People capable of effectively designing, implementing, monitoring, and evaluating health programs—such as qualified public health specialists and health economists—are in very short supply. More than 1,500 physicians and 1,000 nurses receive diplomas in Azerbaijan every year, but the curricula of the medical schools and training institutes continue to embody the traditional approach to the delivery of health care, emphasizing hospitalization and curative health services over outpatient and preventive care. The subject of public health urgently needs to be introduced as a separate discipline.

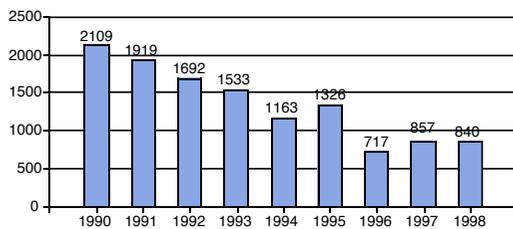
In addition, the level of remuneration for health care professionals, including those responsible for implementing public health programs, is extremely low. The average monthly salary for a physician, for example, is only about \$22. Attracting qualified personnel to the challenge of reforming the public health system will require substantial improvements in the conditions of employment in the sector.

emitted relative to GDP was more than six times higher than in the European Union in 1995 (the most recent year for which data are available).

Soil. Water and wind erosion, salinization, and industrial wastes pose serious threats to Azerbaijan's land resources. Nearly half of the country's total land area is eroded and 14 percent is subject to salinization and a high underground water table. Industrial wastes, particularly oil, contaminate more than 60,000 hectares.

Flora and fauna. Azerbaijan has a wide diversity of flora and fauna, including an

Figure 3.9 Volume of air pollutants emitted, 1990-1998 (thousand tons)



estimated 270 endemic plant species, but the country's biodiversity is now threatened. About 38 plant and 75 animal species are rare or endangered. The management of Azerbaijan's state reserves and protected areas is poorly funded, and many of these areas are in the occupied parts of Azerbaijan, where they are believed to have been severely damaged.

The forests of Azerbaijan, which cover about 11 percent of its territory, are also in danger. Shortages of rural energy supplies, increased population pressures caused by the presence of IDPs and refugees, and a sharp decline in wood imports since the Soviet years have resulted in substantial deforestation.

3.6 Activities to Improve the Environment

The Government and people of Azerbaijan have begun to assess the country's environmental problems and to address them, often with support from the international community. The State Committee on Ecology and the World Bank recently prepared a comprehensive National Environmental Action Plan (NEAP) in collaboration with several government agencies, the Academy of Sciences, and environmental NGOs. The NEAP identifies the most important environmental problems in Azerbaijan and

prioritizes the policy actions that need to be taken. Industrial pollution, damage to the sturgeon stock, deteriorating water quality, and a weak environmental management system are among the most pressing concerns raised in the NEAP.

To begin addressing these concerns, the Government and the World Bank initiated an Urgent Environmental Investment Project in 1999. This project envisages building a new sturgeon hatchery, demonstrating mercury cleanup in an area near Sumgait, and testing cleanup methodologies in an onshore oil field. In addition, the World Bank and the British Know-How Fund will support efforts to strengthen the Government's environmental management system.

In recognition of the multinational character of the environmental problems facing the Caspian Sea, the governments of Azerbaijan and the other four countries bordering the Caspian have jointly initiated a comprehensive Caspian Environmental Program with support from UNDP, the World Bank, the U.N. Environment Programme, and the European Union (TACIS). The first phase of this program involves analyzing priority environmental problems and formulating a regional strategic action program and a set of national action plans.

With support from UNDP, Azerbaijan is addressing two other important international environmental issues: climate change and ozone depletion. Preparation of the country's first national communication to the Conference of the Parties of the UN Framework Convention on Climate Change has begun, and four separate projects to reduce the use and emission of ozone-depleting gases are now underway.

In addition, Azerbaijan has begun adapting to international environmental stan-

dards in a number of ways. The country is now a full partner to seven international conventions related to the environment, and many of the foreign companies in Azerbaijan apply internationally approved environmental procedures and train local specialists accordingly. Environmental impact assessment (EIA) procedures, to be followed in all significant economic projects, were introduced to Azerbaijan in 1996 when the State Committee on Ecology published the EIA Handbook for Azerbaijan. Produced with support from UNDP, the Handbook incorporates internationally approved policies and procedures but also reflects the country's unique environmental circumstances.

3.7 Conclusions

The health of Azerbaijan's population is suffering from structural and funding inadequacies in the public health sector and from the consequences of economic hardship and military conflict. At the same time, the country faces severe environmental problems stemming from a tradition of pursuing industrial and agricultural development without regard for environmental consequences. The military occupation of a large proportion of the country's territory and the problems of human displacement exacerbate difficulties in the arenas of both health and environment.

Focused attention on making primary health care accessible to all people in Azerbaijan is immediately necessary. This will require restructuring the public health system, upgrading medical practices and procedures, and reorienting and increasing public expenditures on health. Public information campaigns and other activities to encourage healthy behavior patterns, such as those that have been initiated to contain the spread of HIV/AIDS, are also essential.

Azerbaijan's most severe environmental problems have begun to receive the attention of the Government, NGOs, and the international community. A number of programs are underway to address them and to strengthen the country's environmental management capacity. Continuing regional and international cooperation is essential to the effective resolution of many environmental concerns, such as the pollution of Azerbaijan's rivers, ecological conditions of the Caspian Sea, and depletion of the ozone layer.

Azerbaijan's human development prospects depend importantly on the country's ability to resolve problems in the areas of health and the environment. Both of these areas will benefit from policies that stimulate sustainable economic growth and rising standards of living.

Chapter 4



EDUCATION AND CULTURE



4.1 Introduction

All people need opportunities to expand their creative and productive potential. The availability of these opportunities depends on access to quality education and cultural enrichment. In Azerbaijan, the economic hardships of transition and military conflict have severely impaired most aspects of educational and cultural life. This chapter reviews conditions in Azerbaijan in the areas of education, scientific progress, culture, religion, and recreation.

4.2 Education

Azerbaijan inherited from the Soviet Union a strong and comprehensive system of education. Adult literacy continues

to be nearly universal, and primary and secondary school enrollment rates remain high. As is the case in many countries of the FSU, however, Azerbaijan's educational progress is now jeopardized by funding problems and structural weaknesses within the education system. In Azerbaijan, these difficulties are compounded by consequences of the conflict over Nagorno-Karabakh.

4.2.1 School Enrollment and Attendance

The Constitution of the Azerbaijan Republic guarantees eleven years of free education to all citizens starting from the age of six. In general education (primary and secondary levels), enrollment rates exceed 90 percent and there are no significant gender differences in enrollment. Among the population of age 15 and older, according to Government statistics, 92 percent have completed at least eight years of schooling and 72 percent have completed secondary education.

The enrollment figures may disguise actual attendance levels, though. According to World Bank household survey data, about 10 percent of enrolled children are absent from school for extended periods (one month or more during an academic year), and regional differences in extended

absence are significant. Among very poor 6-to-16 year olds, for example, extended absence rates range from 43 percent in the far south and 38 percent in Nakhchivan to only 2 percent in the Absheron peninsula.

An increasing number of students appear to be dropping out of school before completing their general education. In 1998, 133,400 students completed their ninth year of education but only 85,300 graduated from secondary school. Preschool enrollment is particularly low, at only 12 percent of children of corresponding age, and there is a large disparity between preschool enrollment in urban areas (18 percent) and rural areas (6 percent).

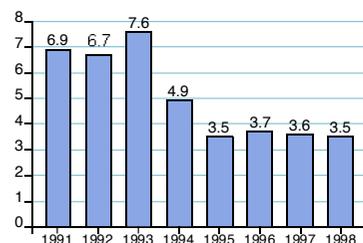
Anecdotal evidence suggests that poverty has induced many families to withdraw their children from school on temporary or permanent bases. Some families find school-related clothing and transportation expenses unaffordable, and some children are taken out of school so they can earn incomes to help support their families.

4.2.2 Expenditures on Education

Public expenditures on education have fallen markedly during this decade. As a share of GDP, they are now about half their level in the early 1990s. This represents a particularly sharp decline in real terms given the real decline in GDP over that time period. The low level of funding has led to substantial deterioration of physical infrastructure, shortages of textbooks and teaching equipment, and low teacher pay and morale.

Private spending has increased significantly in recent years, partially offsetting the collapse in public spending but leaving the poor at a disadvantage. The private costs associated with education, such as uniforms, materials, and transportation, have risen sharply. In addition, increasing numbers of families are arranging private

Figure 4.10 Public expenditure on education as a share of GDP, 1991-1998 (percent)



schooling and tutoring for their children in response to the perception that the quality of public education has declined.

Private educational institutions are allowed to register and operate in Azerbaijan. Low levels of teacher pay in the state-funded schools have encouraged many well-qualified teachers to seek employment at the private schools, which generally offer higher wages. The availability of private education expands the choices of Azerbaijani citizens who can afford to pay tuition, but the growing disparity between the quality and funding levels of state schools and those of private schools is restricting the opportunities for children from low-income families to obtain high-quality education.

4.2.3 Effects of Conflict

The conflict over Nagorno-Karabakh has compounded the strains on the educational system. Eight-hundred schools—just under 20 percent of the national total—have been abandoned and their students displaced. As a result, schools throughout the country have absorbed additional students, and many schools and kindergartens are now used as shelter for displaced people. These trends have contributed to the overcrowding of schools; 75.9 percent of schools now offer two or three shifts (compared to 59.5 percent in the 1990/91 academic year), and 35.4 percent of students attend second or third shifts (compared to 27.4 percent in 1990/91).



4.2.4 Challenges in the System of Education

A number of difficulties are experienced in the system of education, including low student-teacher ratios, problems with education financing, and weaknesses in curriculum design. According to Government statistics, state-funded day general schools had 1,611,000 students and 158,000 teachers at the start of the 1998/99 academic year, implying a low student-teacher

Box 4.3 Gender and Education

One important achievement of Azerbaijan's system of education is the absence of significant gender disparities in enrollment. Asymmetries do arise, however, in the structure of employment in the education sector and in the awarding of the country's highest academic degrees.

According to Government statistics, women represent 65.5 percent of total employment in the education sector but less than 20 percent of employment at the sector's managerial level. The average wages paid to women in the education sector are about 70 percent of those paid to men.

Among the people with Azerbaijan's highest scientific degree, Doctor of Science (D.Sc.), only about 10 percent are women. Among those with the degree of Candidate of Science (Ph. D.), about 30 percent are women. The majority of those with advanced degrees in architecture, art history, psychology, and biology are women, while men predominate in the fields of military sciences, physical-mathematical sciences, economics, and geology. Approximately equal numbers of men and women hold advanced degrees in chemistry, geography, and philology.

ratio of about 10:1. Current budgetary mechanisms allow districts and schools very little flexibility to allocate education budgets in accordance with local circumstances. In addition, the education system is in need of improved financial management and more transparent mechanisms of financial accountability.

General education curricula have changed little since Soviet times. Vocational and technical programs still focus on narrow specialties. They therefore often fail to meet the needs of a market economy and democratic society and are poorly linked to the evolving labor market.

4.2.5 Steps toward Improving Primary and Secondary Education

The Government has taken important steps toward addressing many of the problems experienced in the education sector. A Commission on Education Reform was established by Presidential Decree in March 1998. The Commission prepared a strategy for education reform, which was adopted by the President in June 1999, and has drafted a law on education that is currently under review by the Parliament.

The Government's education reform strategy envisions a wide range of improvements in curriculum design, teacher training and compensation, education finance and management, the quality of educational materials, and the physical conditions of schools. The reform process will require particular attention to issues of access and equity in order for quality education to be made broadly accessible.

The international community has been active in helping the Government to promote improvements in the education sector. For example, the World Bank is supporting the Government's education

reform process and providing assistance with curriculum development and teacher training. Pilot projects for the development of community self-financing mechanisms and increased community participation in the school system are underway with support from UNICEF. UNICEF is also building national capacity in the areas of special education for mentally disabled children and psycho-social rehabilitation for displaced children. UNHCR and its implementing partners are working in communities of displaced people to rehabilitate schools, educate children in peace and tolerance, and provide vocational training for young adults.

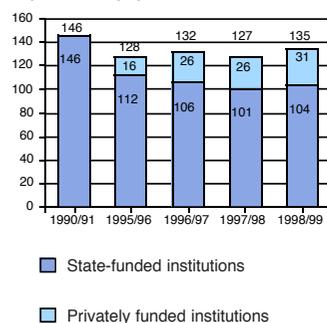
4.2.6 Trends in Higher Education

Azerbaijan has 25 state-funded and 17 private institutions of higher education. The proportion of the population enrolled in higher education fell during the early years of the decade and remains considerably lower than its pre-transition level, though enrollment in private universities has increased significantly in recent years. (See Figure 4.11)

An examination of the fields of study pursued by students of higher education reveal some notable trends. First, the country's tendency toward overstaffing in the education sector is reflected in the high proportion of graduates from state-funded universities who specialize in the field of education—more than 40 percent in each of the past four years.

The most significant changes are declines in the study of engineering and agriculture and increases in the study of law and economics. The proportion of economics graduates from state-funded institutions reached its highest level of the decade in 1999 (16 percent). More than half of the students in private universities are studying law, and more than one-quarter of them are studying economics. Some con-

Figure 4.11 Number of students enrolled in institutions of higher education per 10,000 population



Source: ASSC, Statistical Yearbook of Azerbaijan 1999, pp. 115, 117, and UNDP calculations from ASSC data

cerns have been raised about the decline in professional training in the productive spheres of engineering and agriculture. The trend toward the fields of law and economics, however, gives reason for optimism that the new graduates will be well-prepared to meet the needs of the emerging market economy and democratic system.

4.3 Science

Azerbaijan is a scientifically advanced country, but the economic decline of the first half of this decade, from which the

Table 4.15 Number of students enrolled in institutions of higher education: state-funded and private (at the beginning of the academic year, thousand people)

	1995/96	1996/97	1997/98	1998/99
Students in state-funded institutions of higher education of which:	86.3	82.4	79.8	82.3
daytime	58.6	61.6	61.2	68.2
evening/correspondence	27.7	20.8	18.6	14.1
Students in private institutions of higher education of which:	12.5	20.3	20.4	24.2
daytime	10.8	16.0	16.5	20.0
evening/correspondence	1.7	4.3	3.9	4.2

Source: ASSC, Statistical Yearbook of Azerbaijan 1999, pp. 115, 117

Table 4.16 Graduates of state-funded institutions of higher education by field of study, 1990 and 1992-98 (percent of total graduates)

	1990	1992	1993	1994	1995	1996	1997	1998
Education	39.6	35.6	32.4	32.9	41.6	43.9	44.4	40.9
Engineering	37.4	33.2	39.4	34.2	29.5	26.7	24.2	25.1
Agriculture	6.6	9.9	11.2	9.3	6.4	7.0	5.4	4.1
Economics	6.6	8.4	4.3	8.7	8.7	10.7	13.9	15.8
Health and sport	7.1	9.9	10.1	11.8	11.0	8.6	7.6	10.5
Art and cinematography	2.7	3.0	2.7	3.1	2.9	3.2	3.6	2.9

Source: UNDP calculations from ASSC data: ASSC, Statistical Yearbook of Azerbaijan 1999, p. 116



country has just begun to recover, has jeopardized its scientific potential. Public expenditure on science amounted to 0.3 percent of GDP in 1998 and has been relatively stable as a share of GDP throughout the decade. Given that GDP remains far below its level in the early 1990s, this means that in real terms investment in science has suffered from significant reduc-

Table 4.17 Number of cultural institutions

	1992	1995	1998
Theaters (professional)	22	26	26
Museums	128	145	152
Cinema houses	1,025	790	671
Public libraries	4,909	4,794	4,522

Source: ASSC, Statistical Yearbook of Azerbaijan 1999, pp. 128-30

tions along with other areas of public investment.

Scientific institutions have inadequate financial resources to maintain and modernize their equipment and to ensure that they receive new scientific information on a timely basis. Average wages in science and scientific services are low, having fallen sharply during the decade in real terms and relative to average wages. The reduced investment in science and the lower wages have made scientific work less attractive to well-qualified and motivated people, leading many scientists to abandon scientific pursuits or to seek employment in other countries. According to Government statistics, employment in science and scientific services in Azerbaijan has fallen from 1.5 percent of total employment in 1990 to 0.9 percent in 1998.

4.4 Culture and the Arts

The private costs of pursuing cultural and artistic interests have increased markedly during this decade, while real household incomes have declined. Cultural activities have therefore become unaffordable for many people. At the same time, public expenditures on culture have fallen sharply, leading to a deterioration in the quantity and quality of cultural services. The public libraries, for example, have virtually stopped procuring new titles, and their stocks are rapidly diminishing; their number of books and periodicals has fallen by 13 percent since 1992.

As cultural activities have become less affordable and the quality of cultural services has declined, attendance at cultural institutions such as theaters, museums, and cinema houses has fallen considerably. The number of readers in public libraries has dropped even though the prices for purchasing books and periodicals

Table 4.18 Attendance of cultural institutions (per 1,000 population)

	1992	1995	1998
Theaters (professional)	186	156	106
Museums	275	201	174
Cinema houses	763	38	15
Public libraries	198	193	177

Source: ASSC, Statistical Yearbook of Azerbaijan 1999, pp. 128-30 and UNDP calculations from ASSC data

have risen. Even in cases where the number of institutions has increased, such as the number of museums, attendance rates have fallen. (See Tables 4.17 and 4.18)

Like all other aspects of life in Azerbaijan, cultural life has been severely impaired by the conflict over Nagorno-Karabakh. Cultural infrastructure in the occupied and war-torn areas has been completely destroyed. The former residents of these areas, who are now displaced and typically very poor, are almost completely deprived of access to cultural opportunities.

The levels of remuneration received by people who work in culture and the arts are among the lowest in the country. According to Government statistics, in 1998 the average monthly wages paid to employees in culture and the arts were 76,016 manats (about \$20) and 68,730 manats (about \$18) respectively.

4.5 Religion

Human development—the process of expanding the economic, social, and political freedoms of all people in society—requires an environment of genuine religious freedom. The Constitution of the Azerbaijan Republic and the Law on Freedom of Religion and Religious Organizations (adopted in 1992 and amended in 1996 and 1997) grant all citizens the legal right to confess their religions, go on pilgrimage, and advocate



their religious values as long as these activities do not contradict national or public security. Given Azerbaijan's recent history as part of the Soviet Union, the concepts of religious freedom and freedom of assembly are very new. For this reason, particular diligence will be

Box 4.4 The International Community and Cultural Life

The international community has played an important role in preserving and enhancing cultural life in Azerbaijan. International organizations, embassies, and foreign companies have sponsored cultural events ranging from Azerbaijani musical concerts and art exhibits to traditional puppet shows and art and music contests. The United Nations Development Programme (UNDP) has supported a variety of local efforts to preserve Azerbaijani culture, including enhancement of the Azerbaijan State Opera and Ballet Theater, preparation of a book on traditional Azerbaijani carpets and textiles, and translation and publication of a traditional collection of folklore (Dedeh Gorgut). The World Bank will soon begin building national capacity to conserve and restore the country's cultural monuments, many of which have fallen into disrepair. Such international support for culture in Azerbaijan is helping to fill the gap created by the constraints on local funding.

Table 4.19 Athletic competitions in which Azerbaijani athletes participated, 1996-1998

	1996	1997	1998
International competitions attended in other countries	105	126	133
International competitions held in Azerbaijan	10	12	8
National competitions	80	91	93
Local competitions	894	1,714	1,809



required to ensure full implementation of the country's legal provisions regarding religion.

A number of new religious establishments have opened in Azerbaijan in recent years. People of a wide range of religious faiths—including Muslims, Christians, and Jews—congregate in these establishments to worship and teach the tenets of their faiths. Baku's Bibi-Aybat Mosque, a religious institution of great cultural significance that was destroyed during Soviet times, was

Table 4.20 Medals earned in international athletic competitions, 1994-1998

	1994	1995	1996	1997	1998
Total	49	54	68	136	168
Gold medals	12	23	22	54	60
Silver medals	15	19	17	45	45
Bronze medals	22	12	29	37	63

reconstructed in 1998. Relations among people of different confessions are characterized by an exceptional degree of mutual respect.

Religious education has been reintroduced in Azerbaijan, both within the new religious establishments and by some educational institutions. The state universities, for example, now offer a course covering humanistic philosophy and the history of modern religions.

4.6 Recreation and Sports

Before the transition period began and the conflict over Nagorno-Karabakh erupted, Azerbaijan was a popular vacation destination for tourists from throughout the Soviet Union. Today, however, the country's recreational infrastructure is suffering from financial difficulties and the effects of conflict. The number of sanatoriums and rest establishments has fallen from 106 in 1991 to 88 in 1999, and their capacity has dropped by nearly 50 percent. Many of the most attractive vacation and recreation sites were located in parts of the country that are now occupied or damaged by war, and many recreational facilities in other parts of the country are now used as accommodations for displaced people.

Rehabilitating and developing the country's recreational services is important for the human development process. Expanded recreational opportunities will benefit Azerbaijani citizens who make use

of them and will also benefit the economy by drawing foreign tourists. Tourism has begun to increase in recent years, and the potential for increased foreign tourism is considerable. According to Government statistics, 483,000 foreign tourists came to Azerbaijan in 1998, primarily from other CIS countries and Iran.

Most of the country's sports facilities have deteriorated greatly during this decade, especially in the rural areas, as a result of inadequate resources for reconstruction and maintenance. A number of new sports facilities have recently opened in Baku and other large cities, usually in luxury hotels and clubs, but their entrance and membership fees are prohibitive to most local people.

Nonetheless, the participation of Azerbaijani athletes in local, national, and international competitions has increased over the past two years, and the number of international awards earned by Azerbaijani athletes has also increased. (See Tables 4.19 and 4.20.) For the general population, however, the level of athletic activity remains low. Improving the athletic opportunities available to all people is important for the country's overall health profile.

4.7 Conclusion

The people of Azerbaijan have historically benefited from a strong system of education, substantial scientific progress, and the country's richness in culture and the arts. The economic difficulties of the transition period, however, are now reflected in deteriorating infrastructure in all of these areas, and funding problems are compounded by the consequences of military conflict. Educational, scientific, and cultural facilities in the occupied and war-torn areas have been completely destroyed, and the people displaced from these areas are deprived of adequate schooling and recreational opportunities.

Long-term human development prospects depend in large part on the quality of the educational and cultural services available to people throughout society. The Government and the international community have begun to address some of the difficulties in these areas, particularly the needs for education reform and cultural revival. Intensified efforts are needed to develop and implement policies that effectively preserve and expand Azerbaijan's intellectual and cultural strengths.

Chapter 5



REFUGEES AND INTERNALLY DISPLACED PERSONS: THE SITUATION TODAY



conditions facing IDPs and refugees, particularly with regard to shelter, income and employment opportunities, and health and nutrition. The actions taken by the Government and the international community to address the problems of the displaced—by facilitating their return to their homes when possible and strengthening their self-reliance while they remain displaced—are then explored.

5.2 History of the Displacement Crisis

5.1 Introduction

Armed conflict has adversely affected the lives of virtually all the people of Azerbaijan for more than a decade. The most severe consequence of this conflict is massive population displacement, which has left Azerbaijan with one of the largest per capita refugee and displaced person burdens in the world. Deprived of their basic human right to return home, Azerbaijan's internally displaced people (IDPs) and refugees are disproportionately represented among the country's poor and vulnerable. Their survival continues to depend in large part upon assistance from the Government and international humanitarian organizations.

This chapter describes the history of the displacement crisis and the difficult living

The past two centuries have seen at least five waves of ethnic Azeri refugees from the territory of modern Armenia to Azerbaijan. The most recent flow of refugees started in the late 1980s as conflict over Nagorno-Karabakh began to escalate. According to Government statistics, nearly 250,000 ethnic Azeris fled to Azerbaijan from 380 settlements in Armenia between 1988 and 1991.

An even larger population has become internally displaced as a result of the continuing occupation of one-fifth of the territory of Azerbaijan. The occupation has left the country today with about 576,000 IDPs—people who fled the occupied territories for safer areas within Azerbaijan. A cease-fire has been in place with Armenia since 1994, but still no formal

peace agreement has been reached. Hopes of an imminent peace agreement that would enable the IDPs to return to their homes have now faded.

In addition to the IDPs and refugees who fled their homes as a result of the conflict with Armenia, the displaced population in Azerbaijan includes nearly 50,000 Meskhetian Turks. Most of these refugees came to Azerbaijan in the early 1990s to escape ethnic conflict in Uzbekistan.

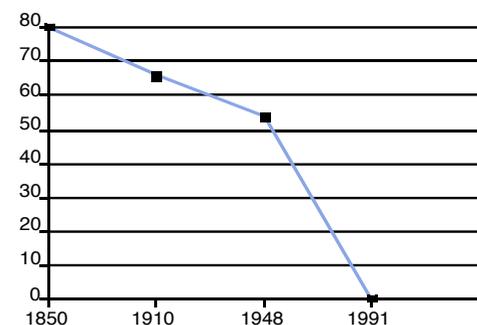
IDPs are dispersed throughout the country—with just under half of them in rural areas—yet they remain largely isolated from the mainstream of the communities where they have settled. The capacities of their host communities to assimilate them economically and to provide them with basic social services are sharply constrained by the economic difficulties facing the country as whole.

5.3 Shelter

Azerbaijan's IDPs and refugees are entitled to free housing and utilities under the 1992 Law on the Status of Refugees and Displaced Persons. The economic crisis and the Government's limited revenue-raising capacity, however, have made it impossible to fulfill this commitment to the full extent that was originally envisioned. The majority of the displaced have inadequate shelter, poor access to clean water and sanitary services, and severely limited supplies of energy.

According to government statistics, about one-quarter of the internally displaced live with friends and relatives, while the remainder live in tent camps, public buildings (such as schools), partially constructed buildings, tourist and health facilities, railway wagons, dugouts, and other temporary settlements. (See Table

Figure 5.12 Share of ethnic Azeris in the total population living in the territory of modern Armenia, 1850-1991 (percent)



Source: Government of Azerbaijan

Table 5.21 Occupied territories of the Azerbaijan Republic (sq. km.)

District	Area (sq. km.)
Kelbajar	1,936
Fizuli	1,386
Gubati	802
Jebrazil	1,059
Zangelan	707
Agdam	1,903
Gazakh	20
Sadarak	4
Lachin	1,835
Nagorno Karabakh (without Shusha)	4,388
Shusha	970
Total	15,010

Source: Azerbaijan Reconstruction and Rehabilitation Agency 1998

5.22) In a recent survey of its beneficiaries, which include the majority of IDPs living in rural areas, the World Food Programme (WFP) found that about two-thirds of households live in one-room shelters, 70 percent do not have kitchens, and 40 percent share toilets with other families. Another recent survey, sponsored by the World Bank, found similarly dire shelter conditions: the majority of surveyed IDP households in both urban and rural areas live in one-room shelters, and 18 percent are without access to water inside or even nearby their residences.

Table 5.22 Types of shelter in which IDPs live, October 1998.

Shelter	Number of IDPs	Percent of Total
Public buildings, schools, kindergartens, and hostels	167,133	29.0
With relatives and friends	149,843	26.0
Tented camps and other settlements	94,517	16.4
Uncompleted buildings	42,648	7.4
Railway wagons and roadside settlements	39,190	6.8
Illegally occupied apartments	34,003	5.9
Farms and dugouts	31,121	5.4
Sanatoria, rest houses, tourist bases, and health camps	17,866	3.1
TOTAL	576,321	100.0

Source: Government of Azerbaijan

5.4 Income and Employment

Most IDPs have been displaced from their homelands for five to seven years, during which their employment opportunities have been severely limited. According to government statistics, only one-third of the IDPs who are able to work are employed. Thirty-six percent of the IDPs interviewed in the recent World Bank-sponsored survey consider themselves formally unemployed, whereas only 8 percent considered themselves unemployed before warfare forced them from their homes. WFP estimates that about two-thirds of the country's rural IDPs are unable to meet their minimal food and non-food requirements.

Many IDPs (at least 40 percent) have agricultural backgrounds, but most of them live in circumstances that prevent them from working in agriculture. They are effectively excluded from owning land because Azerbaijani citizens are eligible to participate in land privatization only in their home raions. The recent WFP survey found that only about ten percent of WFP's rural IDP beneficiaries have access to land for cultivation and that financial constraints prevent one-third of them from cultivating that land.

A tremendous need has emerged for skill development, retraining, and income gen-

eration. A number of international organizations and NGOs have responded to this need by funding programs that give start-up loans and training to IDPs wishing to establish small businesses. Programs of this sort have supported small enterprises ranging from bakeries and car repair shops to women's cooperatives. Some of them are expected to become self-sustaining, with the money from repaid loans being used to finance additional businesses.

The reach and effectiveness of the micro-credit programs have been weak, however, because of the absence of clear regulations on credit programs outside the banking sector. WFP estimates that only 4 percent of rural IDP household income is generated by these programs and that income earned from the programs covers only about one-quarter of the total needs of the IDP households that participate in them. A recent Presidential Decree on Internally Displaced Populations and Refugees gave support to the expansion of micro-credit programs, raising hopes that the regulatory gap in this area will be addressed in the near future.

IDPs typically depend heavily for their survival on subsidies and pensions from the Government and food aid from international humanitarian organizations. The government subsidies include a

monthly "bread subsidy," which was recently increased to 15,000 manats (about \$3.50), and a children subsidy of 9,000 manats (about \$2.10) for each child whose per capita household income is less than 16,500 manats (about \$3.85). IDP and refugee households are also eligible for a monthly government subsidy of 30 liters of kerosene during the three winter months.

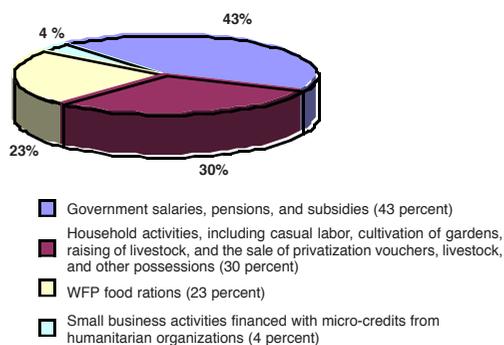
These subsidies are not large, but they contribute a significant proportion to most IDP household budgets, and many IDPs are willing to incur substantial travel expenses to obtain them. The recent WFP survey showed that all of the IDP families receiving WFP food rations collect the bread subsidy and almost half of them collect the subsidy for children. Together these subsidies cover 18 percent of the total cash and in-kind income of WFP's beneficiaries.

Future income earning prospects in IDP communities are likely to be constrained by the persistence of inadequate educational opportunities. The recent World Bank-sponsored survey found that 8 percent of school-age IDP children are not in school. Anecdotal evidence suggests that the quality of schooling for most IDP children who do attend school is low because of severely limited educational materials, temporary classrooms, and a lack of heating in the winter.

5.5 Health and Nutrition

The health status of the IDP and refugee population has not been studied systematically for several years, but the results of a 1996 nationwide survey conducted by USAID, WHO, and UNICEF remain instructive since there is no evidence of improvement in the living conditions of the displaced since then. Several of the findings of this study indicate that IDPs suffer adverse health effects relative to the

Figure 5.13 Sources of income (cash and in-kind) for rural IDP households receiving WFP food rations



Source: WFP 1999

resident population as a result of lower living standards, poorer diets, and poorer quality drinking water.

The study found that IDP children under five were significantly more likely than children of the resident population to have had diarrhea in the two weeks prior to the survey (23.4 percent compared to 15.2 percent). It also found that goiter was more prevalent among IDPs than residents (23.0 percent compared to 9.8 percent). The prevalence of goiter is an important health concern because it indicates iodine deficiency, which is the primary cause of preventable mental retardation in the world. A more recent indication of the



Box 5.5 Minimum monthly food basket for an IDP family in Azerbaijan

The World Food Programme (WFP) estimates that the cost of a minimum monthly food basket—excluding meat, fish, chicken, and milk—is \$68 for a family of five. This food basket includes relatively inexpensive food items that still provide minimal energy, protein, and fat requirements:

Wheat flour	60 kg	Beans	9 kg
Oil	3.8 kg	Sugar	2.3 kg
Rice	2.5 kg	Onions	5 kg
Potatoes	10 kg	Peas	6.3 kg
Tomatoes	12.5 kg	Eggplants	5 kg
Cheese	1.3 kg	Butter	0.6 kg
Salt	0.6 kg	Tea	0.6 kg
Seasonal fruits	8.8 kg	Eggs	40

The components of the basket were selected for purposes of calculating a family's cost of achieving minimum nutritional requirements; a family can exchange individual items in the basket for similar items and still maintain the basket's nutritional value.

The food rations received by WFP beneficiaries cover about one-quarter of the value of this minimal food basket and about half of the beneficiaries' minimum energy requirements. Nonetheless, two-thirds of the WFP beneficiaries remain unable to meet their minimal food and non-food requirements.

poor general health of the IDP population is provided in the recent World Bank-sponsored survey (March 1999), which found that 39 percent of IDP households had a person who had been sick in the last month.

Chronic malnutrition was found to be prevalent among young IDP children in the 1996 survey. IDP children under five years of age—those most likely to have been born after their families were displaced—were at a significantly higher risk for stunted growth compared to older IDP children. Surveys conducted by UMCOR (1997) and World Vision (1998) of subsets of the IDP population reinforced concerns about malnutrition among IDPs; the UMCOR study found 79 percent of surveyed non-pregnant women to be anemic, and the World Vision study found 30 percent of surveyed children to be malnourished.

Several international humanitarian organizations are working actively to abate hunger and malnutrition among IDPs. WFP, which coordinates the largest volume of food aid in Azerbaijan, provides two-third of the rural IDP population (200,000 people, or one-third of the total IDP population) with monthly food baskets sufficient to cover half their minimum energy requirements. Another 100,000 IDPs are served by other organizations, including the Adventist Development and Relief Agency and the International Federation of the Red Cross. The food aid programs have enabled their beneficiaries to maintain their nutritional status, but food insecurity remains severe among IDPs. WFP estimates that even with its assistance and government subsidies, families can face up to a 35 percent deficit in their food security.

5.6 Reconstruction and Rehabilitation of the War-torn Territories

One-fifth of the territory of Azerbaijan is still under occupation, but some parts of Azerbaijan that were once occupied have now been liberated, and IDPs have begun returning to 22 villages in these areas. Surveys have consistently found that the great majority of IDPs want to return to their homes; this was indicated, for example, by 99 percent of the IDPs interviewed in the recent World Bank-sponsored survey.

As the displaced look toward opportunities to return to their homelands, however, the country faces a staggering task of reconstruction and rehabilitation. The war-damaged areas are contaminated with land mines, and homes, schools, hospitals, and all other forms of social and physical infrastructure have been damaged or destroyed. The total damage to the war-torn areas under Azerbaijani control has been assessed by the Government at \$922 million. (See Table 5.23)

Table 5.23 Damage to liberated territories and war-torn territories that are not under occupation, USD millions

Regions	TOTAL damage	Housing education, health, culture	Industry & agriculture	Infrastructure	Demining	Personal property
Gazakh	29.29	19.41	3.06	0.95	0.07	5.8
Agstafa	0.60	0.57	0.01	0.02	-	-
Tovuz	3.94	3.50	0.03	0.41	-	-
Gedabek	3.95	2.11	0.02	0.02	-	1.8
Khanlar	30.95	10.93	15.34	3.28	-	1.4
Terter	117.12	57.66	36.75	3.81	-	18.9
Agdam	353.98	8.17	74.98	42.43	-	228.4
Agjabedi	17.78	2.4	14.21	1.17	-	-
Beylagan	12.40	1.27	10.55	0.58	-	-
Fizuli	241.44	46.89	85.25	22.0	5.2	82.1
Goranboy	98.47	47.03	28.78	5.26	-	17.4
Nakhchivan	12.35	4.87	3.94	2.96	-	0.58
TOTAL	922.27	204.81	272.92	82.89	5.27	356.38

Source: Government of Azerbaijan

The Government and the international community have taken significant steps toward facilitating the voluntary repatriation of IDPs to the liberated areas. A Presidential Decree has extended the government benefits provided to IDPs and refugees to returnees for one year from the date of their return, and the process of reconstructing and rehabilitating the accessible war-torn areas is well underway under the leadership of the State Commission for Reconstruction and Rehabilitation and its implementing arm, the Azerbaijan Reconstruction and Rehabilitation Agency (ARRA).

The reconstruction and rehabilitation process started in 1996 with a UNDP-funded pilot project in the severely damaged settlement of Horadiz in the Fizuli district. During the past three years, UNDP, UNHCR, the World Bank, and the European Union have helped the Government to reconstruct homes, irrigation systems, power and water supplies, and public buildings through a variety of projects. The focus of support in the liberated areas is now shifting increasingly toward income generation and local capacity building.

Building on the successes of the pilot projects, the Government has developed a \$117 million Programme for Resettlement and Reconstruction of the Liberated Areas, which envisions returning more than 36,000 IDPs to liberated and war-damaged areas. The program encompasses shelter reconstruction and rehabilitation, employment generation, and rehabilitation of health care facilities, schools, power and water supplies, transportation facilities, and communication links in the Fizuli, Agdam, and Terter districts. The World Bank, UNDP, UNHCR, the European Union, and WFP have jointly committed to



Box 5.6 Government Strategy for IDPs and Refugees

A September 1998 Presidential Decree on Internally Displaced Populations and Refugees bolstered ongoing efforts to enable voluntary repatriation of IDPs to the liberated areas and set forth a comprehensive strategy to bring the standards of living of IDPs and refugees who cannot yet return to their home communities into line with those of the rest of the country's population. The new strategy formally recognizes that the displaced population cannot achieve self-reliance while continuing to live in temporary situations and without access to land.

The Government's strategy for IDPs and refugees incorporates four primary objectives:

- 1) to continue helping IDPs who originate from liberated areas to return to their homes and resume their livelihoods;
- 2) to enable as many as possible of the IDPs originating from areas that are still occupied or considered unsafe to relocate to compact settlements in accessible locations within their home districts, and to provide them with land suitable for farming and raising livestock;
- 3) to help the remaining IDPs and refugees to relocate, wherever feasible, to areas of the country where they will have better prospects for self-reliance; and
- 4) to create income-earning opportunities, through micro-credit facilities and job training, for the IDPs and refugees who remain in camps and public buildings.

financing projects in support of this national program.

The presence of landmines and unexploded ordnance in the war-damaged areas presents a major obstacle to all efforts to help IDPs repatriate. To address this problem, UNDP and the Government have ini-



tiated a major humanitarian mine action program, involving de-mining actions, victim assistance, and mine awareness activities. The program has begun to build national capacity in this area through the establishment of a national mine action agency and the training of national deminers.

5.7 Government Strategy for IDPs and Refugees

The reconstruction and rehabilitation process has enabled some IDPs to return to their homes, but the absence of a political solution to the conflict with Armenia has dampened hopes of massive repatriation in the near future. An important need has therefore arisen to identify ways to enable IDPs to achieve sustainable improvements in their quality of life while they remain displaced. The displaced population cannot achieve self-reliance while continuing to live in temporary situations and without access to land.

In recognition of these concerns, a September 1998 Presidential Decree set forth a comprehensive strategy to bring the standards of living of IDPs and refugees who cannot yet return to their home communities into line with those of the rest of the country's population. The Government has called upon UNDP, UNHCR, and the World Bank to help implement the strategy.

The new strategy's objectives include helping IDPs relocate to areas where they will have better prospects for self-reliance and providing them with land suitable for farming and raising livestock. It further envisions providing micro-credit facilities and job training opportunities to enhance the income-earning capacities of IDPs and refugees who remain in camps and public buildings. Its implementation is hoped to

reduce IDPs' dependence on humanitarian assistance.

5.8 Conclusion

More than ten years have passed since the beginning of the conflict over Nagorno-Karabakh, yet the consequences of the conflict continue to aggravate the country's economic and social problems as it struggles through the transition period. Hundreds of thousands of people remain displaced, and a large proportion of the country's territory is still occupied. The displaced population endures alarmingly poor living conditions, including inadequate shelter and food supplies, sharply limited income-earning potential, and disproportionately poor health relative to the country's resident population.

The option for uprooted people to return to their places of origin—freely, safely, voluntarily, and in dignity—is a basic human right. To enable some IDPs to realize this right, the Government of Azerbaijan and a number of international organizations have begun the arduous task of reconstructing and rehabilitating war-torn areas. Nonetheless, most IDPs face grim prospects of returning to their homelands in the near future. The need has therefore arisen to enable those who remain displaced to achieve self-reliance and sustainable improvements in their standards of living. The Government has set forth a new strategy to reach this objective with assistance from the international donor community.

Chapter 6



THE PROCESS OF DEMOCRATIZATION



6.1 Introduction

Human development requires a system of governance that enables all people to participate meaningfully in the political process. Since their independence from the Soviet Union, the people of Azerbaijan have chosen to pursue the transition toward a democratic political system. The country is now struggling with the difficult challenge of reversing the former totalitarian approach to governance, which embodied little respect for the civil and political rights of the individual, and establishing the institutions of a democracy.

The successful achievement of democracy and respect for human rights in Azerbaijan will require extensive

reforms. These include legal and institutional changes, the decentralization of political power, the creation of an enabling environment for the private media and civil society, and strengthening of the election process. This chapter reviews the country's progress and problems in each of these areas.

6.2 Human Rights and the Legal System

Recent years have seen some important legal and institutional reforms that strengthen the prospects for consistent observance of human rights. The Constitution of the Azerbaijan Republic, adopted by national referendum in 1995, provides a sound basis for the protection of human rights, and a Constitutional Court, envisioned as an independent body to uphold the Constitution, was established in 1998. The process of ratifying international human rights agreements is well underway, and a number of recent laws and presidential decrees aim to reinforce respect for human rights.

At present, however, the positive impact of these reforms is inhibited by the persistence of outdated legislation and administrative deficiencies. Existing laws and administrative procedures enable government officials to resist legitimate activi-

ties on the part of civil society, for example, and the criminal justice system fails to reflect the constitutional rights of people detained on suspicion of crimes. International and local human rights organizations continue to report serious human rights violations.

Enabling the rule of law to prevail will require acceleration of the legal reform process, the establishment of effective mechanisms for implementing the new laws, and strengthening of the judicial system's integrity and independence. Progress in this direction is envisioned under a public sector reform program that the Government is preparing in collaboration with the World Bank. The United Nations Development Programme (UNDP) and other international organizations are also providing training and other support to strengthen the administration of justice and the capacity of civil society to contribute to the promotion and protection of human rights.

Recognizing that mechanisms for human rights protection can be effective only if a culture of human rights comes into being, United Nations organizations and the Government have begun collaborating in efforts to raise human rights awareness. These include the organization of seminars and workshops, the establishment of libraries, and the dissemination of relevant publications. In December 1998, the Government and people of Azerbaijan participated in a wide range of events in celebration of Human Rights Day 1998—the fiftieth anniversary of the Universal Declaration of Human Rights. (See Box 6.7.)

6.3 Decentralization and the Roles of Central and Local Authorities

The Constitution of the Azerbaijan Republic provides for separation of powers between central and local authorities.

Box 6.7 The Universal Declaration of Human Rights and the Constitution of the Azerbaijan Republic

In December 1998, the Government and the people of Azerbaijan joined nations throughout the world in celebrating the fiftieth anniversary of the Universal Declaration of Human Rights. The Universal Declaration, which Azerbaijan ratified in 1992, is an historic proclamation of the fundamental and inalienable rights of all members of the human family. It brings together common elements of different ideologies and recognizes all kinds of human rights—civil, political, economic, social, and cultural.

The Universal Declaration provides that no one shall be tortured, held in slavery, or arbitrarily deprived of property. It proclaims the right of all people to equality before the law, to fair and public hearings, and to participation in government. It sets forth the right to freedom of thought, conscience, religion, opinion, expression, and assembly. It declares the right to education, the right to own property, and the right to a standard of living adequate for health and well-being. The Universal Declaration extends these rights to all people, without distinction on the basis of race, gender, religion, ethnic origin, or any other status.

Azerbaijan's Constitution was drafted in the spirit of the Universal Declaration. It grants all people freedom of thought and speech, conscience, assembly, and information, and it extends to everyone the right to social protection, health, education, property ownership, safety, participation in cultural life, and the use of their mother tongues. It extends rights to those detained, arrested, or accused of crimes, including the right to a lawyer's advice from the moment of detention, arrest, or accusation and the presumption of innocence until guilt is proved legally. These rights and liberties are extended to all people irrespective of characteristics such as gender, race, nationality, origin, religion, political convictions, and membership in political parties and other public organizations.

It mandates the creation of locally elected municipal bodies with authority over local taxation and budgets, the possession and use of municipal property, and local programs for social protection, economic development, and environmental protection.

The existing system of local governance, however, is essentially a continuation of the old Soviet system. Local executive authorities are appointed by the President and are subject to strict vertical subordination to the central government. They have little incentive or ability to make decisions based on local circumstances, and since they are not held accountable to

Box 6.8 Presidential Decree on Human Rights

The Presidential Decree on Measures for Ensuring Citizens' and Human Rights and Freedoms, issued in February 1998, envisions the following steps toward promoting and protecting human rights in Azerbaijan:

- improved governmental relations with national and international human rights organizations;
- preparation of a state programme on protection of the rights of women, children, and national minorities;
- establishment of a central government official dedicated to addressing human rights issues;
- creation of a national human rights institution;
- acceleration of the process of ratifying international human rights treaties; and
- progress toward the full and effective implementation of international human rights treaties.

In accordance with this decree, the Cabinet of Ministers prepared a State Programme on Human Rights, including various educational and promotional activities. The Programme was approved by Presidential Decree in June 1998. In May 1999, an Institute on Human Rights was established to conduct human rights research. The Institute is funded by the Government but is designed to operate as an independent entity.

Box 6.9 Women's Rights are Human Rights: A Regional Conference

Representatives of governments and non-governmental organizations (NGOs) from 13 countries of the region gathered for a conference entitled "Women's Rights are Human Rights: Women in Conflict" in Baku in May 1998. The conference served to raise awareness of women's concerns and to facilitate regional cooperation in the promotion of gender equality. Particular emphasis was placed on the problems of women living in war-torn areas and women who have become displaced as a result of war.

The conference participants prepared a regional programme of action for governments, NGOs, and United Nations agencies. The programme of action calls for recognition and enhancement of the role of women in conflict prevention, resolution, and peace-building; the elimination of violence against women; and the protection and promotion of the human rights of women displaced by conflict.

The United Nations Development Programme (UNDP), the United Nations High Commissioner for Refugees (UNHCR), and the United Nations Development Fund for Women (UNIFEM) organized the conference with support from the Government of Azerbaijan.

local constituencies through elections or any other means, the population has little opportunity to influence their decisions. The current system is thus inconsistent with both the principles of democracy and the country's Constitution.

The Constitution required municipal elections to be held within two years of the date the Constitution came into force, which was 27 November 1995. Slow progress toward the development and adoption of related legislation—such as laws on municipal election procedures and the status of the municipal bodies—has delayed the elections. The establishment of municipal authority is also complicated by the dispersion throughout Azerbaijan of the many people who have been displaced from the country's occupied and war-torn areas. The municipal elections are now scheduled for December 1999.

The postponement of municipal elections is among the reasons that Azerbaijan has not yet achieved membership in the Council of Europe. In addition to preventing democratization at the local level, the failure to hold the municipal elections damaged the credibility of the 1998 presidential election (discussed below). The lack of independence of the local executive authorities from the central government called into question their ability to carry out their roles in the election process in an impartial manner.

6.4 The Media

Significant progress has been made recently toward the achievement of freedom of speech in Azerbaijan. Most importantly, the government body formerly responsible for censorship—the Department for Protection of State Secrets in the Press and Other Media, which operated under the Cabinet of

Ministers—was abolished by Presidential Decree in August 1998. The state monopoly on newsprint and printing processes was also broken, and several new private printing houses have been established.

The involvement of the private sector in the media remains limited, however. This is particularly true with regard to television and radio programs, which reach many more people than the print media. One of the two state television channels, AzTV-1, is the only electronic outlet able to cover the whole country. Independent radio and television companies have very small broadcasting areas and are concentrated in Baku. Private television, radio, and printing companies are subject to licensing by the Ministry of Press and Information.

6.5 Civil Society

The development of civil society is vital to the process of democratization. In well-developed democracies, organizational organizations (NGOs)—play an indispensable role in governance. NGOs conduct independent research on problems of public importance and promote policy options for addressing them. They advocate the interests of their members and other groups in society by influencing both the policy process and public opinion, and they often provide direct services to specific social groups. They are typically flexible enough to react quickly to evolving social, economic, and political problems. NGOs can therefore benefit the Government both by supplementing government services to the public and by providing effective channels of communication between policy makers and the general population.

Civil society has begun to develop in Azerbaijan. NGOs have emerged in a

wide range of areas such as health, education, environmental protection, and gender concerns. A number of charities, professional societies, and cultural organizations have also formed. Some local NGOs sponsor training and awareness-raising programs on civil society development, the rule of law, the election process, and other mechanisms of democracy. Still others provide business training to entrepreneurs, thus helping to encourage and strengthen small enterprises.

Some local NGOs promote citizens' rights and freedoms, such as the rights of prisoners, the rights of consumers, and the freedoms of expression, assembly, and association. These organizations raise awareness of the mechanisms for protecting human rights and freedoms and inform the Government and the public about human rights violations.

In the early years of Azerbaijan's transition toward democracy, almost all NGOs were affiliated with political parties either directly or indirectly. Since the mid-1990s, however, many representatives of local NGOs and people interested in forming them have been exposed to the ways NGOs operate in other countries through training programs sponsored by international organizations and donors. As a result, an increasing number of NGOs are learning to function as independent bodies.

The Ministry of Justice has registered more than 1,000 NGOs, and some NGOs are functioning without registration. In spite of the growing number of NGOs, however, the process of building civil society remains in its early stages. Very few of Azerbaijan's NGOs can be considered genuinely active at this stage. Most of them are very small and under-funded, and knowledge of how NGOs operate remains weak. NGO activity is particularly limited outside the capital city of Baku.

Box 6.10 Women's NGOs

Twenty-three women's NGOs have officially registered in Azerbaijan. Some of them, such as Mejlis "Sevil" of Azerbaijan Women and the Aliyeva Society for the Protection of Women's Rights, have branches throughout the Republic. Mejlis "Sevil" of Azerbaijan Women is represented in many enterprises, universities, and the Academy of Science. Although most women's NGOs are poorly funded, they play an important role in promoting women's rights and ensuring gender balance in Azerbaijan. Representatives of local women's NGOs have participated actively in international conferences and workshops, and they regularly represent the country's gender concerns in programs of the Government and international organizations.

Expansion of the role of NGOs in Azerbaijan is hindered by a number of administrative and legislative barriers. The adoption of a law that defines NGOs, specifies the criteria and procedures for registering them, and clarifies their tax status is desperately needed. The absence of such a law enables some government officials to handle NGO affairs in an arbitrary and discretionary manner. For example, some NGOs have been able to register with the Ministry of Justice in a quick and straightforward way, but others, particularly human rights NGOs and those affiliated with opposition political parties, have encountered excessive difficulties in the registration process or have been denied registration on the basis of questionable motives.

Progress toward improving trust and cooperation between the Government and civil society is underway. The Parliament is working on an NGO law, with assis-

tance from several international organizations, and a Law on Grants, adopted in April 1998, clarified the taxation of grants that NGOs receive from international organizations. The important role of human rights NGOs was acknowledged in the February 1998 Presidential Decree on Measures for Ensuring Citizens' and Human Rights and Freedoms, which called for further governmental cooperation with human rights organizations. Continuing efforts are needed to increase the understanding among all people in society of the ways that the Government and civil society can work together to improve governance.

6.6 Political Parties

The emergence of many political parties in Azerbaijan since independence in 1991 exemplifies the country's progress toward a democratic political system. As of January 1999, the Ministry of Justice had registered 34 political parties, and many additional parties function without registration. The parties have different levels of organization and influence, however, and only a few of them represent real political forces with activity throughout the country.

Many of Azerbaijan's political parties are formed around popular individual leaders or groups of leaders, leading to the existence of multiple parties with similar platforms and, in some cases,

Table 6.24 Newspapers issued by political parties

Title	Party affiliation	Number of issues per week	Circulation
Azadlig	People's Front Party	5	5,700
Jumhuriyyet	People's Front Party	1	5,030
Khurriyet	Azerbaijan Democratic Party	3	16,500
Millet	Azerbaijan National Independence Party	3	3,480
Yeni Azerbaijan	New Azerbaijan	6	4,435
Yeni Musavat	Musavat	6	21,700

poorly defined platforms. Cooperation among parties with similar platforms is achieved through bilateral and multilateral agreements and the establishment of inter-party blocs.

The role of political parties in the country's political life is limited to some extent by administrative and legislative obstacles. A number of opposition political parties have been denied registration by the Ministry of Justice or have faced long delays in the registration process. In 1998, a presidential election year, five parties were registered, one of which is an opposition party. Under existing election law, parties obtain representation in Parliament only if they receive a full eight percent of the vote.

Newspapers issued by some of the main political parties play an important role in informing the public of the parties' activities and platforms, particularly during campaigns. Some of these newspapers have large audiences. (See Table 6.24.)

6.7 Elections and the Election Process

Free and fair elections are central to a democratic system of governance. Making this fundamental democratic practice a reality in Azerbaijan is an extraordinary challenge given that the country's 70 years of Soviet control ended only eight years ago. Other countries emerging from totalitarian systems have shown, however, that rapid progress toward viable elections is possible.

The Constitution of the Azerbaijan Republic provides for legislative power to be implemented by a 125-seat Parliament and calls for parliamentary elections to be held every five years. It also creates a strong presidency and calls for the President to be elected for a five-year term. The country's first parliamentary



election since regaining independence was held in November 1995 simultaneously with a referendum on the new Constitution. President Heydar Aliyev was elected through presidential elections in 1993 and 1998.

The 1995 parliamentary election, which international observers found to be inconsistent with international standards in many ways, resulted in a Parliament that is closely aligned with the President. Candidates ran for 100 of the 125 parliamentary seats on a majority basis, and the remaining 25 seats were distributed proportionally among political parties. Of the 25 proportional seats, the President's party (New Azerbaijan) won 19 and two opposition parties won three each. Some of the deputies who were originally affiliated with the President's party have subsequently joined an opposition bloc.

The year 1998 was tremendously important for Azerbaijan's political development because of the presidential election in October. According to the official election results, about 77 percent of the registered electorate voted, and the incumbent President Heydar Aliyev won the election with 76 percent of the vote. Six candidates ran for president, but several influential opposition parties boycotted the election.



In the pre-election period, the Government pursued a series of important measures to improve the election process. As amended in July 1998, the Law on the Election of the President of the Republic sets forth an improved method of selecting election commissioners, allows monitoring by domestic and international observers, prohibits the presence of unauthorized persons at the polling stations, and guarantees all registered candidates equal coverage by the public media. The abolition of official censorship in August 1998 enabled the expression of a wide variety of views during the campaign, particularly in the printed media. A new Citizenship Law was adopted in September 1998, giving citizenship, and therefore voting rights, to many of the country's refugees.

These measures led to improvements in the electoral process relative to earlier elections in Azerbaijan, but international observers still found that the election failed to meet international standards. Some degree of media censorship was reported, such as harassment of journalists, and television news coverage and political advertising heavily favored the incumbent. The Ministry of Justice denied the registration of several political parties and domestic NGOs that were willing to participate in election observation. Some opposition demonstrations were not allowed or were directed to venues other than those request-

ed. The need for impartiality on the part of state bodies and for a clear distinction between campaigning and the official duties of state authorities was not well understood or respected. International observers reported that election procedures were carried out in an appropriate manner at many polling stations but that serious irregularities and violations occurred in the voting, counting, and aggregation phases at a number of others.

The municipal elections scheduled for 1999 and the parliamentary elections scheduled for 2000 provide two opportunities in the near future for Azerbaijan to strengthen its election process. In the meantime, concerted efforts are needed to increase respect for the constitutional freedoms of speech, association, and assembly.

6.8 Conclusion

Notable progress has been made in Azerbaijan toward the creation of a democratic society that guarantees the protection of human rights. Important initial steps toward reforming the legal system have been taken, and the process of decentralizing political power is expected to begin with municipal elections late this year. The degree of media freedom in the country has expanded as a result of the abolition of official censorship and the collapse of the state monopoly on newsprint and printing processes. NGOs and political parties have emerged, and some government officials have begun to recognize the merits of cooperation with civil society.

Nonetheless, a number of obstacles to democratic processes remain in place. The legal reform process has only just begun, and the perpetuation of outdated legislation and weaknesses in the judicial system compromise the effectiveness of the legal reforms undertaken so far. Some NGOs and political parties face undue

resistance to their activities, and this is particularly evident in the registration process. Finally, in spite of some improvements, the country's election process has continued to fall short of international standards.

Concerted efforts are needed on the part of government officials and the general public to overcome the ways of thinking and approaches to governance that characterized the country's years of Soviet control. Continuing progress toward legal and institutional reform, the development of civil society, and the implementation of free and fair elections will bolster public confidence in government institutions and set the country on the path toward human development.



APPENDIX TABLES

1 • HUMAN DEVELOPMENT INDEX

Year	Life expectancy at birth (years)	Adult literacy rate (%)	Average years of schooling	GDP per capita (USD)	Life expectancy index	Education index	GDP index	Human development index
1998	71.6	97.3	10	520.3	0.772	0.878	0.487	0.712

2 • PROFILE OF HUMAN DEVELOPMENT

Year	Life expectancy at birth (years)	Maternal mortality rate (per 100,000 live births)	Population per doctor	Scientists and technicians (per 1,000 people)	Enrollment ratio, ages 6-23 (%)	Tertiary full-time equivalent gross enrollment ratio Total (%)	Tertiary full-time equivalent gross enrollment ratio Female (%)	Daily newspapers (copies per 100 people)	Television sets (per 100 people)	GDP per capita (USD)	GNP per capita (USD)
1998	71.6	41.1	279	3.2	68.7	82.9	29.9	22.3	86.0	520.3	---

3 • PROFILE OF HUMAN DISTRESS

Year	Unemployment rate* (%)		Adults with less than upper-secondary education (as % of population aged 15-64)	Ratio of household income: highest to lowest 20%	Female wages (as % of male wages)	Average annual inflation (%)	Years of life lost to premature death (per 1,000 people)	Injuries from road accidents (per 100,000 people)	Intentional homicides (per 100,000 people)	Reported rapes (per 100,000 aged 15-59)	SO ₂ and NO ₂ emissions (kg per capita)
	Total	Youth (15-24)									
1998	1.13	---	---	---	70.0	- 0.8	---	25.0	7.7	2.0	8.0

* Registered unemployment only.

4 • STATUS OF WOMEN

Year	Life expectancy at birth (years)	Average age at first marriage (years)	Maternal mortality rate (per 100,000 live births)	Secondary net enrollment ratio	Upper-secondary graduates (as % of females of normal graduate age)	Tertiary full-time equivalent gross enrollment ratio	Tertiary natural and applied science enrollment (as % of female tertiary)	Women in labour force (as % of total labour force)	Ministerial -level positions in government (%)	Parliament (% of seats occupied by women)
1998	75.0	23.7	41.1	---	55.4	29.9	---	48.7	6.0	12.0

5 • DEMOGRAPHIC PROFILE

Population (millions)			Annual population growth rate		Total fertility rate 1998	Fertility rates over time (1998 as % of 1960)	Contraceptive prevalence rate (1992-98)	Dependency ratio 1998	Population aged 60 and over (%) 1998	Life expectancy at age 60 (years)	
1960	1998	2000 (est.)	1960-1998	1998-2000 (est.)						Male	Female
4.0	7.95	8.0	2.08	1.01	2.00	---	2.8	71.7	9.0	---	---

6 • HEALTH PROFILE

Year	Years of life lost to premature death (per 1,000 people)	Deaths from circulatory diseases (as % of all deaths)	Deaths from malignant cancers (as % of all deaths)	HIV cases (per 100,000 people)	Alcohol consumption (liters per adult)	Tobacco consumption (kg per adult)	Population per doctor	Health bills paid by public insurance (%)	Public expenditure on health (% of GDP)	Private expenditure on health (% of total health expenditure)	Total expenditure on health (% of GDP)
1998	---	42.2	10.7	1.9	5.1	0.8	279	---	1.0	---	---

7 • EDUCATION PROFILE

Enrollment ratio, ages 6-23 (%) 1998	Upper-secondary full-time equivalent gross enrollment ratio 1998	Upper-secondary technical enrollment (as % of total upper-secondary) 1998	19-year olds in full-time education (%) 1996-98	Tertiary full-time equivalent gross enrollment ratio 1998	Tertiary natural and applied science enrollment (as % of total tertiary) 1996-98	Expenditure on tertiary education (as % of all levels) 1998	Annual public expenditure per tertiary student (USD) 1996-98	Total education expenditure (as % of GDP)		Public expenditure on education (as % of GDP) 1998
								1960	1998	
68.7	98	9.9	14.1	82.9	---	---	120.4	---	---	3.5

8 • HUMAN CAPITAL FORMATION

Average years of schooling			Scientists and technicians (per 1,000 people) 1998	Expenditure on research and development (as % of GDP) 1998	Upper-secondary graduates (as % of population of normal graduate age) 1998	Tertiary graduates (as % of population of normal graduate age) 1998	Science graduates		
Total 1998	Female 1998	Male 1998					as % of total graduates 1998-99	% female 1998-99	% male 1998-99
10	9	11	3.2	0.3	55.4	18.7	2.5	25	75

9 • NATIONAL INCOME ACCOUNTS

GDP (USD billions) 1998	Agriculture (as % of GDP) 1998	Industry (as % of GDP) 1998	Services (as % of GDP) 1998	Consumption (as % of GDP) 1998		Gross domestic investment (as % of GDP) 1998	Gross domestic savings (as % of GDP) 1998	Tax revenue (as % of GNP) 1998	Central government expenditure (as % of GNP) 1998	Exports (as % of GDP) 1998	Imports (as % of GDP) 1998
4.12	20.3	22.3	57.4	80.9	12.8	---	---	---	---	25.3	58.3

10 • EMPLOYMENT

Year	Labour force (as % of total population)	Percentage of labour force in			Future labour force replacement ratio	Real earnings per employee (annual-growth rate)	Earnings disparity: ratio of upper half to lower half of labour force	Percentage of labour force unionized	Weekly hours of work (per person in manufacturing)	Expenditure on labour market programs (as % of GDP)
		Agriculture	Industry	Service						
1998	53.4	29.3	6.5	64.2	---	---	---	40	---	

11 • NATURAL RESOURCES BALANCE SHEET

Land area (thousands of km ²)	Population density (people per km ²) 1998	Arable land (as % of land area) 1998	Permanent grasslands (as % of land area) 1998	Forest and woodland (as % of land area) 1998	Irrigated land (as % of arable land area) 1998	Internal renewable water resources per capita (1,000 m ³ per year) 1998	Annual fresh water withdrawals	
							As % of water resources 1998	Per capita (m ³)
86.6	92	19.3	28.6	11.5	16.8	---	34.0	1,288

12 • SOCIAL STRESS AND SOCIAL CHANGE

Year	Prisoners (per 100,000 people)	Young adult prisoners (as % of total prisoners)	Intentional homicides (per 100,000 people)	Drug crimes (per 100,000 people)	Reported rapes (thousands)	Injuries and deaths from road accidents (per 100,000 people)	Suicides (per 100,000 people)		Divorces (per 1,000 couples)	Single-parent homes (%)	Live births per 1,000 women aged 15-19
							Male	Female			
1998	---	---	7.7	30.8	0.055	25.0	1.1	0.3	3.8	11.0	53



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