

**AZERBAIJAN
HUMAN
DEVELOPMENT
REPORT
2000**



United Nations Development Programme
Baku, Azerbaijan Republic

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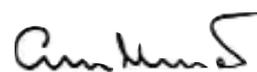
Foreword

Human development is about enlarging choices, assuring human rights and expanding freedoms. It is deeply concerned with protecting the poor, nurturing the environment, reducing inequalities, promoting security, and ensuring everyone a decent standard of living. Human rights and human development share a common vision and a common purpose – to secure the freedom and dignity of all people everywhere. In this framework, therefore, real progress cannot be judged by an increase in the availability of imported goods, or by an expansion in construction activities, or for that matter, by the flow of foreign direct investments. All these may be important, but ultimately what matters most to people is an enhanced sense of security and well-being.

Such a human development perspective has guided the preparation of National Human Development Reports (NHDRs) in Azerbaijan since 1995. This Report, too, like the previous ones, assesses changes that are occurring in people's daily lives and benchmarks the beginning of a new millennium. The Report also seeks to capture the aspirations and expectations of the people in Azerbaijan who are experiencing an unprecedented social and political transformation.

What lends credibility to the NHDRs is their independent and honest appraisal of central concerns that matter most to people, especially the poor and disadvantaged. The NHDRs have drawn attention to the plight of refugees and internally displaced persons. The Reports have contributed to better informing the public, creating pressures for policy change, improving the quality of public course, and initiating public action for human development. The focus has been not only on economic performance but also on the expansion of a wide range of opportunities – social, cultural, legal, environmental and political.

This Report highlights three critical areas for accelerating human development in Azerbaijan. A top priority of the State must be to rebuild the foundations of science and education and bring in innovation and ensure much-needed global competitiveness. Increasing scientific capacity must become a national priority. It is critical to transform the country into a knowledge-based and knowledge-led society by stepping up investments in science. Azerbaijan must make the most of the information and communications technology sweeping the world.



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9 March 2001

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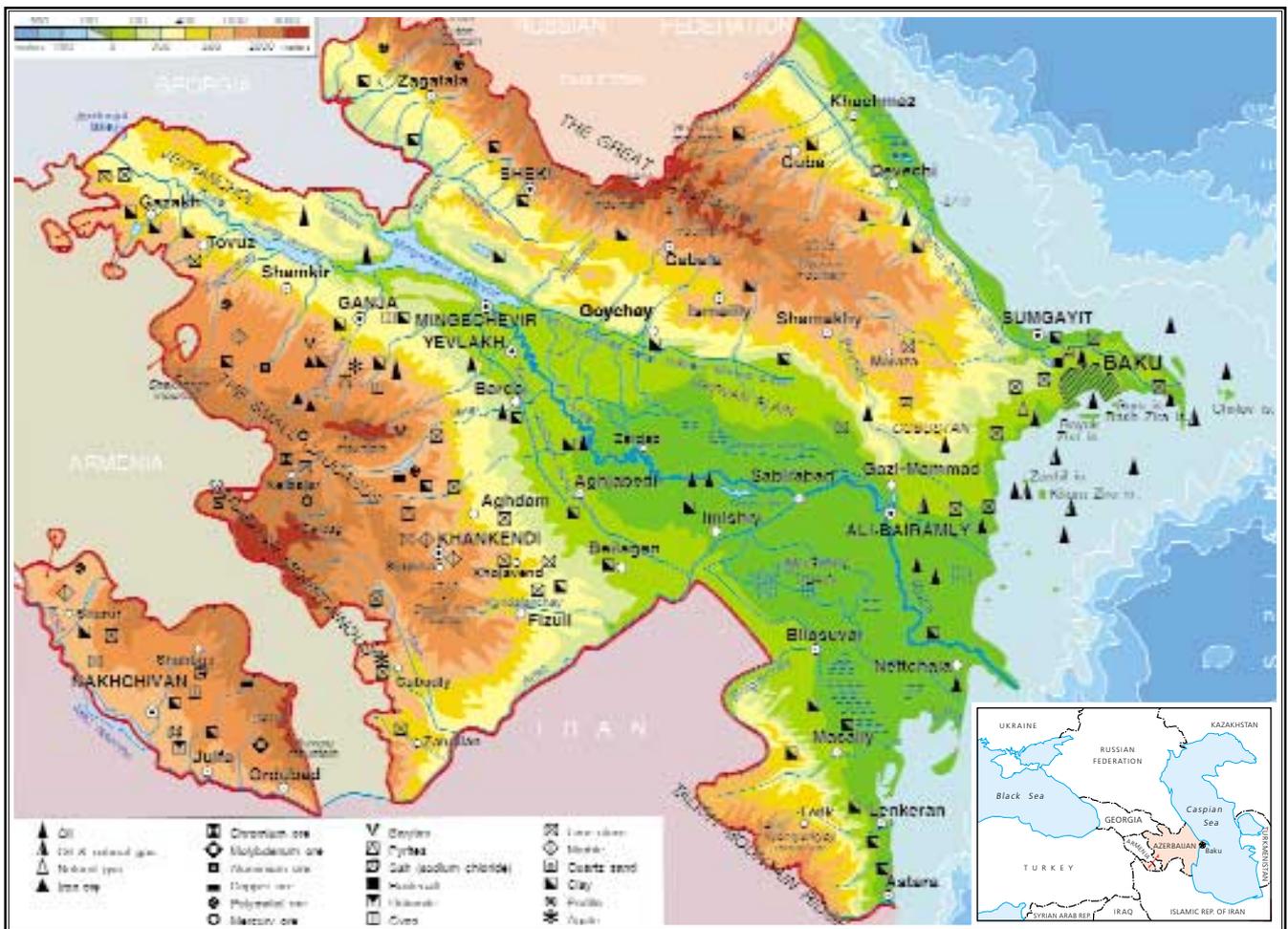


AIOC	Azerbaijan International Operating Company
APFP	Azerbaijan People's Front Party
ASCE	Azerbaijan State Committee on Ecology
BICEX	Baku Interbank Currency Exchange
CIS	Commonwealth of Independent States
FAO	Food and Agriculture Organization
FSU	Former Soviet Union
GDI	Gender Development Index
GDP	Gross Domestic Product
GEF	Global Environment Facility
HDI	Human Development Index
HPI	Human Poverty Index
IDP	Internally Displaced Person
IFAD	International Federation for Agricultural Development
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
NEAP	National Environmental Action Plan
NGO	Non-governmental Organization
OICM	Organized Interbank Currency Market
SCS	State Committee on Statistics
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
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
WB	World Bank
YPHDP	Young People's Health Development and Participation



Basic Information about Azerbaijan

Form of Governance	Presidential Republic
Head of State	Heydar Aliyev
Area	86,600 square kilometres (About 20 percent under occupation)
Population	8,000,000 (January 1, 2000) 51 percent reside in urban areas, 49 percent in rural areas About 13 percent of the population are refugees and IDPs
Currency	Manat (4,118 manats: 1 USD, January 1, 2000)
Economic Indicators	Per capita GDP: 509 USD Annual real GDP growth rate: 7.4 percent Inflation rate: -8.5 percent
Infant Mortality Rate	16.5 per 1,000 live births
Life Expectancy at Birth	71.6 years (75.1 for women, 68.1 for men)
Participation of Women in Governance	12 percent of seats in Parliament (Milli Mejlis) 9 percent of ministerial-level positions 9 percent of regional heads of administration 11 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	11 percent of total employment is in industry and construction, 30.8 percent in agriculture, 58.2 in services. 36.3 percent of total employment is in the state sector (compared to 67.5 percent in 1991 and 46.3 percent in 1998).



Azerbaijan Republic (Geographical data)

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

Territory: 86,6 thousand square km, 11.5 percent of territory covered by forests, 1.6 percent covered by internal waters. 50 percent of territory - agricultural lands, 27 percent of which pastures.

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

Caspian Sea - the biggest lake in the world, 400,000 square km, maximum depth - 1,025 metres.

Highest peak: Bazarduzu, 4, 466 meters

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

The length of widest area of Azerbaijan section of the Caspian Sea is 456 km.



Executive Summary

Azerbaijan's economy is in a state of dynamic development. Several far-reaching economic, political and social changes are taking place. Most significantly, people are regaining their confidence and beginning to feel more secure and hopeful about the future. There are several reasons for this. Incomes have begun to rise, inflation is low and under control, and the trade deficit is getting smaller year by year. Yet, Azerbaijan remains narrowly dependent on the fuel and energy sector rendering the economy extremely vulnerable to external shocks. The fast growing oil sector can help to fund other sunrise sectors of the economy. But urgently needed is a growth strategy that expands markets and creates jobs – by building on the human potential of the people. New projects based on updated and modern scientific and technical capabilities are needed. Regional imbalances in investment also need to be corrected. Azerbaijan needs to spell out a broad-based strategy for creating livelihood opportunities, especially for the disadvantaged.

Even as the country gives shape to a long-term growth strategy, it is vital for Azerbaijan to protect and rejuvenate its environment. The sustainability of any growth strategy – and efforts to eliminate human poverty – will succeed only if care is taken to protect and nurture the country's rich base of natural resources. At the same time, Azerbaijan needs to be aware of some of the threats to human development. Many of the most important of these are related to education and health.

The pace of human development in Azerbaijan has been severely affected by the military conflict with Armenia since 1988. Today, there are more than 900,000 internally displaced persons (IDPs) and refugees seeking shelter in Azerbaijan. Though a cease-fire has been declared, the future of these people is still uncertain. The overall economic situation is beginning to change for the better, but internally displaced persons and refugees face the danger of being left out and excluded. They remain the most disadvantaged in terms of getting jobs, and even when they get a job, wages are usually very low – lower than what others earn.

The future prosperity of Azerbaijan depends upon how soon this unfortunate conflict is resolved – and a more permanent and lasting solution is found. Even as peaceful political options are being explored, the State needs to intensify its efforts to enhance the capabilities of the IDPs and refugees – by making lives more secure for them, by investing directly in their education, health, and by expanding livelihood opportunities. International agencies too have a responsibility in this regard – for it is only through collective national action and international diplomatic support wherever required that the conflict can be resolved permanently and peacefully.

Significant changes are also taking place in the political spheres. The rapidly expanding democratic processes are ushering in a change in society. Azerbaijan has moved from being a totalitarian communist system to emerging as a stable democratic civil society. A strong culture of democracy is taking firm roots within the country. Several political parties have emerged rep-

resenting different groups in society. This has opened up opportunities for inclusion and greater participation in the political decision making process. It also provides greater voice to people and improves the prospects of accountability. Further strengthening of local self-governance and ensuring greater freedom to the mass media is bound to expand peoples' participation and lead to more transparency in government.

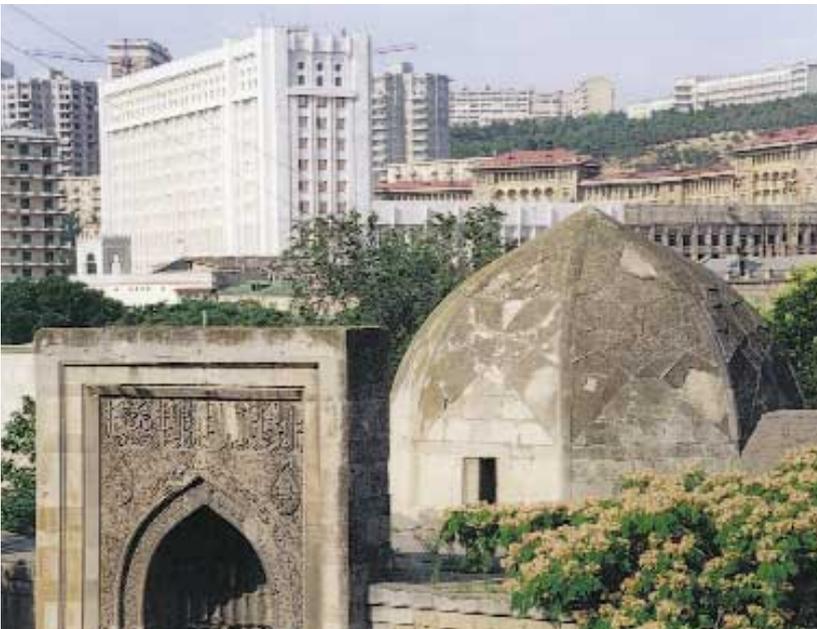
The establishment of a new political system in Azerbaijan has been accompanied by the formation of numerous political parties and social-political organizations. Today there is a wide range of political forces in the country. Despite difficulties in establishing constructive relations among political parties, there is consensus on the need for a dialogue on issues of national importance.

Contributing significantly to strengthening the process of democracy has been the marked improvement in people's access to information. The National Human Development Reports have had an important role to play. They have been able to inform the public about the state of human development, point to achievements and shortcomings, analyze outcomes, highlight issues of concern, and generate discussion on policy options. The Reports are helping to gradually instill a culture of transparency and accountability. Along with other changes taking place in society, it is expected that in the coming years, greater public involvement and stronger public vigilance will prove to be extremely influential in shaping the future of Azerbaijan.

Azerbaijan needs to tap into its rich natural and human resources to establish sustainable and dynamic human development. It needs to re-establish the standards of living that people once almost universally enjoyed, and to end human insecurity. The country needs to reverse the deterioration in educational standards, prevent intellectual migration, promote employment opportunities, and ensure social cohesion and political integration. The situation is indeed complex. The country however is on the right path – with a judicious growth strategy, a concern for the environment, and for the health of its people. Priority attention needs to be paid to investing in science, increasing scientific capacity, and making the most of the emerging technologies in information and communications.



STATE OF HUMAN DEVELOPMENT



1.1 Introduction

The Republic of Azerbaijan has witnessed dramatic changes in the last decade. The first five years after the Declaration of Independence were truly traumatic. Prior to independence in 1991, the majority of Azerbaijan's population was protected from extreme poverty. Although average productivity may have been low and political and economic freedom curtailed, a majority of people under the old Soviet regime, had access to free health care, education, and social protection. True, many of the institutions were inefficiently administered. And, the quality of services

may not always have been the best. Very often, their technical and technological standards fell short of the international standards of developed countries. Yet, the country's system of higher education was widely recognized and respected. Azerbaijan had well-developed scientific and technical capabilities.

The break-up of the former Soviet Union led to economic, political and social conflicts that resulted in a major breakdown of many structures in society and a worsening of demographic indicators. Some of the more privileged people left the country and this itself has had an adverse impact on the development. Typically, as the State sheds some of its roles and allows the market to grow, one would expect the private sector and non-government organisations to take over many of the functions performed by the State. But this was not possible in Azerbaijan. Between 1990-95, the country's gross output fell by 58 percent and real wages dropped by more than 80 percent. The dramatic decline in incomes had a severe negative impact on the lives of people.

There has been a modest economic revival since 1996. But despite this, real wages in 1999 were still 64 percent lower than in 1990. There has also been a grow-

ing influence of external factors upon the country's social institutions. Azerbaijan is experiencing unprecedented globalisation. Integration with the world economy is exposing the country to large-scale use of energy and other natural resources. Today, many large transnational oil companies are investing in the energy sector, and accelerating economic growth. On the other hand, Azerbaijan's rich natural resources and a relatively cheap labour force are attracting a free flow of foreign capital. The country is open to foreign investors and free import of goods. This inflow of imported goods does pose a challenge to the development of domestic production capabilities.

However, human progress cannot be judged by the increase in availability of imported goods, or by the rapid construction of buildings, or for that matter, by the flow of foreign direct investments. All these may be important, but by themselves they do not signify development. Real progress is about enlarging choices, assuring human rights and expanding freedoms. Human development is about protecting the poor, nurturing the environment, reducing inequalities, promoting security, and ensuring everyone a decent standard of living.

1.2 Azerbaijan's Human Development Index

According to the latest Human Development Report 2000, Azerbaijan ranks 90th out of 173 countries of the world on the Human Development Index (HDI). Between 1992-95, the value of the HDI fell from 0.718 to 0.692. Thereafter, the country's HDI value has improved and so has its ranking.

Table 1.1 reveals that between 1992-99:

- the value of HDI in 1999 was back to its 1992 level

Box 1.1 Assessing human progress

The Human Development Report 2000, for instance, equates progress to the assurance of human rights - economic, social, cultural and political. Human rights and human development share a common vision and a common purpose - to secure the freedom, well-being and dignity of all people everywhere. To ensure:

- the right to non-discrimination - by gender, race, ethnicity, national origin or religion
- the right to enjoy a decent standard of living
- the right to lead a secure life - free from fear - of threats to personal security, from torture, arbitrary arrest and other violent acts
- the right to justice and the rule of law
- the right to decent work - without exploitation
- the right to freedom of thought and speech, and
- the right to participate in decision-making and form associations.

In assessing human progress, it is critical to understand the inter-connections between unfreedoms and several other factors including ignorance, poor health, inadequate provisioning of basic social services, entrenched social customs and attitudes, inappropriate expansion of economic opportunities, ineffective political leadership, poor participation, and social exclusion.

Such a human development perspective guides this Report, just as it has guided the preparation of five earlier National Human Development Reports (NHDR). This Report is particularly significant for a variety of reasons. The assessment of human development benchmarks the beginning of a new millennium. The Report also seeks to capture the aspirations and expectations of the people and institutions in Azerbaijan who are experiencing an overwhelming pressure of change.

- the Life Expectancy Index has increased
- the value of the Education Index has fallen
- the value of the GDP Index is on the rise.

In Azerbaijan, although the HDI is strongly influenced by income expansion, trends in education and life expectancy indices are also revealing. At present, both these indices exceed the world average, but they are lower than corresponding figures for developed and East European countries. The decline in the value of the Education Index is due mostly to a decline in enrollment rates in primary, secondary and tertiary education. In 1998, nearly 68.5 percent of the population in the age group of 6-23 years was enrolled in all three levels of education. In 1999, this figure has fallen to 61.3 percent. According to data from the State Committee, in 1999 there were 19,570 fewer students enrolled in all levels of education than in 1998.

Table 1.1 Human Development Index and indexes of individual components

HDI Dynamics	1992	1993	1994	1995	1996	1997	1998	1999
HDI	0.718	0.707	0.696	0.692	0.697	0.706	0.712	0.719
Life expectancy index	0.745	0.742	0.743	0.735	0.753	0.770	0.772	0.777
Education index	0.870	0.880	0.880	0.880	0.868	0.871	0.878	0.865
GDP index	0.540	0.498	0.464	0.462	0.470	0.477	0.487	0.515
Per capita GDP, \$US, with consideration of PPP	2,540	1,980	1,610	1,590	1,675	1,740	1,850	2,187

Sources: HDR, 1999, 2000; 1999 – SCS and WB, 2000

Economic growth between 1996-99 has resulted in an increase in salaries and per capita incomes. But progress has been slow. A majority of the country’s people is yet to regain the standards of living they enjoyed in 1990. In order to accelerate human development in Azerbaijan it is critical to use the additional resources generated by economic growth for investments in health, science and education. Another feature of Azerbaijan is the large and growing differential that exists between the country’s ranking on the HDI and on GDP per capita. In 1992, the HDI rank exceeded the GDP per capita rank by 21 points. In 1998, this difference had increased to 29 points.

The eight years between 1992-99 can be divided into two distinct periods. The first period between 1992-95 witnessed a

decline in the HDI value though the rate of decrease was much lower than the fall in the GDP index (Figure 1.1)

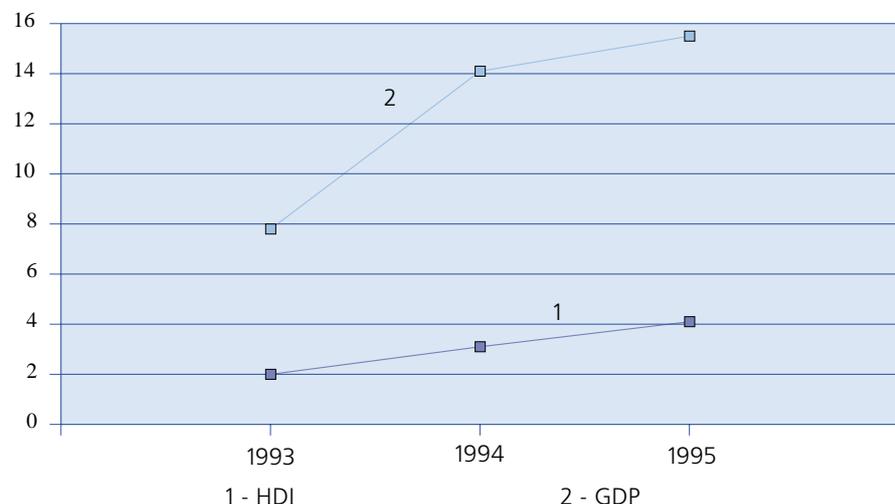
Since 1996, however, the value of the HDI has increased with the increase in GDP index (Figure 1.2). This signals the potential which exists for pushing the HDI value even further by accelerating economic growth.

The close link between the value of the HDI and income levels is further illustrated in Figure 1.3

1.3 Dimensions of human development

Achievements and shortcomings along some of the important dimensions of human development are discussed below.

Figure 1.1 Decrease of HDI and GDP indices in 1992–1995 (percent, relative to 1992)



1.3.1 Health

Life expectancy at birth is high – and has been increasing for both women and men. The life expectancy in Azerbaijan exceeds the world average, though it is less than the average of ‘high human development’ countries (Table 1.2)

Life expectancy at birth went up from 70.1 years in 1998 to 71.6 years in 1999. However, the steep increase in mortality among middle-aged men observed immediately after the transition to markets remains a special concern.

Public health interventions, in general, successfully dealt with infectious diseases between 1960-80. However, much less attention was paid to the rise of non-communicable diseases and their association with unhealthy lifestyles and environment. Today, the main causes of mortality are cardiovascular diseases - 254.8 deaths per 100,000 population – and this exceeds deaths due to tumors, respiratory illnesses, traumas and poisoning by nearly three times. Death caused by cancer accounts for 11 percent of the total number of deaths. (Table 1.3)

Alcoholism, smoking, environmental contamination, diet, lifestyle and the inadequacies of the public health system remain serious concerns. Tobacco consumption per adult is 0.8 kg and alcohol

Figure 1.2 Increase in HDI and GDP index, 1996–1999 (percent, relative to 1995)

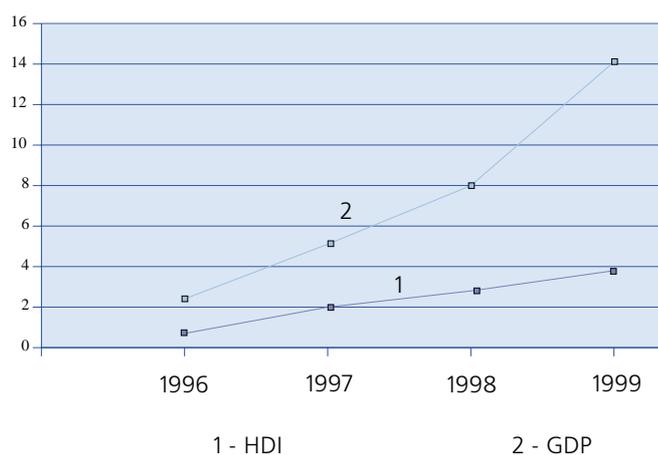
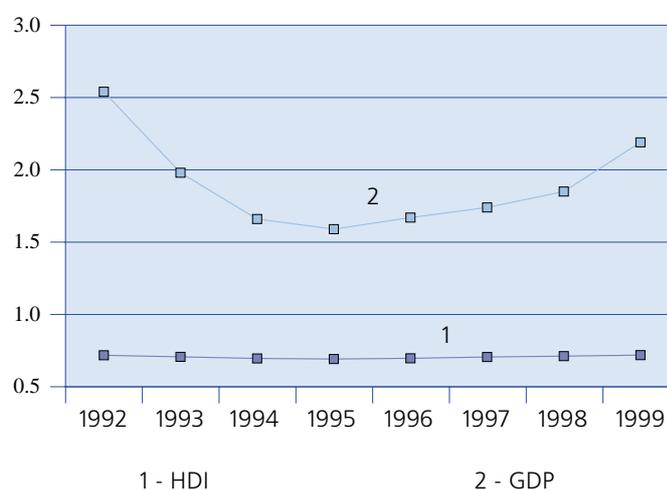


Figure 1.3 Dynamics of changes in HDI and GDP per capita with consideration of PPP (thousand USD)



consumption is 5.2 litres per adult. Moreover, changes in family structure, dislocations in the economy and distress migration has led to psychological stress which has an adverse effect on health. Suicide among men was 1.1 per 100,000 -

Table 1.2 Life expectancy at birth, 1998

	Countries Life expectancy at birth (average)	Life expectancy at birth (female)	Life expectancy at birth (male)
Azerbaijan	70.1	74.3	65.8
World	66.9	69.1	64.9
Eastern Europe and the CIS	68.9	73.8	64.1
High human development	77.0	80.3	73.8

Source: HDR, 2000

Table 1.3 Primary cause of mortality in Azerbaijan

	Total deaths	per 100,000 population
Cardiovascular diseases	20,034	254.8
Tumors	5,214	63.3
Respiratory diseases	4,352	55.4
Traumas and poisoning	2,195	27.9

Source: SCS, 2000

higher than the female suicide rate of 0.3. Indoor air pollution, caused by burning firewood for household energy needs, is a major reason for respiratory illnesses. Outdoor air pollution caused by road transport is also increasing.

Azerbaijan has 739 hospitals, 1,611 polyclinics, 28,500 physicians and 60,700 para- medical staff to cover its population of nearly 8 million people. In terms of quantity, the number of medical personnel is considered to be sufficient, and health care infrastructure adequate. (Table1.4)

Access to health care is no longer free or universal. Nearly all medical facilities are owned by the state. The Ministry of Health administers central specialised institutions, while the districts deliver general medical services. Private medical institutions and individual health care providers report to the government. Along with the Ministry of Health several other ministries such as Defense, Internal Affairs, Railway Transport, Caspian Shipping, Writers Union etc. operate their own health services. The decentralisation

process covers some aspects of finance, but in terms of management, an inflexible system continues to prevail.

Health care funding has decreased during the last ten years. In the beginning of the 1990s, public health expenditure was about 3 percent of GDP. In 1993 this figure increased to 3.3 percent. (Figure 1.4) In 1999, this has fallen to 1.1% of GDP.

This low and declining level of public funding for health has adversely affected the reach and quality of health care. Rural areas suffer the most from declining standards of healthcare. Medical equipment required for diagnosis is by and large outdated. The quality of medical services has therefore deteriorated. Many people are discouraged by the high costs and deteriorating quality. Income levels are also low among people. Most people tend to access healthcare only in an emergency. At the same time, salaries of medical staff is also low. According to a study carried out in October 1998 the average monthly wage of medical personnel was only 44,088 manats (about 11 USD). As a

Table 1.4 Medical personnel and medical facilities (on January 1 , 2000)

	1999	2000
Physicians	28,500 (35.4 per 10,000 population)	28,500 (36.1 per 10,000 population)
Paramedical staff	60,700 (76.4 per 10,000 population)	60,700 (76.7 per 10,000 population)
Hospital beds	71,700 (91.6 per 10,000 population)	71,700 (89.91 per 10,000 population)
Hospitals	746	739
Polyclinics	1,630	1,611

Source: SCS, 2000

result, medical staff lack the necessary motivation and often supplement their incomes by charging patients informally for their services.

Recently a number of modern medical facilities have become operational, but the majority of the population is unable to afford their services.

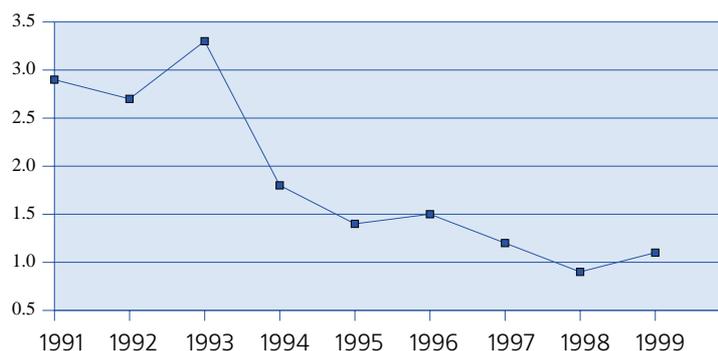
1.3.2 Education

Azerbaijan's adult literacy rate is at 97.3 percent. Most people complete, on average, some ten years of schooling. Azerbaijan's education system, run by the state, consists of schools which provide education at nursery, primary and secondary stage. The state also looks after professional schools and secondary schools which offer general and specialised education. Private educational institutions which offer higher and secondary special education are being set up. Lyceums and gymnasiums with their own curricula have also been established.

The country's education index is high but there are some disturbing trends.

The number of pre-school institutions has declined resulting in fewer jobs for teachers who are mostly women. (Table 1.5) Although the number of secondary general schools have not changed, their condition has deteriorated. They have no money to renovate infrastructure, buy teaching aids or upgrade curricula.

Figure 1.4 Public health expenditure as a share of GDP (percent)



Source: SCS, 2000

Since the beginning of 1996, the cost of textbooks, meals, and other services are being passed on to parents. Parents with low per capita income cannot afford to buy uniforms for their children or pay for school transport. Children are dropping out to supplement family income. International organisations and NGOs have pointed out that more girls than boys are not receiving an education. According to official statistics and the assessment of experts, fewer children are graduating from secondary general schools.

Enrollment has declined for children and young adults in the age group 6-23 years. In 1998, 68.5 percent were enrolled. By 1999, this proportion had fallen to 61.3. According to State Committee on Statistics data, around 19,570 students were not enrolled in school during 1999.

The number of secondary technical schools and upper secondary schools has decreased substantially during the last decade

Table 1.5 Number of pre-school institutions and children (1, 000) in the pre-school institutions, 1990 - 1999

	1990	1992	1993	1994	1995	1996	1997	1998	1999
Number of pre-school institutions	2185	2099	2172	2006	1973	1918	1879	1854	1814
Number of children in pre-school institutions	180.9	165.1	166.2	147.5	136.8	125.7	119.5	116.1	112.3

Source: SCS, 2000



(Figure 1.5) Schools which prepare specialists in construction, transport, and communications have reduced nearly four times. Agriculture courses record a decline of about five times. In contrast, private institutions which offer quick courses in foreign languages and information technology are thriving, though the quality of education they impart is questionable. Private higher education institutions have doubled their number of student in the last ten years.

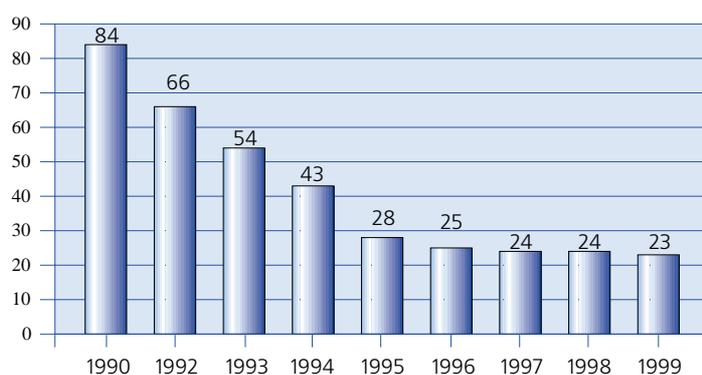
The state controls 25 universities. Enrollment for higher education has declined from 148 students per 10,000 in 1990 to 112 in 1999. Women constitute about 41 percent of students and men about 59 percent. At Baku State University about 39 percent of young

people opt for law and 34 percent for organisation of customs services. More men opt for science. They form a majority in courses on engineering, heavy industry, energy and device engineering.

In 2000, about 67 percent of students studying at secondary special schools were female. Almost 95 percent of them opted for medicine, teaching, natural science and technology. More than 50 percent of girls chose courses in the arts, computer science, economics and management. Civil engineering, machine construction, energy, agriculture and fishery were not popular with girls at secondary level. About 76 percent of students who opt for teaching are women. Seventy four percent of medical students and 68 percent of students who choose courses on natural sciences are female. According to official statistics out of 1538 people with a doctorate of science degree, about 30 percent are women. Among post-graduate science students, nearly 31 percent are female. On the whole, science and mathematics receive low priority among students.

The State, as part of its policy, encourages students to travel abroad for higher education. Different government agencies are involved in this exercise. According to

Figure 1.5 Number of upper secondary technical schools, 1990 – 1999



Source: SCS, 2000

experts, several thousand students study in foreign educational institutions. Official statistics show that 1,259 foreign students came to Azerbaijan to study at university level in the year 2000.

The State Committee on Womens' Issues and NGOs along with international organizations, have been implementing programmes to correct gender imbalance in science and education. They also seek to encourage more women to opt for careers in the sciences.

Since the early 1990s, however, investment in education by the state has declined by 1.5-2 times. (Figure 1.6). During this period the GDP also decreased. As a result, per capita spending on education has recorded a marked decline.

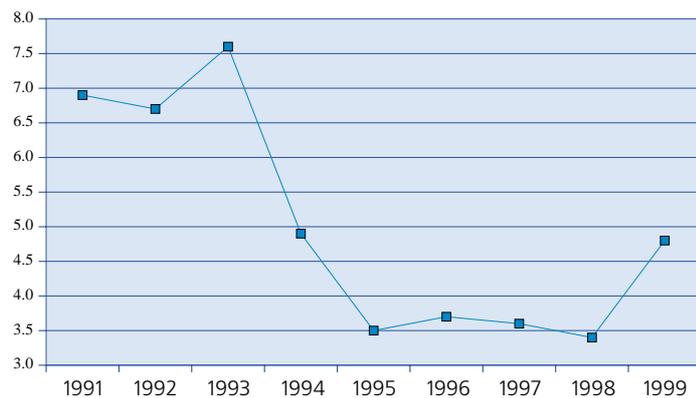
Career counselling and guidance can help young people choose more innovative courses of study. The level of competition is low in mathematics, physics, chemistry and engineering. Competition is stiffer in law, economics, and medicine.

State agencies have been undertaking measures to improve the education system in the country. A special commission on reforms in education has been organised through a Decree of the President. International organisations such as the UNICEF, UNFPA, UNDP and the World Bank are participating actively in revitalising the education sector. The programmes and projects, implemented by international organisations, aim at improving local governance and financing of education. Certain pilot projects carried out by them seek to improve the quality of education in specific areas, and to raise standards of education among vulnerable groups.

1.4 Human poverty

Human Development Report 1997 intro-

Figure 1.6 Public expenditure on education as share of GDP, 1991 - 1999, percent



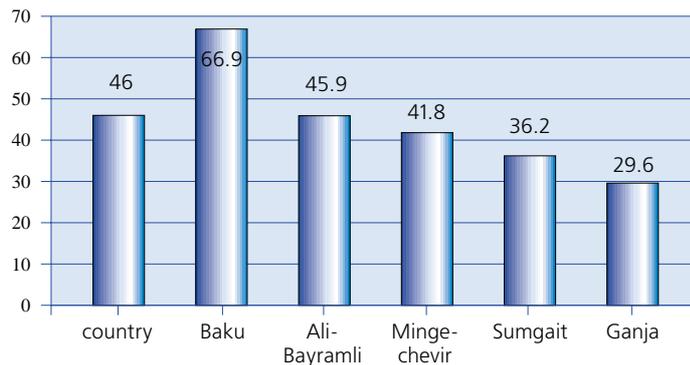
Source: SCS, 2000

Figure 1.7 Declining birth rates in Azerbaijan, 1990-1999 (per 1,000 population)



Source: SCS, 2000

Figure 1.8 Monthly average wage in big towns in Azerbaijan (USD), June 2000



Source: SCS, 2000

duced the concept of human poverty. Life is multidimensional and so is poverty. Income poverty is only one form of human deprivation confronting people. Other forms of deprivation include illiteracy and ignorance, ill-health, lack of opportunity to participate in decision making and so on. Human

Box 1.2 What is human poverty?

Human poverty, a concept introduced in Human Development Report 1997, sees impoverishment as multidimensional. More than a lack of what is necessary for material well-being, poverty can also mean the denial of opportunities and choices most basic to human development. To lead a long, healthy, creative life. To have a decent standard of living. To enjoy dignity, self-esteem, the respect of others and the things that people value in life.

Human poverty is then defined by impoverishment in multiple dimensions – deprivations in a long and healthy life, in knowledge, in a decent standard of living and in participation. By contrast, income poverty is defined by deprivation in a single dimension – income – because it is believed either that this is the only impoverishment that matters or that any deprivation can be reduced to a common denominator. The concept of human poverty sees lack of adequate income as an important factor in human deprivation, but not the only one. Nor, according to this concept, can all impoverishment be reduced to income. If income is not the sum total of human lives, lack of income cannot be the sum total of human deprivation.

Source: Human Development Report, 2000

Box 1.3 Income poverty in Azerbaijan. A challenge to quality of life and equal access to resources

In Azerbaijan, the quality of peoples' lives deteriorated with the collapse of the former Soviet Union and during the period of transition. A major factor was the decline in per capita incomes. Several million people have had to adjust their living standards to lower levels of income. Today, average monthly incomes do not exceed US\$ 46. People tend to spend most of their time searching for jobs and for higher emoluments. At the household level, this prevents young people from pursuing educational opportunities. At the national level, the impact is felt in steadily deteriorating indicators of health and educational attainment.

While it is true that wages in urban areas are generally higher than in rural areas, it is not clear that the standard of living is any different. In fact, it could well be that the problem among the employed is more serious in rural areas and small towns. At one level, the cost of living in rural areas is lower than in urban areas, and in the capital city of Baku. But on the other hand, the average salaries in rural areas are also far less.

Women in particular are hard hit by the decline in incomes. This is so because, on average, female wage rates are 51-84 percent lower than that of males.

poverty in Azerbaijan remains extensive. Income poverty in the country poses a serious threat to development. According to a World Bank study, nearly 70 percent of the population fell below the poverty line a result of the economic collapse between 1990-95. The decline has been so severe that despite a higher rate of economic growth since 1996, and an increasing inflow of foreign investment, GDP per capita in Azerbaijan remains less than in many other CIS countries. Many indi-

cators point to declining standards of living. With an average daily wage of US\$ 1.50, there has been a sharp fall in the demand for goods and services needed for a decent standard of living. The lack of adequate employment opportunities, even at this shockingly low wage rate, has pushed many highly qualified specialists and technicians to accept non-professional jobs, some legally but often, illegally.

Another indicator of growing impoverishment is the changes that have taken place in the composition of household expenditures. Between 1990-99, there has been an increase in the proportion of household expenditure on food – a clear indication of a decline in the standards of living. Expenditure on food went up from 53 percent in 1990 to more than 72 percent in 1999. At the same time, survival considerations have led to an out-migration of highly qualified specialists in search of jobs overseas. This has led to a distinct decrease in scientific and technical capacity within the country – with serious implications for the future development of the country.

WB experts estimates suggest that anywhere about 70 percent of the population live below the poverty line. There has also been a dramatic decline in birth rates between 1990-99, perhaps reflecting the growing impoverishment of the population – and their inability to support children.

Azerbaijan's economy shows significant differences in income levels. Recent data for January - May 2000 reveal that the average monthly salary in the country is 203,400 manats (46 USD). The average salaries are highest in Baku - 295,750 manats (66.9 USD). Extremely low salaries are usually earned by residents living in the mountain and foothill areas of the country. Here, wages are approximately 200 percent lower than the national average and about 300 percent lower than in Baku. Relative to the

national average salary, workers in major towns earn much more. In Baku, workers on average earn 145.3 percent higher than the national average salary. In Sumgait, the proportion is 78.9 percent, in Ganja, it is 64.3 percent, in Ali-Bairamli, it is 99.6 percent, and in Mingechevir, the porportion is 90.8 percent. Wage differentials between five of the biggest cities - Baku, Sumgait, Ganja, Ali-Bairamli and Mingechevir – and the other regions are striking.

The salaries of employees in rural areas tends to be higher in regions where cattle-breeding is well developed. In these areas, salaries are 20-30 percent higher than in areas where the population is mostly engaged in cultivation and processing of plant-growing products.

There are other dimensions of human poverty as well that are striking.

As Table 1.6 reveals, human poverty in Azerbaijan is multidimensional.

Poverty alleviation in Azerbaijan calls for a systematic and equitable expansion of opportunities - social, political, cultural and economic. The expansion of economic opportunities alone will not solve the problem. In addition to stepping up investments in the social sectors, there is urgent need to focus special attention on vulnerable groups of populations - elders, disabled, children, refugees and IDPs. Another significant factor hindering poverty alleviation is the wastage and corruption in the implementation of development programmes.

The government is making efforts to attract public and private investment and to support special programmes aimed at poverty alleviation. Special attention is being paid to the different needs of people and social groups in urban and rural areas. Many of these challenges are being addressed with support from international agencies and with interna-

Table 1.6 Human poverty indicators

Parameters	
Percentage of people who died before 60 years of age	21.7
Percentage of illiterate adults in the total population	16.8
Percentage of people with incomes below the poverty line	68.1
Indicator of long-term unemployment	4.2
Human Poverty Index:	43.57

Source: World Development Indicators, WB, 2000, HDR, UNDP, 2000

Table 1.7 HDI for men and women in Azerbaijan 1999

	Females	Males	HDI	GDI
HDI	0.687	0.744	0.719	0.715
Life Expectancy Index	0.792	0.753	0.777	0.767
Education Index	0.861	0.868	0.865	0.878
GDP Index	0.408	0.612	0.515	0.476

tional cooperation. The "Rural Development Programme for Mountainous and Highland Areas" programme covering five regions of the country is one such project. The programme, to be supported by the IFAD (10 million USD), seeks to expand employment opportunities in mountainous areas. It will also assist in building infrastructure to improve the quality of life in these regions.

1.5 Gender equality

The Constitution and all other laws of Azerbaijan treat women and men equally and confer on them equal rights. Women are represented in public administration, in Parliament and in non-government organisations. In general, women's participation in the production process is high. Azerbaijan has figures similar to that of developed countries like Netherlands, Japan, Portugal and Germany. Some indices are better than many advanced nations such as Austria, Belgium, Switzerland, Spain, Italy and Israel. At the same time, Azerbaijan reports a Gender-related Development Index (GDI) of 0.715. This makes the country rank among those nations with the highest indices of human and gender development.

Box 1.4 Political parties whose representatives have been elected in municipalities

Yeni Azerbaijan
People's Front of Azerbaijan
Musavat
Social Rifah
Ana Vetən
National Independence Party
Social-democratic Party
Vahdat
People's Party
Civil Solidarity Party
Liberal Party
Yurdash
Independent Azerbaijan Party
Communist Party
Communist United Party

Box 1.5 The law of the Azerbaijan Republic on joining to framework convention on protection of national minorities

Azerbaijan Republic joins the 1995 February, 1 Strasbourg "Framework Convention on Protection of National Minorities" by declaration in paragraph 2 of the present law.

- In confirmation of adherence with common human values and with respect to human rights and freedoms the Azerbaijan Republic declares that it excludes all the actions which may cause damage to the territorial integrity and sovereignty of the Azerbaijan Republic, its internal and external security as a result of the ratification of the "Framework Convention on Protection of National Minorities" and fulfillment of its articles.
- This Law comes into force from the date of its publication

Baku, June 16, 2000

Table 1.8 Indicators of participation of men and women in production process

Country	Females	Males	HDI Rank
Azerbaijan	34.1	65.9	100
Netherlands	34.1	65.9	12
Japan	34.1	65.9	13
Belgium	33.6	66.4	14
Austria	33.6	66.4	15
Switzerland	32.5	67.5	18
Spain	29.7	70.3	19
Germany	34.8	65.2	17
Italy	31.2	68.8	23
Israel	33.1	66.9	22
Portugal	34.2	65.8	28

Source: HDR, 2000

The HDI for men exceeds that for women mainly because of differences in income and earnings.

In Azerbaijan, women and men face unequal opportunities for earning incomes, even though inequality is not conditioned by the legal environment. The economic decline between 1991-95 affected women more adversely than the men. The reduction of employment in many sectors has also resulted in the growth of unregistered and hidden unemployment among women. The number of registered unemployed is 1.33 times higher among women. Even in sectors where women constitute the majority of employees, average salaries and incomes of women are lower than that of men. For example, in the health sector, women constitute 81 percent of employees but their average income is only 65 percent of male wages. Similarly, in the education sector women account for 65 percent of employees but their average income is only 70 percent of male earnings.

The country has a State Committee on Women's Affairs and a special programme on gender development. However, participation of women and men in social life is still very unequal. (Table 1.8). And the representation of women is far from equal and uniform. Women are a majority in some sectors such as culture, information technology, health and social protection. The representation of women in the banking and insurance sector is close to that of men. The employment of men and women in the public and private sectors is also equal. However, for a variety of reasons, the proportion of women employed in the industrial production is small. Women constitute 33 percent of those engaged in management positions.

1.6 Strengthening democracy

The road to democracy is complicated

and difficult but Azerbaijan has made impressive progress along this direction. The process of democratic reforms gained further momentum in 1999. The government felt motivated after realizing that speeding up reforms would facilitate Azerbaijan's entry as a full member into the European Council (EC).

Azerbaijan has more than forty political parties today. They form a distinct feature of the country's political landscape. Political parties vary in their ability to influence the political process. Most of them have their own hierarchies and organisations. Only a few parties have real political power in the country. At the same time, the participation of twenty-six political parties in the municipal elections offers sufficient evidence that people with different political views are participating in the governance of the country. There were some incidents of violations of law recorded by international and national observers during the municipal elections. Nevertheless, according to the Central Election Commission (CEC), 51.35 percent of people elected to municipalities were representatives of different political parties. The party, Yeni Azerbaijan, (New Azerbaijan) won 40.6 percent of seats in the municipalities, the People's Front of

Azerbaijan got 3.7 percent and Musavat won 3 percent of seats.

On June 28, 2000, the Parliamentary Assembly of the European Council adopted by a majority a resolution favouring Azerbaijan's entry into the Council. Azerbaijan became a member of the Council in January 2001. The Parliamentary Assembly of the EC urged Azerbaijan to revise its laws on elections and those governing the country's CEC before the parliamentary elections of November 2000. Besides, it recommended more powers to local bodies for self-governance and the adoption of a state programme to eliminate corruption. It also sought a revision of cases of prisoners who are deemed "political prisoners" by human right organizations. The document obliges authorities to take legal action against representatives of law enforcement agencies who violate human rights while fulfilling their duties. It also asks the government to ensure freedom of speech, the independence of the mass media and the transformation of the national TV channel into a public channel. A law on national minorities has been recommended.





It is noteworthy that commitments made by Azerbaijan to the EC have been signed by representatives of most political parties in Azerbaijan including the leaders of prominent opposition parties. This consensus of political opinion can help to achieve social cohesion as well. The induction of Azerbaijan into the EC was also dependent on the country's ratification of the Convention on Human Rights, its efforts to protect national minorities and its moves to find a peaceful resolution to the Karabakh conflict.

1.7 Decentralization and local governance

The National Human Development Reports have repeatedly stressed the importance of establishing institutions for local self-governance. Such institutions are an indispensable element of democratic governance. In July 1999, the Milli Majlis (National

Parliament) adopted laws on municipal elections and the status of municipalities. These laws led to municipal elections being carried out in 1999. In order to regulate the activities of municipalities, Parliament adopted laws in December 1999 titled "Principles of Financing of Municipalities" and "Municipal Services". Municipalities have been established almost everywhere with the exception of territories occupied by Armenia.

However, the fact that elections were held does not indicate that local self-governance bodies have become effective. There are a lot of issues still pending solutions. For instance, precise responsibilities of the municipalities and the basis for fiscal devolution for governance are yet to be worked out. The exact relationship between central agencies and municipalities has not been established as yet. There has to be a clear delineation of the authority of municipalities and local executive bodies and the areas that each will govern need to be demarcated. A solution to these problems has not been settled mainly because the bureaucracy is unwilling to lose some of its privileges.

Along with the implementation of reforms aimed at local self-governance, it is important to understand the religious, social and ethnic distinctions of Azerbaijan's people. Azerbaijan is a multi-ethnic country. There is a problem in ensuring the rights of ethnic communities living within one administrative district. Politically the government is committed to establishing a universal system of local self-governance without distinguishing individual districts on an ethnic basis. All administrative units or territorial divisions in the country will have institutions of local and regional self-governance, manned by democratic structures with independent budgetary provisions. Such an approach is dictated by necessity. Not

Box 1.6 From the Decree of the President of the Azerbaijan Republic "On Measures for Insurance of Human Rights and Civil Freedoms"

After achievement of independence, the Republic of Azerbaijan, as a full member of the international community of states, recognises the leadership of common human values which have been tested by time and has chosen the establishment of a democratic, legal and civil state as the path to development. Today, development of any society and state is impossible without democracy and respect of human rights. Democracy, development, observance of human rights and freedoms are inseparable and mutually complementary. Human rights in the modern world with different economic and political systems, ideologies and cultures are the major criterion for uniting the people and societies for their humanisation.

Baku, 22 February, 1998

all ethnic and national minorities are settled in one administrative unit or territory. Besides, giving due recognition only to certain ethnic groups would not be in line with the principles of a democratic state. Such a democratic philosophy may strengthen a common economic environment and a single political system. It is more likely to help ideological pluralism and promote diversity of cultures.

There has been serious public discussion of Azerbaijan's new election laws, highlighting the complexity of the democratic process. These laws should regulate new elections in the Milli Mejlis. The demand of the opposition party for radical changes in the existing laws has not been accepted as yet by the pro-government majority in parliament. European institutions, interested in the development of democracy in Azerbaijan, have made several efforts to achieve some consensus on this issue among political parties.

Ensuring freedom and human rights is one of the important objectives of democratic reforms. It will assist in the formation of a legal state in Azerbaijan. In an era which is witnessing rapid change in politics and in the economy, the creation of conditions which would enable human rights to be respected is a tremendous task. The process of forming a civil society in Azerbaijan is therefore proceeding slowly.

Several factors continue to hamper the formation of a legal state and promotion of human rights in Azerbaijan. However, there are some positive trends in this process. For instance, the present Constitution of the Azerbaijan Republic has the democratic framework to ensure human rights are honoured in the country. The Constitution stipulates the primacy of international treaties, to which Azerbaijan has become a party, over national legislation. It thereby commits Parliament to



upholding human rights in line with international norms of human rights. After achieving independence, Azerbaijan is already a party to twenty international conventions on human rights. In 1999 and 2000 amnesty was granted more than 10,000 prisoners who had not committed serious crimes. Among them were women and elderly prisoners. Special attention was paid to them. Some prisoners, who had been described as political prisoners in the government's files on human rights, were also granted amnesty.

Azerbaijan is beginning to become a free and open society. The road to democracy is not smooth. Political culture does not always reflect an understanding of human rights and freedoms. Neither does the bureaucracy always observe democratic norms. But trends indicate that democracy is gradually taking roots in Azerbaijan. New norms which reject violence and tolerate other opinions are being established. People are debating issues much more openly. The right to a different opinion from the majority is being respected by society. The relationship between the bureaucracy and political parties is changing. These are important outcomes of the democratic process underway in Azerbaijan.

Table 1.9 Azerbaijan in comparison with some other countries by the level of population provision with mass media

	Daily newspapers per 1,000 people (1996)	Radio per every 1,000 people (1997)	Televisions per every 1,000 people (1998)
Austria	296	753	516
Portugal	75	304	542
Hungary	186	689	473
Mexico	97	325	261
Bulgaria	257	543	398
Romania	300	319	233
Russia	105	418	420
Kazakhstan	-	384	231
Georgia	-	555	473
Turkey	111	180	286
Ukraine	54	884	490
Uzbekistan	3	465	275
Jordan	58	287	52
Iran	28	265	157
Turkmenistan	-	276	201
Azerbaijan	27	23	254
Moldova	60	740	297
Tadjikistan	20	142	285

Source: World Development Indicators, 2000

1.8 Freedom of the press

The freedom enjoyed by mass media is an important indicator of democracy. An independent mass media with universal reach helps to promote freedom of information. Today, the people of Azerbaijan enjoy limited access to mass media. As seen from Table 1.9, the number of daily newspapers, radio receivers and television sets per 1,000 population is not enough in the country. This results in low awareness of politics, legal entitlements, and restricts the extent of public debate and discussion vital for a democracy.

On February 8, 2000, President of the Azerbaijan Republic, signed a law titled "On Mass Media". Some of the provisions of this law have been criticised by opposition parties and representatives of mass media. Many international organizations including the European Council have

appealed to Azerbaijan's government to re-examine this law and make suitable amendments to bring it in line with international standards.

However, in comparison with older laws on press freedom, the new law has some advantages. It gives a number of tax privileges to the mass media. They are exempt from paying VAT (value added tax) and duty. Taxes on profits have been reduced. Besides, the new law plans to apply minimal tariffs to mass media on the use of public transport, utilities, and communication.

The representatives of mass media point out that a number of articles in the new law allow authorities to limit the freedom of speech in the country. For example, executive bodies have the right to prevent the sale of foreign and local publications which contain "material insulting the honour and dignity of the people of Azerbaijan and dis-

turbing the public order" (Article 27). If any mass media agency has to explain its actions three times in one year, then executive bodies have the authority to order its suspension (Article 19). The executive bodies approach the court only after closing down the mass media agency. Representatives of the mass media also object to a provision under the law which gives the accrediting bodies, and not the courts, the right to deprive correspondents of accreditation (Article 50). In the earlier 1992 law, the matter could be settled in the law courts. These provisions of the new law on mass media are a real threat to freedoms as they give unlimited authority to bureaucrats.

By the Presidential Decree of August 5, 1998 titled "On Additional Measures for Providing for the Freedom of Speech, Opinions, and Information", the Central Directorate on Protection of State Secrets was abolished. According to the Decree, the protection of state secrets will be ensured only through legal action. However, the Decree does not remove all restrictions on the freedom of speech and the freedom of the press. Serious problems still persist with the electronic mass media - radio and TV. The first channel of AzTV which caters to more than 90 percent of the population is under strict state control. Independent radio and TV companies have restricted areas of operation and are concentrated mostly in Baku. There is a strict system of issuing official licenses for setting up private TV and radio channels. This hampers their growth and limits their activities. Although according to official data, there are 40 TV and radio companies, only a few of them operate effectively in the country.

1.9 Conclusion

Azerbaijan's economy is in a state of dynamic development. An increase in per capita incomes is likely to improve food



consumption and increase enrollment figures in education as well as encourage more people to access healthcare. With the economy showing signs of resurgence the government will have more resources to fund structural changes in the system of healthcare and education and provide better choices to people. Creating livelihood options for people will require proactive strategies so that all sections of the population reap the benefits of economic liberalisation and globalisation. Much will depend on which sectors of the economy the government chooses to boost. The fast growing oil sector can help to fund other sunrise sectors of the economy. At the same time, the democratic process is already ushering in a change in society. Local self-governance and greater freedom to the mass media is bound to improve peoples' participation and lead to more transparency in the way the government functions. All these trends suggest that Azerbaijan could well be on the path of sustainable human development.



SUSTAINING ECONOMIC GROWTH



2.1 Introduction

For many transition economies, the real challenge has been to re-establish a stable base for economic growth and human development. However, the nature of growth pursued has to be respectful of the environment, its benefits ought to be equitably shared, and that growth itself must be sustainable over the long run. Azerbaijan is no exception. While every effort is made to accelerate economic growth, it is imperative for the State to

restore, through appropriate public policies, the social security and protection that the former socialist regime offered to a majority of people.

Signs of economic revival are clearly noticeable in Azerbaijan. The immediate deterioration in economic performance that was witnessed between 1990-95 has been reversed. Since 1995, the economic reform package adopted by the State, and implemented in partnership with national and international organizations, has led to a steady growth in incomes. The country has achieved macroeconomic stability as well. The challenge today is to establish firmly the foundations of this economic expansion, and to ensure a close linkage between economic growth and human development.

Even as the country attempts to broaden its economic base and accelerate growth, two additional considerations are likely to affect the future sustainability of human development in Azerbaijan. The first has to do with the nurturing of the environment. The future prospects of growth as

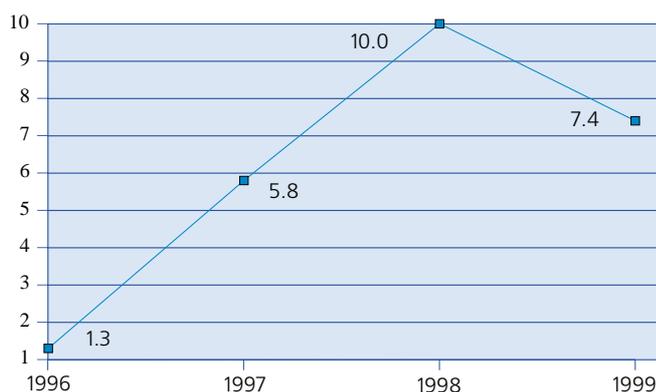
well as poverty eradication will depend critically upon how well the natural resources of the country are managed and harnessed for human development. The second challenge comes from HIV/AIDS. The spread of HIV/AIDS has not yet become a serious issue, but at it is precisely at this stage, that preventive action is urgently needed. Neglect of HIV/AIDS can easily undermine many of the positive developments in the country, and offset the gains recorded in recent years.

This chapter provides an overview of economic situation in the country. Issues related to macroeconomic stabilization and implementation of economic reforms are discussed. The Chapter also provides a review of the environmental situation in Azerbaijan and highlights the need for care in harnessing natural resources for human development. The Chapter also discusses in detail the need to contain and prevent the spread of HIV/AIDS in the country.

2.2 Income expansion

Azerbaijan has recorded a steady increase in its GDP since 1995. In 1999, for instance, the country's GDP grew by 7.4%, somewhat lower than the growth of 10% recorded in 1998, but significantly higher than the growth rate of just 1.3% recorded in 1996. Despite the growth, however, real GDP per capita dropped from US\$ 537 in 1998 to US\$ 509 in 1999, mostly due to verified demographic data. Much of the contribution to growth has come from the private sector whose share in GDP went up from 11.7% in 1996 to 21% in 1997. In recent years, the share of the private sector has remained between 11-12% of GDP.

Figure 2.9 Changes in GDP from previous year, 1996-99



Source: Statistical Yearbook of Azerbaijan, 2000

Both industry and agriculture have contributed to the growth in the country's GDP, though the increase in the shares of both is less as compared to those of transport, communications and construction.

2.3 Industry

Industrial output grew by 3.5% in 1999. As in previous years, industrial expansion was led by the performance of the fuel sector that accounted for 61% of industrial output. This was followed by the electricity sector that accounted for an additional 21% of overall industrial production. As Figure 2.10 reveals, these two sectors have been spearheading much of Azerbaijan's economic revival. The oil and fuel sector accounted for 14% of industrial output in 1990. By 1999, this had risen to 82%. The increasing dependence on oil and electricity sectors has also coincided with a decline in the output of other sectors.

- There has been a significant drop in the share of machinery and metal working industries. In 1990, machinery accounted for 20.3% of industrial production. By 1995, its share had fallen to 3.6%. In 1999, it fell further to 2.4%.
- Manufacturing output, in 1999, fell by 9%.
- Production levels also declined in fer-

Box 2.7 Azerbaijan State Oil Fund

Till date, Azerbaijan has signed 17 oil and gas agreements with more than 30 oil companies of the world. Oil contracts are expected to bring several tens of billions of dollars as revenues from development of oil projects.

A Presidential Decree on "Establishment of the State Oil Fund in Azerbaijan" was issued on December 29, 1999. A group of national experts have been assigned to develop the Project on the State Oil Fund of Azerbaijan (SOFA) bringing in the lessons of successful international experience relating to the establishment of similar structures in Norway and United Kingdom. Experts from British Know How Fund (set up in 1990 to support the transition economies of the East Europe) are also involved in this project.

National and international specialists with expertise in different areas have been brought together to address issues relating to the forms for accumulation of oil revenues. They are also examining the structure of the agency for controlling oil revenues that should address a wide set of concerns – deciding priorities and earmarking proportions for reinvesting of oil revenues to the development of non-oil sectors. Oil resources, however, need to be used in a manner that:

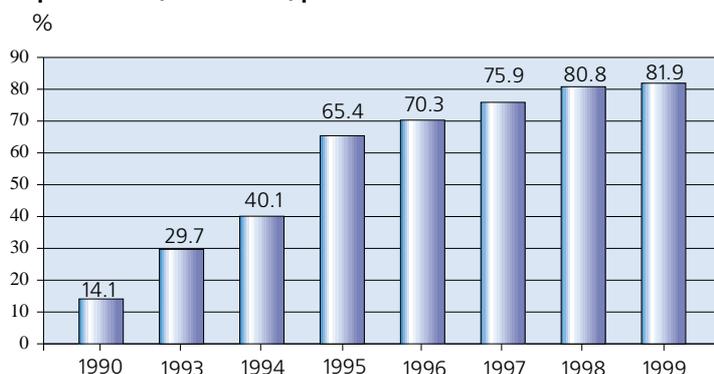
- prevents stagnation of non-oil sectors of the economy and avoids the so-called Dutch disease syndrome
- ensures that natural wealth is transformed into monetary wealth in a way that benefits everyone everywhere without imposing unwanted costs of the society

This however requires developing appropriate macroeconomic policies in addition to ensuring that SOFA's activities are guided and institutionalized to ensure sustainability.

rous metallurgy, chemicals, machinery, and construction materials industries.

A 20% increase in oil and gas production, 15% increase in power generation, and 16.1% increase in petrochemical production made possible the industrial expansion between 1998-99. The non-ferrous metallurgy and food industries also recorded a modest growth compared to

Figure 2.10 Share of energy sector (fuel and electricity) in overall industrial production, 1990–1999, percent



Source: SCS, 2000

1998. As a result, the share of industry in GDP increased by 1.2%.

Particularly striking is the decline in the output of light industry. Despite the high potential that exists in Azerbaijan for the development of both light and food industry, by 1999, the light industry sector accounted for only 2% of industrial production – down from almost 20% in 1990 and 9.5% in 1995. Adversely affected by the slow growth – and decline of this sector are particularly women who have traditionally relied on the two industries for employment.

The Government has focused on the oil sector to attract external financing resources for development of non-oil sectors as well. At the same time, special attention is being paid to finding more effective use of oil revenues for stimulating economic growth. The establishment of an Oil Fund is intended to address this issue. (Box 2.7).

The country is yet to reach the levels of industrial production recorded in the early 1990s. Part of the problem lies in difficulties with the marketing of finished products. By January 1, 2000, finished products valued at 587.1 billion manats had been accumulated as stocks with industrial enterprises.

2.4 Agriculture

Azerbaijan has been actively pursuing the privatisation of agriculture, and this continued in 1999 as well. By the beginning of 2000, the number of newly established private farms had reached 36,000. Agricultural output grew by 7.7% over the previous year despite a variety of

Table 2.10 Structure of industrial production by sectors (percent)

Years	1990	1993	1994	1995	1996	1997	1998	1999
Overall industry	100	100	100	100	100	100	100	100
of which:								
Electricity	4.0	11.0	16.7	19.2	17.9	16.7	20.3	20.6
Fuel	10.1	18.7	33.4	46.2	52.4	59.2	60.5	61.3
Ferrous metallurgy	1.5	2.4	2.7	0.3	0.1	0.3	0.1	0.0
Non-ferrous metallurgy	2.1	2.9	1.3	1.0	0.2	0.4	0.3	0.2
Chemicals and petrochemicals	6.4	7.7	5.4	5.4	4.5	4.0	3.2	4.2
Machinery and metal working	20.3	16.0	7.3	3.6	3.6	3.9	3.5	2.4
Construction materials	3.0	5.0	3.0	1.5	1.1	1.4	1.2	1.0
Glass and ceramic industry	0.4	0.4	0.2	0.2	0.2	0.1	0.1	0.1
Wood-working industry	1.9	1.3	0.5	0.2	0.1	0.1	0.1	0.2
Light industry	19.9	14.8	11.5	9.5	8.2	5.1	2.3	2.0

Source: SCS, 2000

problems. Particularly impressive was the increase in the production of main plant-based products, such as cereals, potatoes, vegetables, watermelons, fruits and tea (Table 2.11).

On the other hand, in 1999, the output of grapes, cotton, and some other agricultural crops fell sharply – and output levels were much lower in 1999 than they were in 1990.

Livestock production showed more notable growth. By 1999, the output of meat and milk had exceeded the levels recorded in 1990. But this was not the case with the production of eggs and wool. (Table 2.12).

The President of the Azerbaijan Republic signed a special Decree on March 22 1999 on Measures to Accelerate the Reforms in the Agricultural Sector. The

Table 2.11 Crop production in Azerbaijan (thousand tons)

	1998	1999	Index of crop production (Base year 1998 = 100)	Index of crop production (Base year 1990 = 100)
Cereals	950.3	1098.3	115.5	77.7
Cotton	112.9	96.8	85.6	15.8
Tobacco	14.6	8.6	59.3	23.1
Potatoes	312.5	394.1	125.9	212.4
Vegetables	502.3	670.8	133.5	78.0
Watermelons	78.8	206.3	257.5	300.5
Fruits	390.6	436.5	109.9	115.8
Grapes	144.2	112.5	78.0	9.4
Tea	0.9	2.7	300	8.8

Source: SCS, 2000

Table 2.12 Livestock production (thousand tons)

	1998	1999	Index of livestock production (Base Year 1998=100)	Index of Livestock Production (Base Year 1990=100)
Meat (live weight)	179.3	187.5	104.6	106.8
Milk	946.5	991.0	104.7	102.1
Eggs (thousands)	509.0	524.8	103.1	53.3
Wool	10.3	11.0	107.0	98.2

Decree was meant to eliminate many of the existing bottlenecks in agriculture and usher in the second phase of agricultural reforms. The Decree specifies tasks that should be addressed by the Government in order to improve the situation in agricultural sector. It includes, in particular, measures to improve the mechanisms of financing, prices, taxation, and credits.

2.5 Foreign investments

Foreign investment in 1999 decreased by 26%. Direct investments fell by 44%, and foreign investments in the oil sector by 39%. In 1999, investment in the oil sector was only US\$ 544.5 million – less just 61% of the level of investment recorded in 1998.

Factors commonly identified for the decline in foreign investments include bureaucratic obstacles, needless interference by official bodies, and corruption.

In 1999, there were 2551 officially regis-

tered enterprises with foreign investments totaling US\$ 210.4 million. Some 65% of the officially registered enterprises with foreign investments were classified as “foreign enterprises” and the remaining 35% as “joint ventures.”

Among the major foreign investors in Azerbaijan’s enterprises are Turkey (32 percent), UK (22 percent), USA (14 percent), and France (12 percent). In 1999, these enterprises contributed 458.8 billion manats by way of taxes to the state budget - 24% of total income in the state budget.

It is however important to note that:

- Of the officially registered enterprises with foreign investments, only 755 enterprises - less than 30% - were active in the country.
- Of the 1671 foreign enterprises, only 519 enterprises (31%) were active.
- Of the 880 joint enterprises, only 256 (29%) were active.

Enterprises with foreign investments employ 18,677 people. Of these, 1091 are foreigners. In 1999, the monthly wages of national employees in foreign enterprises was, on average, 1.2 million manats (US\$ 273) – almost 6.5 times higher than the average monthly wage of a regular employee working in a national enterprise. On the other hand, foreigners working in these enterprises earned on average 5.3 million manats (US\$ 1,210) – almost 29 times higher than the national average wage.

Box 2.8 Presidential Decree on measures to accelerate the reforms in the agricultural sector

The Decree envisages implementation of following measures aimed at development of the agricultural sector:

- analysis of the existing situation in agriculture, implementation of special measures to rectify the made mistakes and elimination of artificial obstacles
- preparation of the second phase programme for the reform implementation
- tax exemption for agricultural producers, with the exception of land tax, and liquidation of all tax debts
- identification of possibilities to open new credit lines for the development of agriculture, and private farms in particular
- provision of privileges in selling oil products to the agricultural producers.

Foreign enterprises are not evenly scattered throughout the country. Of the operational 755 enterprises with foreign investment in Azerbaijan:

- 728 (94%) are located in the capital city of Baku
- 14 (2%) are in Sumgait
- 6 are in Ganga and Nakhichevan
- 5 are in Apsheron; and,
- 2 are in the other provinces.

All along, oil has dominated foreign investments. In 1994, the share of oil investments in foreign capital was 16%. This rose to 37% in 1995, and to 50% in 1997. By 1999, however, because of the decline in foreign investments coming to the oil sector, the proportion has decreased.

There has also been a perceptible change in the composition of foreign capital coming into Azerbaijan. In 1994, 84% of the investments were made up of loans. By 1998, the figure was down to 8%. In 1999 the share of direct investment was 70 percent, and that of loans 30 percent.

The state needs to monitor these trends carefully in order to avoid having to face acute problems in repayment of foreign debts. Special measures may be needed to expand the inflow of direct foreign investment, monitor the inflow of foreign credit, and effectively manage foreign loans.

2.6 Foreign trade

Pursuing a policy of promoting maximum liberalization of foreign trade and removal of restrictions has resulted in increase in the turnover of foreign trade. Between 1998-99, the volume of foreign trade rose by 6.4%. In 1999, the total value of foreign trade was US\$ 1,962.1 million. During

Figure 2.11 Investment to oil sector, in million US\$

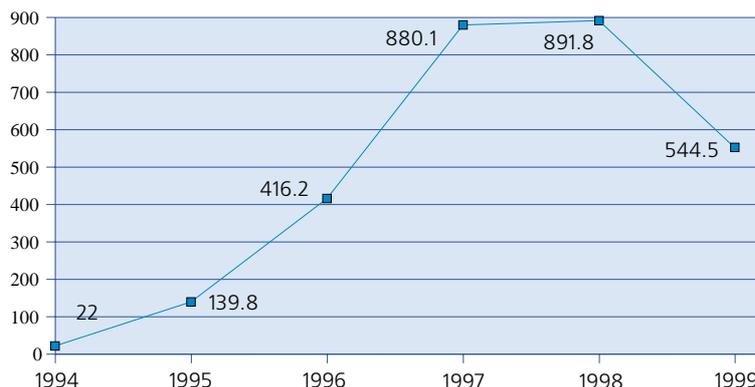
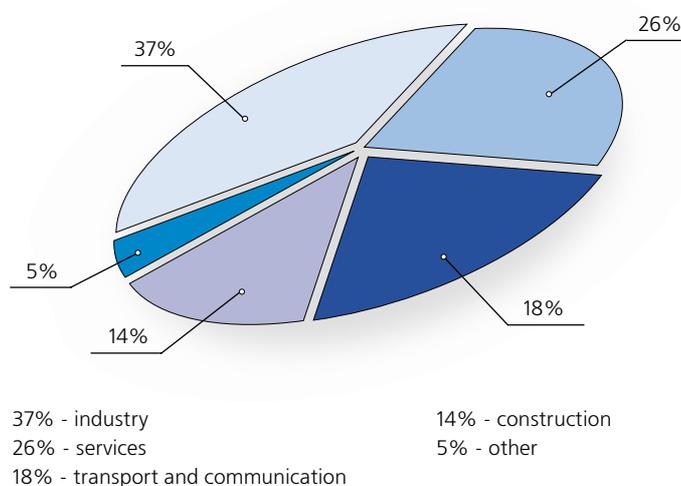


Figure 2.12: Breakup of foreign investments



1998-99, exports grew by 27% while imports decreased by 4%. (Table 2.14).

There are some positive trends in Azerbaijan's foreign trade. Turnover of exports has increased. As a result, the trade deficit which had reached US\$ 329 million in 1996 fell sharply to US\$ 105 million by 1999. However, many problems continue to persist. The increase in exports is mostly due to the increase in the volume of exported oil and oil products, which in 1999, constituted 70% of total exports.

2.7 Employment

In 1999, close to 31% of the employment was provided by the agriculture. Analysis

Table 2.13 Foreign investments, million US\$

	1995	1996	1997	1998	1999
Total amount	375	621	1307	1472	1091
including:					
direct investments		519	1066	1352	755
of which:					
to oil sector	140	416	784	892	545
to other sectors		103	282	460	210

Table 2.14 Foreign trade turnover (million US\$)

	1995	1996	1997	1998	1999
Total trade	1215	1591.8	1575.6	1683.4	1962.1
of which:					
Export	547.4	631.2	781.3	606.2	928.6
Import	667.6	960.6	794.3	1077.2	1033.5
Trade deficit	-120.2	-329.4	-13.0	- 471	- 104.9

of data presented in Table 2.15 reveals some trends which would negatively influence human development. First, although there has been a marginal increase in the number of those employed in industry last year, this level should not be considered as sufficient for a rapid acceleration in human development. The number of those engaged in science continues to decrease. Although nearly 30 percent of the population is employed in agriculture, comparison with the volume of production indicates low productivity in this sector.

The private sector has been playing a crucial role in expanding employment opportunities in Azerbaijan. In 1990, the state sector employed 71% of the working population. This figure dropped to 36% in 1999.

In Azerbaijan, expansion of markets has also gone hand-in-hand with increasing unemployment. According to official statistics, the level of registered unemployment in 1999 was 1.2 percent. This amounts to nearly 45,000 unemployed people – up from 28,000 in the previous year. It is again estimated that, in 1999, there were 7.1 people for every job vacancy.

However, the official unemployment figures fail to capture the true situation on the ground. According to independent sources, the level of unemployment in Azerbaijan could be as high as 25%. Such large differences between official statistics and expert estimates are due to hidden unemployment and unregistered unemployment. Hidden unemployment manifests itself in two

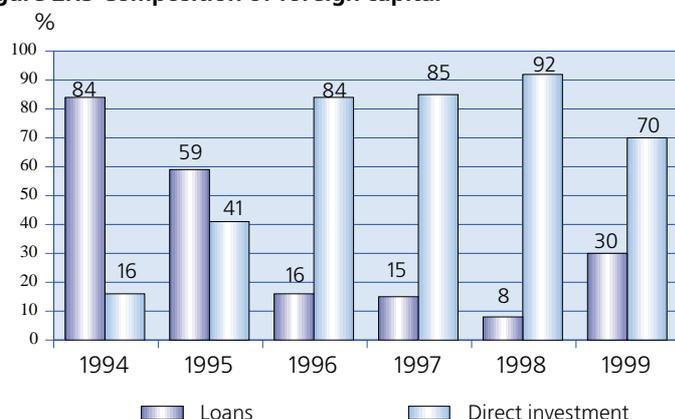
Figure 2.13 Composition of foreign capital

Table 2.15 Employment by sectors of economy (percent relative to total)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total employment in economy	100	100	100	100	100	100	100	100	100
Industry (employees of production industry)	12.7	12.3	11.5	10.6	10.3	9.8	7.7	6.6	6.8
Agriculture and forestry	30.9	31.8	34.7	32.4	31.5	30.8	31.8	29.0	30.8
Transport and communications	5.8	5.8	5.3	5.3	5.2	4.4	4.6	4.5	4.5
Trade, public catering and logistics	9.9	10.4	10.4	12.0	12.8	14.0	15.8	20.8	18.9
Municipal economy and consumer services	3.4	3.4	2.7	2.9	3.2	2.9	3.0	3.3	4.3
Health, physical training and social protection	4.6	4.8	4.5	4.8	4.8	4.8	4.9	5.0	4.9
Education, culture and arts	9.1	9.5	9.3	10.2	10.8	10.3	10.2	9.9	10.2
Science and scientific services	1.5	1.5	1.1	0.9	1.0	1.0	0.9	0.9	0.8
Credits and state insurance	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3
Administration of state regulatory bodies, and regulatory bodies of cooperative and public organizations	1.4	1.4	1.3	1.4	1.4	1.8	1.9	1.8	1.8
Other sectors	13.6	12.2	12.8	13.5	13.3	14.7	14.4	13.8	12.5

Source: SCS, 2000

forms. Some enterprises give unpaid leave to employees, while others use the practice of a partial working day.

High levels of unemployment are also evident from the unofficial labor markets. Available labor resources considerably exceed demand, as a result of which people are forced to offer their labor at extremely low wages. Consequently labor and working conditions are also extremely poor. Official estimates of unemployment also tend to be low due to the fact that State employment covers only a small proportion of those in search of a job. Many who are unemployed simply do not register in the government centers. Unemployment

allowance offered to those who register is very low – so low that many do not even feel inclined to register. At present, the unemployment allowance is 34,942 manats - around 20% of the monthly average wage for 1999 and only 10% of per capita consumption budget.

A larger proportion of women than men are officially registered as unemployed.

The problem of unemployment is particularly serious among young people. According to official statistics, nearly half of the unemployed are between 18-30 years (Table 2.17). Limited opportunities for training and for acquiring new qualifi-

Table 2.16 Gender structure of unemployment (relative to total number of unemployed, percent)

	1991	1992	1993	1994	1995	1996	1997	1998
Unemployed by gender	100	100	100	100	100	100	100	100
of which:								
Males	36.6	43.2	39.5	38.9	40.3	41.0	42.4	43.1
Females	63.4	56.8	60.5	61.1	59.7	59.0	57.6	56.9

Source: SCS, 2000

cations remains a serious constraint. At the same time, the presence of a large number of Internally Displaced persons (IDPs) – discussed in Chapter 3 – adds to further tensions in the labor market.

2.8 Living standards and wages

In 1999 and 2000, salary increases in some sectors has led to an increase of 16.4% in real incomes of the population. The average monthly salary of employees in 2000 was 203.4 thousand manats (US\$ 46) – 14% higher than in 1999. (Table 2.18).

Despite the growth in real income, both the minimum and average monthly salaries continue to be extremely low. The monthly minimum per capita consumption budget is estimated to be 350,000 manat. Against these conservative norms, the current monthly average wage of around 203,400 manats does not provide for even a basic standard of decent living.

Patterns of household expenditure also reveal much about the extent of poverty and living standards. In 1999, consumption expenditures accounted for 88.7% of total spending – down marginally from 90% in 1998. Of this, some 72% was on food items suggesting the extreme levels of impoverishment in the population. (Table 2.19).

Despite such a high proportion of household budget being spent on food, the average consumption of a number of basic food products including fish, meat and meat products, milk, vegetable oil, eggs etc. is far below the physiological requirement. However, the consumption of bread products exceeds physiological requirement (Table 2.20) – indicating once again the extremely poor diet of most households.

The State is aware of many of these problems, and has initiated several policy measures to ensure a more broad-based pattern of growth with employment creation as a principal goal. Even as a nation-

Table 2.17 Distribution by age of those with official status of unemployed in the state employment service bodies (relative to total number of registered unemployed)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Unemployed	100	100	100	100	100	100	100	100	100
of which:									
before age of 18	7.6	2.9	2.6	2.5	1.3	3.3	2.7	1.3	1.1
age of 18-30	30.4	20.7	43.9	47.9	48.6	40.1	40.8	48.1	48.0
pre-retirement age	8.0	6.1	11.5	9.6	2.9	4.0	3.8	2.5	2.0
other age categories	54.0	70.3	42.0	40.0	47.2	52.6	52.7	48.1	48.9

Source: SCS, 2000

Table 2.18 Average monthly wage and inflation

	1995	1996	1997	1998	1999
Average monthly wage, relative to previous year, percent	By 4.1 times	By 1.4 times	By 1.6 times	119.0	114.8
Aggregated index of consumer prices, relative to previous year, percent	511.8	119.9	103.7	99.2	100.1

Source: SCS, 2000

Table 2.19 Structure of expenditures, percent

	1998	1999
Consumption expenditures	90.0	88.7
of which:		
food products	77.1	72.2
non-food goods	16.2	21.3
payment of taxes	2.5	2.9
Others	4.2	5.6

Source: SCS, 2000

al employment generation policy is chalked out, based on a careful assessment of market opportunities and internal strengths, Azerbaijan needs to focus centrally on nurturing its environment.

2.9 Care of the environment

The quality and sustainability of human development depends critically upon the extent to which the environmental resources of a country are nurtured and protected. Indeed, the state of a country's environment reflects the state of the economy itself. Azerbaijan inherited many of the environmental flaws of the former Soviet Union. Economic difficulties further aggravated the pressures on the environment. As a result, the environmental crisis in Azerbaijan manifests itself in severe contamination and degradation, poses a threat to the conservation of biodiversity, and imposes a negative impact on the health and longevity of people. In addition, vast areas of the country's territory including those with valuable natural resources continue to be under occupa-

tion. The continued presence of refugees contributes to anthropogenic pressure on the environment.

The sections that follow review the state of Azerbaijan's environment – pointing to critical areas of fragility and neglect.

2.9.1 Soils

Traditional organic agriculture was practiced in Azerbaijan prior to the establish-



ment of the Soviet regime. Under the Soviet Union, extensive methods of agricultural production and increasing economic activity brought more and more land under cultivation. Lack of proper standards for land use and uncontrolled use of pesticides and fertilizers have, however, led to severe erosion, salination of soils, and chemical contamination of lands. This trends continues even today. As a result, lands remain terribly degraded, having lost much of their old fertility. According to most recent estimates, of the 3.7 million hectares of eroded lands, close to 3 million hectares suffer from water erosion. Of the remaining, 0.3 million hectares have been affected by irrigation erosion and 0.4 million hectares by severe wind erosion. Preliminary estimates suggest that some 0.7 million hectares of agricultural land – valued at no less than US\$ 1 billion - are heavily eroded and almost fully degraded. Both geo-morphological peculiarities of the lands and the anthropogenic pressures on them have contributed to the erosion. For example, uncontrolled grazing of cattle, undue use of agro-technical methods of farming, unscientific felling of forests (especially

in mountainous areas), unplanned construction of reservoirs at elevated landscapes – have all resulted in mud flows and catastrophic washing out of soils.

Another important environmental issue is the salination of soil. At present, close to 1.2 million hectares of lands are affected by this. Among the principal causes are the practice of irrational irrigation techniques, and poor irrigation and drainage systems. Only 12% of irrigation channels have adequate cover. Collection-drainage nets have not been cleaned for a long time, and measures for their necessary renovation and restoration remain inadequate.

More than 30,000 hectares of lands have been adversely affected by indiscriminate mining of natural resources. These include nearly 14,000 hectares of oil-contaminated lands.

Chemical contamination including contamination by heavy metals - referred to anthropogenic contaminants – has also affected the condition of soils. Industrial discharges and discharges of motor transport as well as uncontrolled use of some

Table 2.20 Per capita food requirements and food consumption,1999

	Physiological requirement (kg)	Consumption (kg)	Deviation (percent)
Bread products	126	150	+19
Potatoes	50	38	-24
Vegetables and water-melons	106	109	+2
Fruits and berries	54.4	64	+18
Meat and products	38	19	-50
Fish	12	2.7	-78
Milk and products	312	147	-53
Eggs (total number)	211	77	-64
Sugar	22	13.9	-37
Vegetable oil and margarine	5.5	2.5	-55

Source: SCS, 2000

pesticides are the main anthropogenic sources for the presence of heavy metals in the soils. On the whole, the concentration of heavy metals in soils in the contaminated areas exceeds the world index for lithosphere by up to 8 times for lead, 2 times for nickel, 50-60 times for zinc, and 10 times for copper.

2.9.2 Air

Use of outdated technologies, dilapidated equipment, combustion of highly sulphurous oil as fuel (instead of natural gas), and ignoring air-protection measures are among the principal reasons for the contamination of the air basin in Azerbaijan. Each year more than 60 hazardous compounds of varying toxicity are discharged into the air from industrial sources of Baku and Sumgait. The main air contaminants are dust, soot, hydrocarbons, sulfur, chlorine, and formaldehyde. Together they constitute more than 90% of the total amount of hazardous substances discharged into the air basin.

Between 1990-99, however, discharges from stationary sources into the air fell from 2,108,500 to 574,700 tons. However this does not reflect a positive change as much of the decline in discharge reflects the drastic reduction in industrial output – not an improvement in environmental standards of emissions.

To a considerable extent, air is contaminated with discharges from enterprises of oil and oil-related industries. Only 60% of these enterprises have proper treatment facilities (Table 2.22).

Although the amount of discharges from motor transport has been halved between



1990-99 – from 738,000 to 342,400 tons, the share of discharges of air pollutants from motor vehicles in the total volume of discharges has increased. In 1990, this proportion was 26%. Today, it accounts for almost 37% of the total amount of discharge of 936,400 tons.

2.9.3 Water

Azerbaijan has limited water resources. Despite this, the distribution and use of water remains ineffective. In 1999, 11.968 million cubic meters of water was extracted from natural sources for industrial, agricultural and municipal-domestic needs – less than the 16.176 million cubic meters extracted in 1990. Per capita water consumption fell from 2.241 cubic meters in 1990 to 1.493 cubic meters in 1999; and use of water for industrial needs dropped from 3.418 million cubic meters to 2.473 million cubic meters. Water consumption in agriculture also fell from 8.627 million cubic meters to 3.697 million cubic meters between 1990-99. However, the decrease in water use by industry and agriculture is a result of the overall economic decline in the country and should not be interpreted as the consequence of the introduction of resource-

Table 2.21 Discharges of air contaminants from stationary sources, 1990 – 1999, thousand tons

	1990	1993	1995	1997	1998	1999
Azerbaijan Republic, including:	2,108.5	1,533.3	878.6	389.6	442.7	574.7
Nakhichevan AR	61.3	0.3	0.7	0.5	0.09	0.1
Baku	1,393.9	1,258.1	623.9	306.7	358.6	326.6
Ali-Bayramli	67.3	36.5	27.8	26.2	22.7	31.7
Ganja	56.0	12.0	4.8	2.1	0.8	1.6
Mingechevir	42.9	28.1	26.7	23.9	26.4	26.4
Sumgait	96.5	26.4	40.2	17.8	15.8	40.3

Source: SCS, 2000

saving technologies. In general, relative water discharge in Azerbaijan is much higher than in many other countries suggesting poor deployment of water-saving technologies and insufficient re-use of water.

Contamination of the main rivers of Azerbaijan is another issue of concern. The waters of the Kura river are heavily contaminated by discharges from territories of Azerbaijan and neighboring countries. Extremely high levels of heavy metals are reported, for example, in the Okhychay river which is tributary of the Araz river, a main tributary of the Kura river. Untreated industrial discharges from the Gadjaran and Gafan mining complexes in Armenia cause severe heavy metal contamination. As a result, in Azerbaijan,

the concentration of hydro-carbonates in the river waters exceed MACs by 36 times, and of phenols by nearly 10 times.

In 1999, close to 4.192 million cubic meters of sewage were discharged into the water bodies. This included 167 million cubic meters of untreated effluents, 93% of which was due to municipal-domestic discharges. Only 38% of settlements have biological or mechanical treatment facilities for sewage. And the technical condition of a majority of existing treatment facilities is poor.

Contamination of the Caspian waters is yet another serious environmental problem. This is a concern for all littoral countries. The Volga river is a major contaminating source responsible for nearly 80% of all contamination. Though a major part of the

Table 2.22 Indicator of protection of environment, 1990–1999

	1990	1993	1995	1997	1998	1999
Stationary sources (number)	13,619	2,4591	12,259	11,386	10,507	9,364
Amount of trapped discharges from stationary sources (thousand tons)	804	314	154	118	105	103
Percentage of trapped discharges	28	17	16	28	28	15
Total air discharges (thousand tons), of which:	2,847	2,086	1,326	849	755.7	917.01
Stationary sources	2,109	1,533	879	390	442.7	574.7
Motor transport	738	553	447	459	313	342.4

Source: SCS, 2000

Azerbaijan coast is considered as moderately contaminated, the contamination level is extremely high in some areas particularly in all areas of Baku Bay and the water area of Sumgait region. A total of 60 million tons of contaminants remain concentrated in the Baku Bay, 40% of which are oil products and their wastes. The levels of phenols and mercury are elevated as well (0.2-1 and 5.0-140 g/kg respectively). In sea-bed sediments near Sumgait, the concentrations of hydrocarbonates, phenols and mercury are 1-2 g/kg, 0.5-1.0 g/kg 0.1-0.6 g/kg respectively. The Caspian Programme, being implemented with support from UNDP, World Bank, UNEP, GEF and EU/Tacis seeks to improve the Caspian environment and preserve the bioresources of this unique water body.

2.9.4 Biodiversity

Azerbaijan has the most diverse flora and fauna among the other countries of Transcaucasia. Close to 4,500 species of higher plants grow in the Republic. Of these, some 350 are endemic and relic species. Some 400 plant species are regarded as endangered, and 140 species are listed in the Red Book of Azerbaijan of rare and endangered species. Local fauna is represented with nearly 25,000 species including more than 300 rare and endangered species - 107 of which are listed in the Red Book of Azerbaijan. Of global importance and requiring specific protection measures are many plant and animal species such as the representatives of the flora of southern part of the country, Greater and Lesser Caucasus, sturgeon species and the Caspian seal.

Azerbaijan has 14 state nature reserves and 20 preservations established to protect and preserve a wide variety of



endemic fauna and flora in ecologically sensitive areas. Of these, two nature reserves and four preservations, which lie in the occupied territories, have been virtually destroyed. Insufficient funding has further prevented adequate development of other protected areas.

The International Convention on Biodiversity, adopted in May 1992, came to force in 1993. But it was only in 2000 that the country's Milli Mejlis ratified the Convention. This provides further commitment to promote nature protection activities and improves the prospects of international cooperation in this field.

2.9.5 Forests

The forests of Azerbaijan are classified as first category forests. Covering about 11% of the country's territory, they fulfill vital functions of soil-protection and water-regulation besides offering unique opportunities for recreation. Even though forests cover a relatively small area, Azerbaijan is characterized by a wide diversity of flora and fauna.

In recent years, there has been a catastrophic deterioration in the forest cover.

Box 2.9 Addressing transboundary environmental issues in the Caspian Environment Programme

The Caspian Sea is the largest land-locked water body on earth. The isolation of the Caspian basin, its climatic and salinity gradients have created a unique ecological system. However, many of the Caspian bioresources are threatened by over-exploitation, habitat destruction and pollution. The Caspian Environment Programme (CEP) is a regional programme established by the Caspian littoral states and supported by international donor agencies, such as UNDP, WB, UNEP, GEF and EU/Tacis.

The project represents UNDP's contribution to the CEP. The overall goals of the CEP are to promote environmentally sustainable development and to improve management of the Caspian environment, including living resources and water quality. The ultimate goals of this project are: 1) development of a regional coordination mechanism to achieve sustainable development and management of the Caspian environment through institutional framework, capacity building, public awareness, and stakeholder involvement; 2) Completion of a Transboundary Diagnostic Analysis of priority water related environmental issues for the Caspian ecosystem; and, 3) Formulation and endorsement of a Strategic Action Plan for sustaining the Caspian and its associated natural resources.

UNDP's role in the project is: 1) support to the Programme Coordination Unit and Caspian Regional Thematic Centres; 2) regional assessment of contamination level; 3) assessment of transboundary biodiversity priorities; 4) development of regional emergency response actions; and, 5) organization of public awareness campaign.

Improvement of the Caspian environment and development of mechanisms for sustainable management of its natural resources is expected to yield maximum long-term benefits for the human populations of the region, while protecting human health, ecological integrity and the region's economic and environmental sustainability for future generations.

According to data from ASCE, close to 260,000 hectares of forests are in occupied territory and have been almost entirely felled and destroyed. Firewood remains the main source of energy and fuel for most of the one million refugees and IDPs, a majority of whom live in public premises or temporary tents and use woods for heating of their dwellings. Wood is also used extensively by the population in construction and in furniture manufacturing. Grazing of the cattle in woodlands and forests is another factor that has adversely affected the regeneration of forests.

2.9.6 International Cooperation

Cross-country comparison of some eco-

logical indicators suggests considerable potential for improvement of the situation (Table 2.23). Azerbaijan, for example, is far behind other countries in the rational use of water resources. Moreover, as a result of the irrational use of energy resources, the country produces almost 30 times less GDP per unit of energy than Austria, and 15 times less than Portugal. Efficiency of energy use in other FSU countries is higher than in Azerbaijan. Effective policies and special programs can potentially increase energy use efficiency, especially of the considerable resources of renewable energy.

Azerbaijan has been making use of international cooperation to improve the country's ecological situation. Along with the realization of NEAP and other international programs, the State has implemented a number of institutional measures in 2000. The first meeting of the Southern Caucasus Regional Ecological Center was held in March 2000 in line with the resolution of the Conference of Ministers on the Environment of the Central and Eastern Europe countries. The Center seeks to promote cooperation between governmental structures, businesses, non-governmental organizations and Community Based Organizations (CBOs).

In 2000, an agreement was also reached on the re-organization of the environmental management system. The Ministry of the Environment will be the country's main organization responsible for developing and implementing a national environmental policy. Along with the establishment of the Ministry, a plan for 2000-05 has been developed for strengthening environmental management. This plan seeks to accelerate the transition to modern internation-

al standards for environmental impact assessment and environmental management, promote public awareness, and expand the roles of NGOs and CBOs.

2.10 The spread of HIV/AIDS

Another silent emergency brewing in the country is the possible spread of HIV/AIDS. AIDS in Azerbaijan, however, is not perceived as a rapidly growing problem. The National Aids Centre, established in 1987, estimates that between 1987-2000, a total of 193 HIV/AIDS cases have been reported. (Figure 2.14)



of HIV come from 21 districts of the country.

Out of the total of 193 reported cases between 1987-2000, 173 persons are citizens of Azerbaijan and 20 persons are foreigners. Again, 112 are men, and 56 women. Data on the sex of 5 cases are missing.

Although data on HIV/AIDS suggest low prevalence, there are signs of a rapid spread. The number of newly reported cases has increased in the past two years. Only two new cases were reported in 1996, but in 1999, over 70 were registered.

Some basic data on HIV affected persons are available. Forty two percent of HIV affected persons are intravenous drug users. Forty three percent are between 30-39 years of age. Sixty five percent of HIV cases are from Baku. The remaining cases

Attention should be given to the following factors. Blood and blood product safety is not adequately ensured. The rate of Sexually Transmitted Diseases (STDs) continues to increase. There is also a general lack of public awareness about safe

Table 2.23 Cross-country comparison of some ecological and economic indicators, 1998

Country	GDP with PPP, US\$, bln	GDP per capita with PPP, US\$	Fresh water consumption, bln m ³	Fresh water consumption, bln m ³ on GDP per capita, US\$	CO ₂ emissions, mln metric ton	GDP on energy consumption, US\$ per kg	Protected areas (as % of national territory)
Austria	183.9	22,740	2.4	0.02	59.3	8.7	28.3
Azerbaijan	14.3	1,820	15.8	1.1	30.9	0.3	5.5
Jordan	14.8	3,230	0.5	0.03	*	5.9	6.4
Kazakhstan	53.4	3,400	37.9	0.71	173.8	0.5	2.7
Portugal	143.1	14,380	7.3	0.05	47.9	5.6	6.4
Russia	579.8	3,950	117.0	0.20	1,579.5	0.5	3.1

Source: World Development Report, 1999/2000, Oxford University Press, 2000

* no available data

Box 2.10 Azerbaijan Ozone Programme

The Republic of Azerbaijan ratified the Vienna Convention and the Montreal Protocol, including its London and Copenhagen Amendments on 31 May 1996. The country's Programme for Phasing out Ozone Depleting Substances in Azerbaijan, developed with assistance from UNEP and UNDP, was finalized and approved by the government of Azerbaijan in 13 January 1998. The GEF Council approved the corresponding GEF Project in March 1998. CEO (Chief Executive Officer) endorsement followed in October 1998 and the grant agreement was signed in February 1999. UNDP is the Implementing Agency for the investment subprojects; UNEP is implementing the institutional strengthening and training components.

The overall Ozone Programme consists of six projects: UNDP- 1) Conversion of equipment at the Sumgait compressor production plant; 2) Conversion of equipment at the Baku «Chinar» refrigerator plant; 3) Recovery and recycling of ozone depleting substances in the commercial and domestic refrigerators; 4) Establishment of halon banking in the State Fire Department of Azerbaijan; UNEP- 5) Institutional strengthening of the National Ozone Center; and 6) Training of refrigerator technicians for applying of modern standards in handling the ozone depleting substances.

Apart from contribution to the global effort of protecting the ozone layer, the programme will help to revitalize production at the recipient enterprises by upgrading their equipment, which would allow them to produce the internationally competitive output. Another important impact of the programme is the awareness raised among the population about problems of the ozone layer depletion, global warming and climate change.

sex practices and HIV/AIDS. Sociological surveys consistently point to incomplete information and low levels of awareness of HIV/AIDS among the population. For example, according to the National AIDS Center, about 60 percent of HIV-infected people did not know about the disease before being infected.



Although efforts have been made to introduce health and life education in schools, access to this has not yet become universal.

2.10.1 Social and behavioral assessments

The spread of HIV/AIDS in Azerbaijan, since independence, coincided with sudden and profound changes in society. During this period of transition, people had to grapple with intense uncertainty and economic distress. Some experts argue that the social stress of the last decade led to an increase in high-risk behaviour. It has resulted in changing sexual behaviour and to an increase the use of injectable drugs.

These changes are not easy to document. The country does not have a history of carrying out longitudinal and sociological studies relating specifically to sexual and drug use behavior. For many years, under the former Soviet regime, many such practices were termed "deviant" behavior and people indulging in them were treated like criminals. This also distanced social scientists from any type of investigation that could suggest appropriate behavioural interventions.

The situation, however, is different today. The emergence of the HIV epidemic has made the State more conscious of the need to carry out systematic behavioral studies of different population groups. A few studies have been initiated among high-risk behavior groups. These include sexual behavior surveys among youth, people living with HIV/AIDS, risk behaviour studies among intravenous drug users and general attitude to HIV/AIDS or knowledge of the population. However,

lack of adequate financial resources and limited technical skills restrict the possibilities of conducting intensive behavioural surveys. Yet these studies are critical as they can form the basis for altering social norms, changing the institutional environment, introducing new curriculum in schools, reforming legislation and cultivating a respect for human rights.

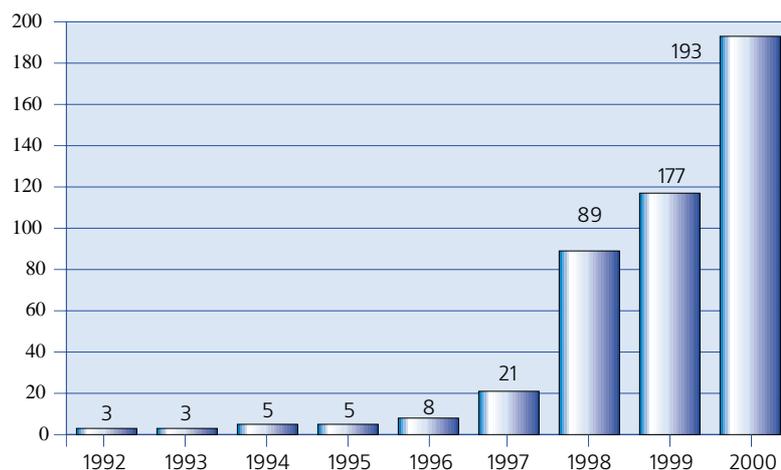
2.10.2 On-going efforts

The first national programme on HIV/AIDS prevention was approved in 1997. It envisages the establishment of a national multisectoral committee on AIDS, improvement in the logistical support to the National AIDS service, production of IEC (Information, Education, Communication) materials and improvement in epidemiological surveillance practices as well as training of personnel and research. However, funding for the programme could not be identified. Therefore implementation of the programme has been put on hold.

Other efforts are on to develop a comprehensive response to HIV/AIDS. The Government has set up a multi-sectoral team of experts for an expanded response to HIV/AIDS care and prevention. This team includes representatives from the Ministries of Health, Youth and Sports, Education, and Labor and Social Protection, National AIDS Center, Institute of Hematology and Blood Transfusion, Republican Narcology Center and NGOs working in the field of HIV/AIDS in Azerbaijan. The team has conducted its first review of the HIV/AIDS response and has provided recommendations for future actions.

Special attention is being paid to HIV/AIDS within the framework of the

Figure 2.14 HIV infected by years



consolidated UN Theme group project. Funded jointly by five agencies – UNDP, UNFPA, UNHCR, UNAIDS and UNICEF – this two-year project represents one of the most significant collaborative efforts of the United Nations in Azerbaijan. Project activities are being undertaken in three broad areas: (a) to develop a multi-sectoral national response to the HIV epidemic; (b) to create new national policies and guidelines on STDs case management; and (c) to design effective IEC programmes.

In order to integrate all stakeholders in planning a coordinated response to the epidemic, UNDP organized a workshop for key national players in the field of HIV/AIDS in September 1999. Each group developed a sector-specific situation and response analysis concerning HIV/AIDS. The workshop was designed to promote the strategic planning approach developed by UNAIDS and its co-sponsors. This is a very new concept in Azerbaijan. The meeting of Azerbaijani stakeholders involved in HIV/AIDS provided a unique opportunity for frank discussions on issues such as confidentiality, the importance of counseling, respect for individual rights, HIV/AIDS education and the real need for epidemiological data.



2.10.3 UN response

In 1998, the UN agencies headed by UNDP and the Ministry of Health set up a National Working Group on STI (Sexually Transmitted Infection) Management in order to assess the situation and develop guidelines for the management of STI in the country. The National Working Group is an interdisciplinary group of national specialists and international experts appointed by the Ministry of Health that works in partnership with the International Center for Reproductive Health, Belgium and Medicines Sans Frontier (Belgium). A prevalence survey and assessment of the situation was undertaken in collaboration with the International Center for Reproductive

Health (ICRH), Gent University and Medicines Sans Frontiers (MSF), Belgium.

New national guidelines on STI case management are now in place. These guidelines reflect the outcome of more than a year of research, discussions and interaction held by the "National Working Group on STI Management". The new guidelines include the following recommendations:

- the introduction of confidential management of STI and anonymous registration of cases
- integration of STI management into gynaecological-obstetrical and family planning services
- the introduction of comprehensive STI case management
- the use of standardized short-term treatment schedules for the treatment of acute STI cases
- the obligation of all medical services providing STI treatment to report STI cases
- provision of information on STI through mass media.

Figure 2.15 HIV by mode of transmission (June, 2000)

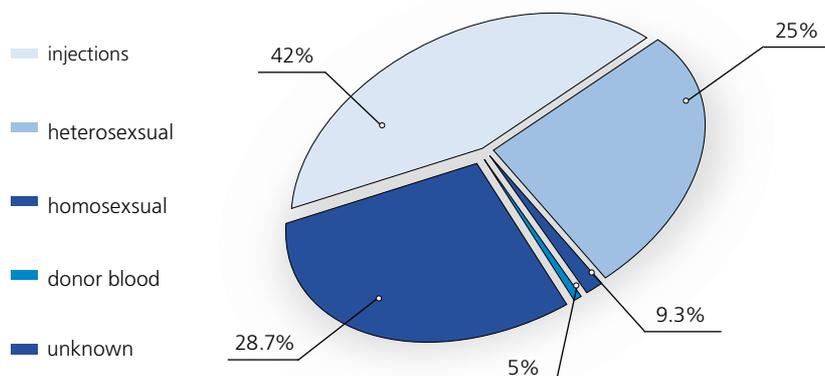
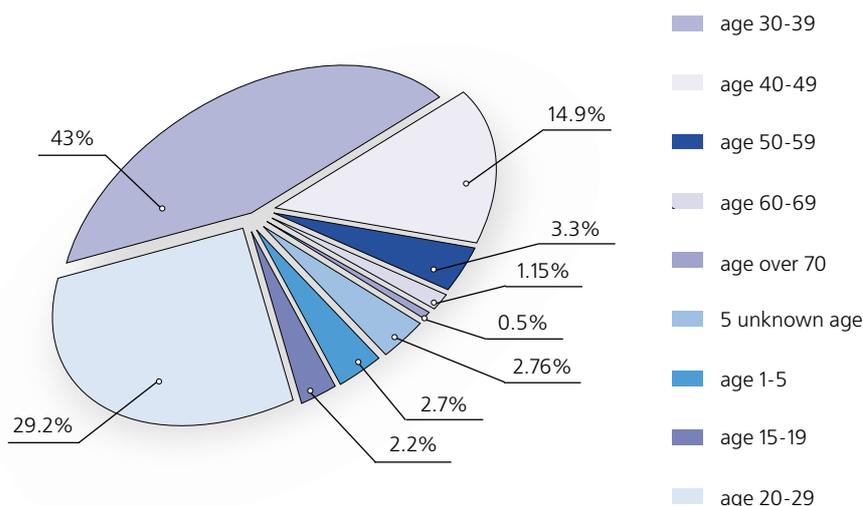


Figure 2.16 The age distribution of HIV infected, 2000



The newly developed IEC component seeks to encourage civil society responses to the growing STI and HIV epidemic. A Resource Center on HIV/AIDS for NGOs has been set up to encourage and support various NGOs and community organizations undertaking AIDS prevention activities.

UNICEF has launched a mass campaign to raise awareness on HIV/AIDS through an integrated programme on YPHDP among adolescents and youth. Youth Councils have been organised to encourage participation and empowerment of young people.

Azerbaijan has enacted advanced legislation concerning AIDS. The new law on AIDS, adopted by the Parliament of Azerbaijan on April 16, 1996, provides a legal framework for testing procedures and social support to the HIV-infected. Issues of tolerance towards people living with HIV/AIDS and human rights with respect to mandatory testing have been addressed in this progressive law, adopted in 1997. Qualified people are needed to implement the legal provisions.

Special efforts are on to intensify mass media campaigns. Massive information dissemination campaigns were conducted by the National AIDS Centre and the international donor community on World AIDS Day. Drug Harm Reduction and HIV Prevention initiatives were launched in the beginning of 2000 as a small demonstration project in collaboration with a specialized NGO. The project includes needle exchange and counseling components.

Prevention and tackling of HIV/AIDS requires close cooperation between the government's health system and NGOs. The technical capacity for formulating and developing strategic HIV/AIDS plans is weak in both the government and NGO sector. Political and public backing which the issue of HIV/AIDS receives is still inadequate. The state and society do not as yet perceive the problem to be significant. The overall support for advocacy and awareness building for prevention of HIV/AIDS remains weak.

The lack of sufficient financial resources, nationally and internationally, to support HIV/AIDS programmes is of major con-

Box 2.11 Global commitments to HIV/AIDS response

AIDS was in the spotlight at a meeting on January, 2000 of the United Nations Security Council, a first ever on a health issue. The 15-member Security Council's decision to address AIDS underscores the rapid evolution of the epidemic, which is fast becoming sub-Saharan Africa's number one human security issue.

In July 2000, the Security Council adopted a historic resolution on HIV/AIDS. The Council reiterated its concern about the spread of HIV/AIDS and drew attention to the risk posed by an unchecked epidemic to stability and security. Unanimously adopting a United States-sponsored resolution 1308 (2000), the first on a health issue, the Council expressed concern at the potentially damaging impact of HIV/AIDS on the health of international peacekeeping personnel, including support personnel.

The Council recognized the efforts of member states that have acknowledged the problem of HIV/AIDS and have developed national programmes. It encouraged other member states which had not done so, to develop programmes in cooperation with the international community and the Joint United Nations Programme on HIV/AIDS (UNAIDS). These programmes must include effective long-term strategies for HIV/AIDS education, prevention, voluntary and confidential testing as well as counselling and treatment of personnel as an important prerequisite for participation in peacekeeping operations. The Council also encouraged international cooperation in support of these efforts.

In the aftermath of the XIII International AIDS Conference in Durban, South Africa, 2000, UNAIDS called on the G-8 group of wealthy countries attending the Kyushu-Okinawa Summit Meeting 2000 to show resolve and leadership on AIDS by radically stepping up their expenditure to fight the disease. G-8 in its final OKINAWA communique committed itself to working in strengthened partnership with governments, the World Health Organization (WHO) and other international organizations, industry (notably pharmaceutical companies), academic institutions, NGOs and other relevant actors in civil society to deliver three critical UN targets:

- To reduce by 25% the number of HIV/AIDS-infected young people before the year 2010 (UN Secretary-General Report to the General Assembly on 27.3.2000)
- To reduce by 50% TB deaths and the prevalence of the disease before the year 2010 (WHO Stop TB Initiative);
- To reduce by 50% the burden of disease associated with malaria before the year 2010 (WHO Rollback Malaria).

cern to Azerbaijan. In the immediate future, the response by the state and society to HIV/AIDS will depend on the support given by the international donor community. A positive response can be elicited if advocacy and awareness building programmes receive assistance. There is need to develop a comprehensive action programme that looks beyond the traditional medical approach. Conscious engagement of civil society is urgently required.

2.11 Conclusion

The country is experiencing a modest economic revival. GDP has been growing, inflation is low and under control, and the trade deficit is getting smaller year by year.

However, efforts are needed to broaden the economic base. Azerbaijan remains narrowly dependent on the fuel and energy sector. Oil and products constitute the major items of export rendering the economy extremely vulnerable to external shocks. The shares of machinery, light and food industries in overall industrial production have decreased. Projects based on updated and modern scientific and technical capabilities urgently needed. Regional imbalances in investment also need to be corrected.

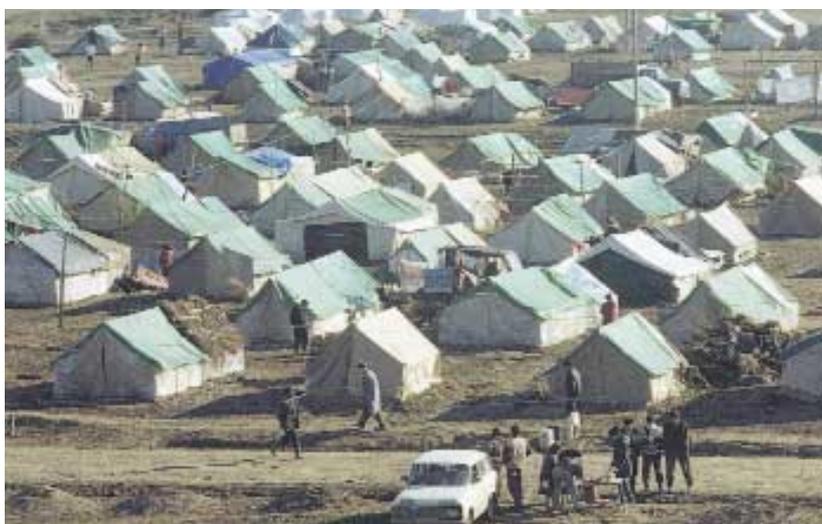
With support from international organizations, the government has implemented a number of measures providing for transition to markets in industry and agriculture. The results of these measures are reflected in the process of privatization, and in the progressive increase in the share of private sector in economic development. What is urgently needed is to evolve a growth strategy that expands markets and create jobs – by building on the human potential of the people.

Even as the country gives shape to a long-term growth strategy, it is vital for Azerbaijan to protect and rejuvenate its environment. The sustainability of any growth strategy – and efforts to eliminate human poverty – will succeed only if care is taken to protect and nurture the country's rich base of natural resources. At the same time, Azerbaijan needs to be aware of some of the threats to human develop-

ment. One major area of concern is the spread of HIV/AIDS. Any further gains along the economic front are likely to be wiped out unless preventive measures are taken now to check HIV/AIDS. Indeed, quality of life in the future will be determined to a large extent by the efforts of the State to protect the environment and health.



REFUGEES AND IDPs: RESOLVING THE HUMAN CRISIS



3.1 Introduction

Azerbaijan's development has been hampered since 1988 by a simmering ethnic conflict with Armenia. Violent eruptions have resulted in 900,000 internally displaced persons (IDPs) and refugees seeking shelter on Azerbaijan's soil. A ceasefire was declared in 1994 and since then, negotiations are on. But the Azerbaijan economy continues to reel under the burden of refugees and IDPs who require aid and essential support for survival.

The flow of refugees and IDPs into Azerbaijan started in 1988 from Armenia. There was a second wave of IDPs as ethnic azeries from Nagorno-Karabakh in Azerbaijan, who had lived there for many centuries. Azerbaijan lost 20 per cent of its territory in this conflict. The number of

people who have been killed is nearly 20,000. In occupied territories, forests have been felled. Fertile agricultural land has been ruined. The economic damage is estimated to be around USD 53.5 billion.

3.2 Classification of affected territories

According to data from the Agency on Rehabilitation and Reconstruction of Liberated Territories in Azerbaijan the extent of damage in different districts varies considerably. The following zones have been identified:

Zone 1: The territory under occupation

The scale of damage in this zone is more than 50 percent. In Agdam, 78.4 percent of the district's total territory is under occupation. In Gazakh the damage is 1.7 percent and at Fizuly, 49.5 percent. In Kelbajar, Lachin, Jibrail, Gubadly, Zangelan, the scale of damage is 100 percent and in the Nakhichevan Autonomous Republic, it is 0.06 percent.

Zone 2: Liberated territory

About 25-50 percent of this region has been damaged. At Terter, 30.9 percent of the total territory of the district is affected and at Fizuly, 20.9 percent.

Zone 3: Territory of hostilities

The scale of damage is estimated at 10-25 percent. At Gazakh it is 18.2 percent of the total territory of the district, Tovuz 6.0 percent, Gedabekh 12.4 percent, Terter

22.5 percent, Geranboy 31.3 percent, Khanlar 16.8 percent, Fizuly 17.0 percent and the Nakhichevan Autonomous Republic 0.2 percent.

Zone 4: Territory of bombardment

Up to 10 percent of the area has been affected. At Gazakh the scale of damage is 48.8 percent of the total territory. At Agstafa 7.4 percent, Tovuz 38.7 percent, Khanlar 16.4 percent and Agdam 21.5 percent. Other areas include Terter at 15.4 percent, Geranboy 8.1 percent, Agjabedy 26.9 percent, Fizuly 12.6 percent, Beylagan 12.6 percent, and the Nachichevan Autonomous Republic 9.1 percent.

3.3 Profile of IDPs and refugees

The actual number of refugees and IDPs varies every year. In April 2000, their total number was estimated to be 789,832 people. About 51 percent of IDPs are able-bodied people. Children constitute about 49.5 per cent. Almost 21.6 percent are between the age of 6-15 years and 15 percent are in the age group of 0-6 years. Nearly 4.5 percent of IDP households have a disabled member of the family.

3.3.1 Where do IDP families live?

A majority of IDPs lives in extremely harsh conditions in tents, camps and public premises. These places are not congenial as permanent places of residence. About 18.7 percent of IDP families live in camps, 19.1 percent in railway wagons, 23.3 percent in schools, 16.6 percent in hostels and 1.4 percent in sanatoria or camps for children. The remaining 20.9 percent live in rented accommodation or with friends and relatives. Only 2.9 per cent have been able to afford their own homes.

Some IDPs have resettled in rural regions, close to the area of hostilities. There are about 18,000 resettlers in Agjabedy, 19,000 in Sabirabad, 20,000 in Imishly, 21,000 in Belsavur and 51,000 in Barda. These groups have fared better. They have concentrated on improving their economic

Box 3.12 Refugees and IDPs: An update

The new history of refugees and IDPs in Azerbaijan goes back more than twelve years. Then, Azerbaijan and Armenia were not independent countries but were part of the former Soviet Union. The conflict was provoked by a chauvinistic section of Armenians in late 1987 who sought to separate Nagorno-Karabakh from Azerbaijan and integrate it with Armenia. Within a short period, the conflict escalated and ultimately resulted in fierce hostilities.

The first flow of refugees from Armenia to Azerbaijan began in 1988. By early 1989, all ethnic Azeris who had been living in Armenia, were forced to leave their historical places of residence and flee to Azerbaijan. They were resettled in different areas of the country. To this day, they live in extremely harsh conditions.

In 1990-1991 the conflict deepened. As a result, ethnic Azeris who lived in Nagorno-Karabakh were forced to leave their homeland. In 1990 at Khankendy, the centre of Nagorno-Karabakh, all the 250 homes of Azeris were burnt. With the occupation of Shusha in May 1992, the Azeris were completely evicted from the territory of Nagorno-Karabakh, a region that had been part of Azerbaijan. The Azeris had lived here for centuries.

In May 1992, the military forces of Armenia occupied the Lachin region, an Azeri territory separating Nagorno-Karabakh from Armenia. During the next two years other regions of Azerbaijan were occupied: Kelbadjar, Gubadly, Agdam, Fizuly, Jebrail, and Zengilan. The entire population of these areas was forced to migrate. They lost all their properties and had to resettle in other regions of Azerbaijan. Today, in Azerbaijan, the number of people with refugee and IDP status is nearly 900,000. Some of these people have been living in extremely difficult circumstances for the past twelve years.

About seven years ago - in May 1994 - an agreement was reached on a cease-fire with Armenia and the hostilities came to an end. However, this is a temporary measure. It does not mean that the conflict is over. There are close to one million people who cannot return to their place of origin. The country is still in a state of war. A political resolution of the conflict has not been achieved despite the best efforts of the Government to find a peaceful solution.

The care of refugees and IDPs requires colossal resources and hampers the progress of human development in the country.

status and have found work mostly in the production and processing of agricultural products. They have also invested in rebuilding family and community ties.

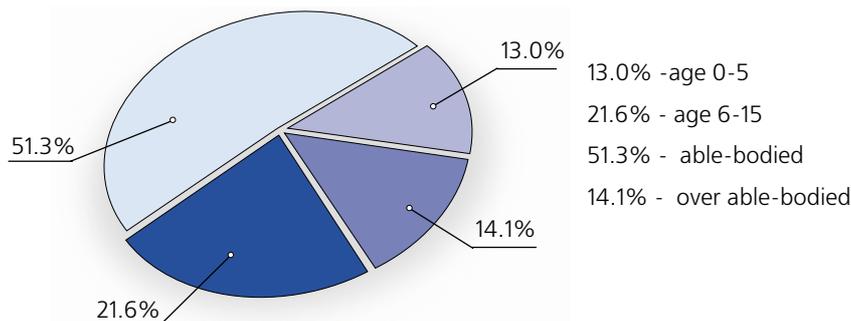
About 40 percent of IDPs have been settled in urban areas. There are 146,000 (25.6 percent) in Baku, 43,169 (7.6 percent) in Sumgait, 14,400 (2.5 percent) in Ganja and nearly 17,300 (3 percent) in Mingechevir. These groups have fared badly even though they receive substantial humanitarian aid. They are housed in makeshift shelters and live in harsh conditions often unsuited for human habitation. Many of them suffer from severe psycho-

Table 3.24 Number of registered refugees and IDPs

	households	people
Total number of refugees and IDPs, of which:	189166	789832
refugees	46172	219373
IDPs	142994	570459

Source: State Committee on Refugees and IDPs, 2000

Figure 3.17 Age profile of IDPs



Source: State Committee on Refugees and IDPs, 2000

Table 3. 25 Gender and age profile of IDPs

of which:	Male				Female			
	0-5	6-15	Able-bodied	Older than able-bodied	0-5	6-15	Able-bodied	Older than able-bodied
% of total number of IDPs	13.5	22.4	51.0	13.1	12.5	20.9	51.5	15.1

Source: State Committee on Refugees and IDPs, 2000



logical stress. They travel regularly – and often unsuccessfully - to the city in search of jobs. According to a survey, almost 95 percent of urban IDPs wish to return to their former homes. Out of the small minority of 5 percent who did not want to return, nearly 70 per cent had married and built their own homes.

In general, refugees and IDPs can be classified into groups according to the number of years they have spent in migration as follows:

More than 9-12 years - accounting for 13% of the total displaced population. This corresponds to the start of forced migration and the beginning of hostilities.

Between 7-8 years - accounting for 86% of the total displaced population. This corresponds to the period of full-scale hostilities.

Nearly 6 years - affected people account for just 1 percent of the total population. These are people affected by the last wave of conflict.

Since 1996, only 2000 people had returned to liberated areas in the Fizuly region, mostly to the Horadiz settlement.

The forced and traumatic movement and migration have broken up communities and changed the structure of the family. Prior to migration, 95.7 per cent of IDPs and refugees lived in single households. This number has declined to 85.3 per cent. Surveys reveal that around 15 per cent of families live separately from their close relatives, 9 percent marry and build new households, 1 percent leave their families in search of jobs, 1.3 percent are in military service, 0.2 percent require medical care, 2.1 percent are students and 1.1 percent settle in other areas. The average size of the family has shrunk marginally - from 4.764 to 4.758 in urban areas. This reflects a slight decrease in the birth rates and may also be due to the breakup of traditional family ties.

Table 3.26 Categorization of IDPs by the year of forced migration

Years of migration	Share in total number of households	Region of permanent residence
1988-1989	0.4	Nagorno Karabakh, adjacent villages of Gazakh
1990	3.7	
1991	9.1	
1992	24.8	Lachin, Kelbedjar, Jebrail, Zangelan; Gubadly; partially: Fizuli, Agdam, Geranboy, Terter
1993	61.0	
1994	1.0	Fizuli, Agdam, Geranboy, Terter partially:
Total	100.0	-

Source: State Committee on Refugees and IDPs, 2000

3.3.2 Women and children among refugees and IDPs

In an atmosphere of war, women and children typically bear the brunt of military conflict. They remain among the most affected and a majority lives in extreme poverty – deprived of many of their basic rights to shelter, employment, education, and development. Women and children also remain highly vulnerable and constitute the least protected.

Women IDPs and refugees have high educational and professional qualifications. They have the potential to develop. Around 16.1 percent of these women are teachers, 12.3 percent are doctors, 7.6 percent are artistes and 7 percent are engineers. Sizable proportion of IDP women are either disabled or are elderly. They constitute a highly vulnerable group. A sizable section of unemployed IDPs are women. Unemployment figures are highest among IDP women settled in Beylagan (70.1 percent), Fizuly (55.2 percent), Khachmaz (78.9 percent), Khizy (79.3 percent), Imishli (70.2 percent), Evlakh (60.9 percent), and Ganja (64.1 percent).

Another serious problem is the isolation of IDP women from economic life in Baku, where 36.9 percent of IDP women are unemployed. The percentage of women facing economic isolation is especially large in some districts of Baku, such as

Binagady (60.8 percent), Azizbekov (52 percent), Garadakh (80.5 percent), Nisami (55.8 percent), Sabail (78.5 percent), and Yasamal (77.7 percent).

A sizeable number of the IDP women head households, or live alone. Unfortunately, for the past twelve years, a majority of these women have been grappling with poverty and unemployment. Many of them have therefore experienced a loss of their professional knowledge and a serious depreciation in their skill levels. Many women IDPs experience stress caused by poor living conditions.

Children, under the age of seventeen, constitute 40 percent of the IDP population. Among IDPs, there are more than 5,300 children who are orphans. They constitute 3 percent of the total number of IDP children. Children from IDP families, partic-





ularly girls, face severe social pressure. They are particularly vulnerable to the consequences of war. Psychological stress, poor nutrition, limited access to medical services have dire effects on their health. A majority of them suffer from dystrophy and the morbidity rate is high. Their access to education, information and recreation is limited.

3.4 Health

Psychological stress, poor nutrition and limited access to medical services lead to high levels of illness. There is an acute shortage of medical personnel, medicines

and basic medical equipment. Many children suffer from dystrophy. According to data from a survey on health and nutrition standards carried out by the USAID, WHO, UNICEF in 1996, about 30.5 percent of children between the ages of 6-59 months suffer from chronic malnutrition, and 46 percent are anemic. About 40 percent of non-pregnant mothers and 34.4 percent of men suffer from anaemia as well.

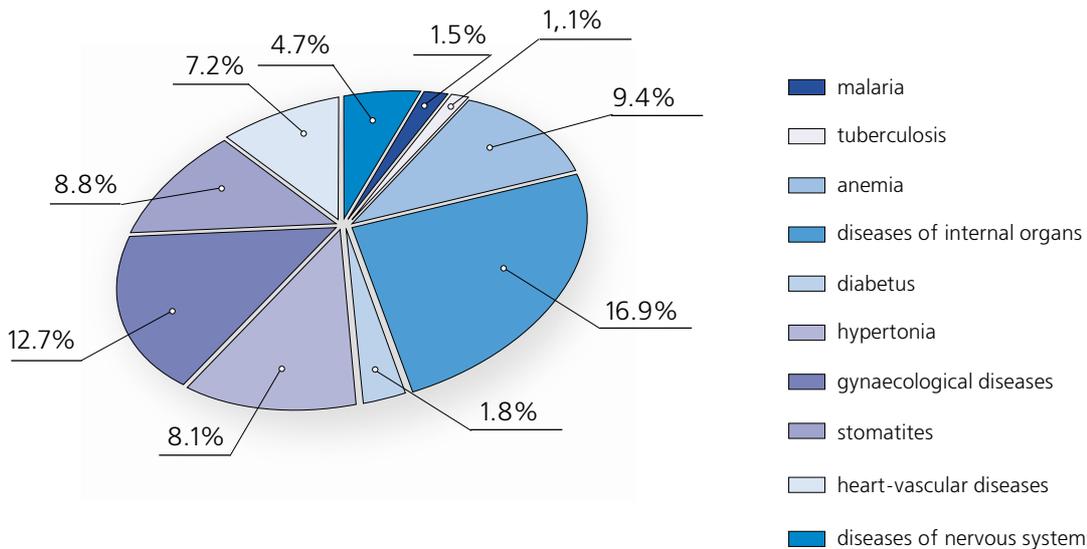
About 13.2 percent of the IDP and refugee women suffer from various diseases. Approximately 4.7 percent have diseases of the nervous system, 1.5 percent suffer from malaria, 1.1 percent from tuberculosis, and

Table 3.27 Morbidity among IDPs, percent

Diseases	IDPs	Nationwide
Households with malnutrition	26.3	10.4
Children down to 5 years with diarrhoea (for 2 weeks prior to examination)	23.4	15.2
Children of age of 6-59 months with acute malnutrition (body mass deficiency)	1.3	3.0
Children of age of 6-59 months with chronic malnutrition (physical retardation)	30.5	21.5
Elders with malnutrition	10.1	13.7
Children of age of 12-59 months with anaemia	46.1	43.3
Non-pregnant women with anaemia	40.7	35.5
Men with anaemia	34.4	25.0
Adults with 1 grade goitre	23.0	9.8

Source: State Committee on Refugees and IDPs, 2000

Figure 3.18 Morbidity among IDP women



9.4 percent have anaemia. Another 16.9 percent suffer from diseases of internal organs. 1.8 percent from diabetes, 8.1 percent from hypertonia, 12.7 per cent have gynaecological diseases, 8.8 percent suffer from stomatitis and 7.2 percent from heart disease.

Fifty six per cent of temporary settlement sites are provided with artesian water. Thirty eight per cent of sites depend on water from channels and rivers. For about 32 percent of the population, drinking water is delivered to IDPs by vehicles. The percentage of IDPs provided with water through mains is sufficiently high – around 64 percent. The water supplied through mains does not often meet quality standards. Besides the supply of water is irregular and it is not always stored hygienically.

Both refugees and IDPs have limited access to medical services. Access to medical personnel in the settlement areas is far below the national average. As a result, 13.2 percent of women IDPs suffer from different diseases. (Figure 3.18)

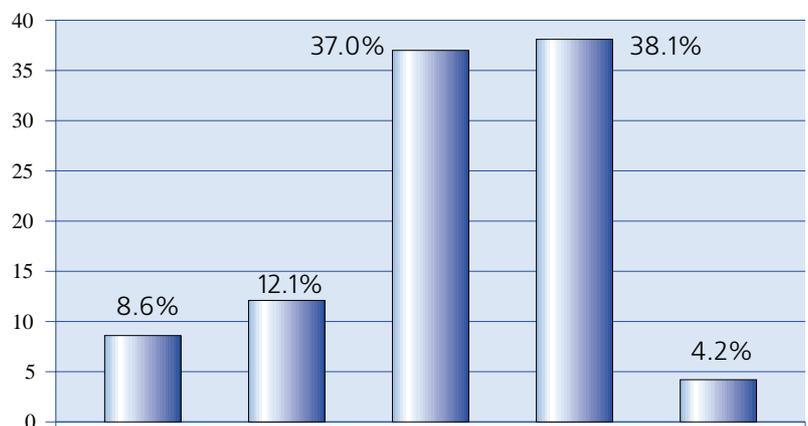
Women IDPs are not always provided with the medicines they need. In nearly every region of the country where IDPs have been temporarily settled, there is an acute shortage of drugs including antibiotics, vitamins, analgesic, spasmolytics, blood preparations, broncholytics, and insulin. Medical equipment and medical instruments, particularly syringes, blood pressure measuring apparatus, autoclaves,

bandaging material, and scalpels are also in short supply, though they are available to the rest of the population.

3.5 Education

The literacy rate among IDPs is 97.1 percent. In 60.4 percent of households, there are school children. About 27.2 percent have one school going child, 33 percent have two, 25.6 percent have three, 11.1 percent have four. The total number of teachers among the IDP and refugees with high education is 30.8 percent. According to the State Committee on Refugees and IDPs' data, about 8.6 percent of IDPs and refugees have higher education degrees, 12 percent are college dropouts and 37 percent have completed secondary education.

Figure 3.19 Education profile of IDPs



Source: State Committee on Refugees and IDPs, 2000

Table 3.28 Average monthly income structure of employed refugees and IDPs

General incomes		Wages		Social transfers	
Manats	%	Manats	%	Manats	%
123529	100	60529	49	63000	51

Source: Sigma, 2000

Table 3.29 Distribution of refugees and IDPs by monthly average per capita incomes

Ranging of incomes		% of those with given value of income
Manats	\$	
73520	16.9	3
48290	11.1	9
42630	9.8	12
28200	6.5	76

Source: Sigma, 2000



3.6 Employment and earnings

Employment opportunities are limited and so a majority of refugees and IDPs have no jobs and stable earnings. Sociological surveys, conducted during 1998-2000 by the Sigma Research Center for Development and International Cooperation reveal that unemployed IDPs constitute nearly 69 percent of the able-bodied IDP population. Out of this, 32 percent are women. Those with permanent jobs and relatively stable salaries, make up only 31 percent of the total population.

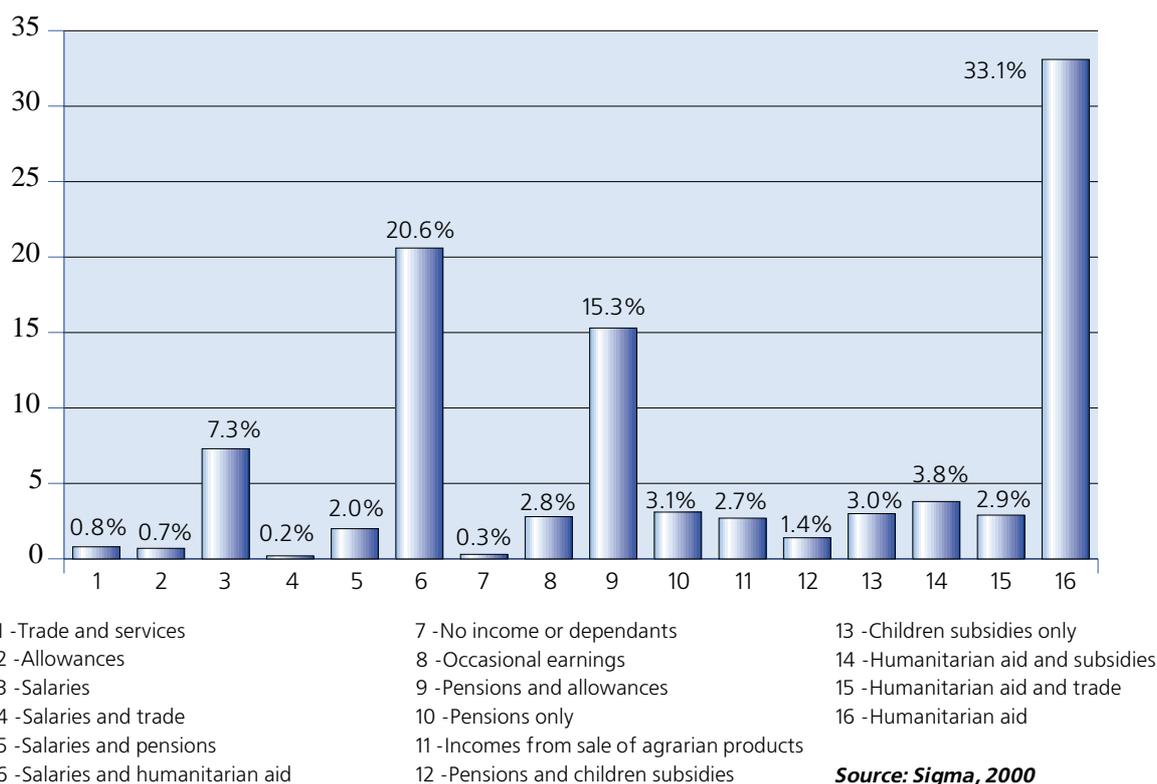
Unemployment is highest among IDP and refugee women. About 70.1 percent of women are unemployed in Beylaga, 55.2 percent in Fizuly, 78.9 percent in Khachmaz and 79.3 percent in Khizy. In Baku 36.9 percent of women do not have jobs.

In close to 7 percent of IDP families, heads of families or other members live separately from their families in order to earn a living. Very often IDPs and refugees, who work as migrant labour, register themselves as residents in temporary shelters so that they can get allowances and grants from the government. These people earn an occasional income from the construction sector, informal trade and services sector, mainly in Baku and other industrial centers. They have an agrarian background and lack specific professional skills. This makes them unfit for jobs in urban conditions. Therefore their earnings remain low and unstable.

A sizable number of IDPs are not involved in any kind of labor activity. Their chief means of survival are allowances from the government and humanitarian aid. The other main sources of income for a sizable number of unemployed refugees and IDPs at present are:

- growing minor quantities of vegetables, fruits and herbs on small plots of land . Households themselves consume most of this produce.
- breeding a few cattle, sheep, goats and

Figure 3.20 Sources of Income of Interviewed IDPs:



- | | | |
|----------------------------------|--|------------------------------------|
| 1 -Trade and services | 7 -No income or dependants | 13 -Children subsidies only |
| 2 -Allowances | 8 -Occasional earnings | 14 -Humanitarian aid and subsidies |
| 3 -Salaries | 9 -Pensions and allowances | 15 -Humanitarian aid and trade |
| 4 -Salaries and trade | 10 -Pensions only | 16 -Humanitarian aid |
| 5 -Salaries and pensions | 11 -Incomes from sale of agrarian products | |
| 6 -Salaries and humanitarian aid | 12 -Pensions and children subsidies | |
- Source: Sigma, 2000**

poultry. These animal products are partially consumed by households. Some of it is sold.

- "charter" trade.
- street trade.
- temporary work, mainly in Baku, Sumgait and adjoining areas, either in the construction or agrarian sector, mostly as unskilled labor.

None of these activities provides a stable income. Surveys show that the number of people involved in these activities constitutes approximately 24 percent of the total amount of unemployed refugees and IDPs.

The average monthly per capita income of the IDP population is about 39,000 manats (around US\$ 9). This is almost four times below the national per capita income. The daily monetary income of 76 percent of IDPs makes up only 940 manats or barely 22 cents. This just about covers the cost of a kilogram of bread. Only 49 percent of average monthly per capita income of employed IDPs is derived from wages. Social allowances, pensions and occasional earnings constitute the balance. A majority of IDPs lives in extreme poverty.

Practically all refugees and IDPs live below the poverty line determined as a maximum level of the ratio of real incomes to the consumer basket amount. In 1999, this amount was estimated to be 394,000 manats or 91 USD. For about 70 percent of IDPs and refugees their incomes make up only 16 percent of the consumer basket amount.

They depend on subsidies provided by the government and international aid for survival. The government pays a monthly subsidy to each household of about 25,000 manats. Families with children are paid a children subsidy of 9,000 manats each. In addition they are exempt from paying for public utilities like electricity and water or for medical services and education. Interest free loans for housing and for starting small businesses have been made available. They get transport to their workplace and are protected from any staff downsizing programmes. IDPs and refugees are also exempt from paying taxes to the state. Under a state programme, they are given small plots for agriculture or for pasture in rural areas. The government has given 47,000 hectares of land to IDP in the places

Box 3.13 Privileges specified by the government for refugees and IDPs

Privileges for refugees

Refugees are exempt from payment for:

- Public utilities (water, gas, electricity and rent)
- surtax.
- sequester duties for buying and selling of flats.
- education in higher and secondary -specialized educational establishments.
- medical services.
- they are eligible for interest free loans for construction of housing.
- they are eligible for free travel from the site of temporary settlement.
- Their interests are protected during any staff downsizing programme.

Privileges for IDPs:

- In accordance with the Special State Programme, IDPs are given plots for cultivation and pastures in rural areas. These lands are paid through state and municipal funds.
- loans are given at lower interest rates.
- the government facilitates independent employment and encourages commercial and entrepreneurial activities.
- IDPs are not required to produce any previous employment record when they apply for jobs. During staff reduction programmes, they are given certain privileges.
- if they want to set up an independent business or engage in any entrepreneurial activity they can get bank loans on favourable terms and conditions.
- If they are unable to work the state pays them social allowances which are equal in amount to the salary they would have received, irrespective of their years of service.
- IDPs are also assured certain privileges if the state privatizes machinery, institutions or enterprises in the occupied territories.
- in their areas of residence they are provided with free health services by medical establishments.
- they are exempt from paying tuition fees to the state's higher and secondary specialized schools and in secondary professional and technical educational establishments.
- the costs of shifting from one residence to another is paid for by the state.
- IDPs are exempt from paying for the use of public utilities like water supply, gas, electricity and telephones.
- they are exempt from paying tax and state duties for driving licenses, technical passports, plate numbers or technical reviews of cars purchased before the 1st of July 1994.
- the average wages of IDPs, who worked in budget organizations which are not functional because of unavoidable reasons, are still paid for by the state
- of IDP children are provided with free textbooks and teaching aids in all secondary schools.

where they have resettled. Due to the lack of resources IDPs can not use this land. A second government programme intends to improve the water supply to their settlements.

Estimates show that social transfers made by the government work out, on average, to about 63,000 manats or US\$ 14.5 per IDP household.

Unemployment affects Azerbaijan's total population. As the economy begins to pick

up more jobs will be created. This is expected to ease the unemployment problem and help more IDPs and refugees find jobs. The flow of international aid has been regular between 1992-99, but it has been declining in recent years. An impression has been created that Azerbaijan is oil-rich and has been earning huge revenues from oil contracts. The truth is that the oil industry is still in a nascent stage. The first oil contract earned the country US\$ 52 million in the year 2000 – clearly insufficient for Azerbaijan's development programmes.

3.7 Challenges of the postwar construction

The economic crisis of the early 1990s made things more difficult for the refugees and IDPs. The situation is marginally better today than what it was between 1992-94 during the peak of hostilities and massive migration from the war-torn areas. But in some respects, the situation is more hopeless today as opportunities for livelihood are not expanding rapidly.

It is expected that in due course repatriation of IDPs to the places they have historically resided will begin along with permanent rehabilitation. International humanitarian support is still very vital for Azerbaijan. Along with humanitarian aid, it is even more essential to initiate special development programmes. One of the strategic needs is the creation of new job opportunities for refugees and IDPs. Only a small proportion of refugees and IDPs are now provided with jobs and some incomes. This, however, is a complex issue as unemployment is high even among the rest of the population. Infrastructure development and reconstruction needs remain high in these areas.

Conditions have to be created so that IDPs can be resettled into these regions and integrated with the larger network of Azerbaijan's society. Efforts must be made to identify market and employment opportunities that add jobs and generate

incomes. The problem of resettling and rehabilitating refugees and IDPs is not a short-term one. Development plans need to take into account the aspirations and expectation of the affected people. For instance, a survey reveals that small businesses are the preferred choice of 89.4 percent of IDPs and refugees. Some 24 percent want to start their own business, and 65 percent are willing to work for them. Development assistance is also needed to revive industry, promote enterprise, and create employment in the long term.

In the short term, international humanitarian aid helps to tide over difficult circumstances. But such aid needs to change focus. Freedom of choice, encouraging private enterprise, and equality are part of the new social order. Efforts are needed to promote microcredit schemes that can help, build up small and medium industries, mitigate unemployment, and make the economy grow. The development of such industries is in line with Azerbaijan's commitment to building a democratic state with an open market economy.

3.8 Conclusion

The pace of human development in Azerbaijan has been severely affected by the ethnic conflict with Armenia since 1988. Today, there are close to 900,000 internally displaced persons (IDPs) and refugees seeking shelter in Azerbaijan. The worst affected are children and women belonging to families that face unemployment, physical insecurity, stress and above all, enormous loss of dignity and self-respect. A large majority of them remain deprived of many basic rights, without access to even minimal social protection. They were also the most severely affected by the economic setback soon after the collapse of the former Soviet Union. Though a cease-fire has been declared, the future of these people is still uncertain. The economic situation is beginning to change for the better, but internally displaced persons and refugees face the danger of being left out and

excluded. They remain the most disadvantaged in terms of getting jobs, and even when they get a job, wages are usually very low – lower than what others earn.

The future prosperity of Azerbaijan depends upon how soon this unfortunate conflict is resolved – and a more permanent and lasting solution is found. Even as peaceful political options are being explored, the State needs to intensify its efforts to enhance the capabilities of the IDPs and refugees – by making lives more secure for them, by investing directly in their education, health, and by expanding livelihood opportunities. International agencies too have a responsibility in this regard – for it is only thorough collective national action and international diplomatic support wherever required that the conflict can be resolved permanently and peacefully.



PUBLIC REPORTING AND DEMOCRACY



4.1 Introduction

Striving to achieve sustainable human development must go hand-in-hand with strengthening democracy and ensuring a favourable policy environment. These in turn are often contingent upon the quality of public reporting and the nature of public discourse in the country. Democracy becomes more effective with more inclusion, greater voice, better participation, and informed discussion. Public dialogue is essential for stimulating a meaningful discussion of key human development issues, for debating options, and for making policy choices that are in the best interest of citizens. For this to happen, different segments of society must get an opportunity to express their viewpoints, and

ensure that their demands for assurance of basic rights get on to the public agenda for action. It also requires that issues of ‘silent’ deprivation get highlighted and included in policy discussions.

A critical prerequisite for informed debate and discussion is access to reliable and timely information on human development. It is only with proper information that people can monitor progress, demand change, and press for accountability at different levels. In recent years, the National Human Development Reports (NHDRs) have been playing this important role.

4.2 Improving the quality of public discourse

Improved access to information has been one of Azerbaijan’s major achievements in the transition period. Greatly facilitating the flow of information in recent years has been the increasing use of mobile telephones, electronic mail and the Internet. When such services were first introduced their main users were state agencies, businesses and corporations. But individuals have now become important clients for companies engaged in telecommunication services.

Table 4.30 Access to information flows (per 1,000 population)

	Number of daily newspapers , (1996)	Number of TVs (1998)	Number of mobile tele-phones users\$P (1998)	Number of Internet users (1999)
Azerbaijan	27	254	8	0.23
Countries with low income	...	138	8	0.31
Countries with middle income	74	255	39	13.40
Countries with high income	286	662	265	607.65
World	...	247	55	94.4

Source: World Development Indicators, WB, 2000

The rapid growth of this sector is helping to create the right climate for foreign investors and international organisations. With the growth in GDP and per capita incomes the demand for telecommunication services is rising. In the first half of 2000, the number of people who used mobile telephones increased by 23.3 percent. Today, in Azerbaijan there 46.3 clients per 1,000 population. In the beginning of 2000, this figure was 37.5 per 1,000.

Lack of adequate public access to information was one of the features of Azerbaijan under the Soviet rule. People were not brought up in a culture where information on human development was routinely shared and discussed, where citizens could monitor progress, and press for changes. Now, the policy environment is very different. People are getting increasingly involved in thinking about development issues. With the deepening of democracy, they are free to voice their views openly and without fear. Facilitating this process has been the publication of many analytical reports on the state of the economy. A major contribution to this end has been made by the National Human Development Reports.

4.3 Role of the NHDRs

Over the years, the NHDRs have emerged

as an important source of information and analysis. The NHDR is among the very few analytical documents published in Azerbaijan, in which the economic, social and political developments of the country are discussed within the framework of human development. The Reports provide different sections of society objective information and effective descriptions on the quality of life in the country. They offer an opportunity to trace the dynamics of ongoing changes. The NHDR has also become a major source of information for public institutions and political parties in the country. A comprehensive assessment of the state of human development in the Reports very often assists politicians and government officials in the performance of their duties. Over the years, NHDR users within the country has expanded to include the government, the state governance system, public organisations, academicians, political parties, and individual citizens.

The NHDR presents a description and analyses of the state of human development not only to users within the country, but also to users around the world. The NHDR is an essential source of information about the country for politicians, businesses and people worldwide. The Reports assist in enabling different international organisations and private compa-



nies thinking about the country's future. It gives potential investors comprehensive information about Azerbaijan and influences the flow of investments – both domestic and foreign – into the economy.

Typically, public attention and debate centre around economic performance and economic variables. Discussion, for instance, focuses on the growth rate, the balance of trade, the fiscal deficit, inflation, and the volume of exports and imports. It is certainly important to track what is happening to these economic variables, but very often, trends in economic variables may not capture accurately or effectively changes that take place in the quality of people's lives. For instance,

Box 4.14 From the Decree of the President of the Azerbaijan Republic "On Strengthening the Struggle Against Corruption in the Azerbaijan Republic"

Despite the fact that a series of measures undertaken in the country have prevented serious violations, the full elimination of corruption, which is a common social evil, still continues.

Since the legal structure in the country to try economic offenders has not been fully set up the struggle against such abuse remains incomplete.

The negligence of some law enforcement officers reduces the efficiency of the measures undertaken and creates favourable conditions for the activity of criminal elements. All these cause deep discontent among citizens and damage the image of our country in the international community.

Baku, 8 June, 2000

economic growth may occur, but joblessness may also be increasing simultaneously. Or there may be an expansion in output, but this may be accompanied by environmental deterioration and increasing pollution. Preoccupation with monitoring trends in economic indicators typically leads to a near neglect of what is happening to the quality of people's lives. The NHDR attempts to make a commentary on social trends an integral part of economic reporting.

Another significant feature of the NHDRs is the manner in which they combine statistical reporting with effective description of the situation. In any situation, data tell only part of the story. In fact, figures may conceal more than what they reveal. This is particularly so when official statistics are not reliable, or do not come out with regularity. Even more often, disaggregated data are not easily available. Using only national or regional aggregates has its own limitations. They tend to mask serious disparities and inequalities within society. Sometimes, it becomes difficult to interpret data. For instance, if there is an increase in the reported cases of crime, does this suggest growing insecurity or a better policing system that registers crime more efficiently? Again, if divorce is on the increase, does it represent greater freedoms for women or does it denote a breakdown of traditional family systems? Answers to such questions will depend upon how effectively the situation is described and analysed.

The NHDRs have also been playing another important role in Azerbaijan. Apart from attempting to integrate economic reporting with social commentaries, the Reports have been able to bring to the centre-stage of policy discussions many unsolved and 'hidden' problems of the country. For instance, Azerbaijan's

recent NHDRs have consistently drawn attention, as an integral part of the reform process being undertaken in the country, to specific problem such as low living standards, unemployment, social stratification, excessive dependence on foreign capital, corruption, the shadow economy, an unfavourable business environment and the low level of investment in scientific research and education. Gender inequality, the difficulties faced by low-income groups, the state of refugees and IDPs, the emergence of child labour, the trend deterioration in standards of education are some critical areas of concern examined by the NHDRs.

Many of the problems facing Azerbaijan may be familiar to the government. However, the consistent focus on these problem areas by the NHDRs keeps the issues alive on the public agenda for action. As a result, the government tends to concentrate its energies towards resolving these issues. To a certain extent, the NHDR influences the decisions the government takes. It should be noted that some of the legislative acts adopted recently reflect these concerns. Recently, a President's Decree was announced entitled, "On Strengthening the Struggle Against Corruption".

Another feature that adds to the appeal of the NHDRs is their independent and objective reporting. The Reports highlight both the achievements as well as the shortcomings. The reporting is based on official statistics as well as information from NGOs working more closely with people, especially the more disadvantaged groups. In fact, preparation of the NHDRs has been fostering greater cooperation between the government and NGOs. This process of collaboration better informs both officials in the government as well as representatives of the

NGO sector. To a large extent, solutions to many problems are generated in the course of discussions, and the process of cooperation itself yields results extending beyond the output of the Reports.

4.4 Contribution of the NHDRs

Azerbaijan's NHDRs have contributed to better informing the public, creating pressures for policy change, improving the quality of public course, and initiating public action for human development. Some of the major areas of contribution are listed below.

First, the NHDRs have offered a comprehensive and integrated assessment of the state of human development. The focus has been not simply on economic performance but on the expansion of a wide range of opportunities – social, cultural, legal, environmental and political. The Reports play an important role in the economic, social and political development of the country by demonstrating the potential for improving human development. Cross-country comparisons of the HDI and other indices help in motivating policy makers to act. For instance, a comparison of Azerbaijan's levels of human development with selected countries reveals the potential that exists to accelerate human development. (Tables 4.31 and 4.32)

Tables 4.31 and 4.32 reveal that Azerbaijan ranks above some countries with similar natural and human resources. But the country's HDI rank is lower than several other countries with comparable features. Azerbaijan's total area is comparable to that of Austria, Portugal and Hungary. Its population density is similar to Spain and Cyprus. The country's per capita oil production compares with that of Australia and UK, and per capita agricultural land availability in Azerbaijan is

Table 4.31 Human Development Index: Azerbaijan and selected countries 1998

	HDI rank	GDP index	GDP rank minus HDI rank
Austria	16	0.91	-4
Spain	21	0.85	9
Cyprus	22	0.86	3
Portugal	28	0.83	3
Hungary	43	0.77	-1
Mexico	55	0.73	-3
Russian	62	0.70	-3
Georgia	70	0.59	29
Kazakhstan	73	0.63	11
Ukraine	78	0.58	26
Turkey	85	0.69	-24
France	12	0.89	5
Azerbaijan	90	0.51	29
Jordan	92	0.59	8
Iran	97	0.66	-20
Turkmenistan	100	0.54	14
Moldova	102	0.50	22
Uzbekistan	106	0.50	17
Tajikistan	110	0.39	43
World		0.70	

Source: HDR, 2000

as extensive as in France. All these countries however have achieved high indices of human development. Such cross-country comparisons point to the country's potential for improving human development.

Second, the NHDR also serves as an instrument for prognosis and prediction. It

Table 4.32 Human Development Index: Azerbaijan and regions of the world

	HDI	Life Expectancy Index	Education Index	GDP Index
Azerbaijan (1999)	0.719	0.777	0.865	0.515
Eastern Europe and CIS	0.777	0.730	0.910	0.690
Developing countries	0.867	0.889	0.878	0.878
OECD	0.893	0.860	0.940	0.890
World	0.712	0.700	0.740	0.700

Note: Data for regions pertains to 1998.

Source: HDR, 2000

points to trends – both positive and negative - and highlights the need for taking appropriate measures. For example, the NHDRs for 1995 and 1996 stressed the need for ensuring equitable and balanced development of the different sectors of the economy during the period of transition in order to prevent the onset of the "Dutch Disease".

Third, the NHDRs create widespread public awareness in Azerbaijan and in the international community. Annual discussions of the NHDR take place among different sections of society. The NHDR is read in government circles and by academics, NGOs as well as by local communities. However, the most significant role in spreading the messages contained in the Report is played by the mass media, which often refers to the NHDR. The national and foreign mass media, as well as the electronic information network also regularly use the information contained in the NHDRs.

Fourth, the NHDRs promote the better formulation of human development projects by pointing out new areas for employment, management, technology and training of national specialists. The NHDRs are widely used by international and foreign experts in preparing various project reports and designing interventions and programmes. Nearly all foreign and international missions visiting the country use, to some extent, information from the Report. The NHDRs are also widely used by foreign investors. They help to promote economic development and improve the technical and managerial skills of local employees working for international institutions.

Fifth, the NHDRs are enabling a new generation of specialists and decision-makers to make issues of human development an integral part of their professional

life. The NHDRs have started to be used as learning material in some high schools and universities in the country. Special lectures are being included in the curriculum of the faculties of political science, management, international relations and ecology. As a result, the concept of sustainable human development as the most important issue in national and international policy is becoming an integral element in the training of experts in various fields. Starting from 1999, that is, four years after the first NHDR was published in the country, the concept of human development has been included as a separate discipline in one of the universities in Baku.

Sixth, the NHDRs have been instrumental in promoting new thinking in society. Generating new ideas and new approaches is essential for the success of economic and democratic reforms in the country. When the first NHDR was published in 1995, most specialists and policy makers were very poorly informed of the concept of human development. When the first Report in the Azeri language was being drafted, serious difficulties emerged because of the absence of appropriate language and words to describe the human development concept and terminology. However, today, a broad discussion of the NHDRs in all sections of society and the regular use of the Reports by mass media and the electronic information network, have promoted wider knowledge about the significance of people-centered policies.

4.5 Initiating public action

The NHDRs published since 1995 go beyond description and analysis. They have proposed different policy options and solutions. Many times, the recommendations of the NHDRs have been



taken seriously by international and national organisations. Some of the areas where the NHDRs have had an impact are discussed below.

First, the NHDRs have consistently drawn attention to the issue of rehabilitation of IDPs and the need to reconstruct territories damaged by war. In all the NHDRs, a separate chapter has been devoted to the problem of refugees and IDPs. The Reports for 1995-1997, for example, underscored the need for developing a targeted programme for the repatriation and rehabilitation of IDPs to their native lands. Fairly detailed proposals were made on the reconstruction of destroyed settlements and towns. The Reports also contained a discussion on the mechanisms of repatriation and the initial assistance needed. Many of these proposals were considered seriously by the government, and have been incorporated into the Reconstruction and Rehabilitation Programme being implemented by the government, the UNDP, the UNHCR, and the World Bank. As part of this Programme, the government established an Agency on Reconstruction and Rehabilitation of Azerbaijan. Coordinated activity by these agencies on reconstruction and development has already partially solved the problem of shelter, water, electricity healthcare

and education. Agricultural production has improved as has the climate for income generation.

Second, promoting gender equality is another area where the NHDRs have been able to successfully initiate public action. The NHDRs have consistently drawn attention to gender issues. The Reports emphasise the need for developing a state policy on women. Such a policy could create an enabling environment and encourage equal participation of women in politics, society and the workplace. In their own way, the consistent and repeated emphasis of the Reports on gender problems has influenced many legislative and normative acts adopted by the authorities of Azerbaijan. On 14 January 1998, the President of Azerbaijan signed a Decree "On the Establishment of the State Committee on Women Issues" and a Resolution "On Measures for Women's Empowerment in Azerbaijan". On 6 March 2000, the President signed a Decree "On Implementation in the Azerbaijan Republic of the State's Policy on Women". In addition, the Cabinet of Ministers has adopted a National Action Plan on the solution of women's issues for the years 2000-2005.

Third, discussions in the NHDRs have contributed to the many reforms in law underway in Azerbaijan. The establishment, in the summer of 1998, of the first Constitutional Court (CC) is an important landmark in Azerbaijan's history. The Constitutional Court has laid the basis of the institution of constitutional appeal. But, according to the Constitution of Azerbaijan, not all citizens are entitled to appeal to the Constitutional Court. The President, and the Parliament, the Cabinet of Ministers, the Prosecutor's Office, the Supreme Court and the Supreme Mejlis of the Nakhchivan Autonomous Republic can

approach the Constitutional Court. Undoubtedly, this reduces the efficiency of the Court. However, the very fact that a mechanism of constitutional claim has been established offers hope for strengthening and safeguarding human rights in future.

Several laws have been adopted in recent years including "On Police", "On Prosecution", "On Defence", and "On Courts". A Family and Labour Code has also been framed. These laws have led to a redistribution of functions and have made the government more democratic. In February 1999, the State passed a law "On Compensation of Damage to Physical Persons", caused by the illegal actions of investigative agencies, preliminary investigation, prosecution and courts.

One of the main objectives of legal reform is to separate the functions of the executive, legislative and judicial bodies and make them independent. Therefore, radical changes have been made in the functioning of law enforcement agencies. For example, in keeping with the spirit of the new laws, the prosecution has lost several of its previous functions. According to the new Criminal Code and Criminal-Legal Code the prosecution is deprived of the authority of the state in court. Previously sanction for arrest could be given by the prosecution but now this is not so. The prosecutor and the advocate have equal rights in the court.

The judicial system has been given a completely new structure. At the first level are the district and municipal courts that are divided into courts on general issues and hard crimes. Next comes the Court of Appeal. Finally there is the Supreme Court. There is an Economic Court whose decisions are now subject to review by the Supreme Court. The purpose of these changes is to protect the

rights of the citizen and prevent the bureaucracy from being arbitrary.

Fourth, as referred to earlier, the NHDRs have contributed to expanding the role of NGOs in the development of democracy and the establishment of a civil society. Unlike in many other societies, the emergence of NGOs in Azerbaijan is a new phenomenon. A legal basis for the promotion of NGOs already exists. The national Parliament has adopted a special law regulating the activities of NGOs in the country. Today, Azerbaijan has nearly 1,500 NGOs. Their role, efforts and contribution have been consistently highlighted in the NHDRs. NGOs offer citizens an opportunity to express their opinions. They are also playing a role in mitigating the social impact of the economic transformation taking place in Azerbaijan. NGOs use multiple mechanisms to address important social problems. However, many NGOs are still in their nascent stage, and have limited managerial capacities. Some of them are also involved in politics, and this often prevents NGOs from working together. The increase in the number of NGOs and the expansion of their activities are changing their relationship with the government. There is a growing recognition within the government of the need to cooperate with NGOs. For instance, the government and NGOs have started collaborating in training programmes for upgrading skills and re-qualifying people. Such a partnership is critical for mitigating the social tensions caused by unemployment in the country.

In the final analysis, the NHDRs have contributed to creating a climate for public discussion and debate on vital dimensions of human development affecting a majority of people's lives. Such discussions are essential for creating a conducive environment for policy change and reform.

Greater interaction among different groups strengthens democracy, and brings in greater accountability. As the country advances, it will become even more important to ensure transparency and participation in public decision making.

4.6 Conclusion

Azerbaijan has progressed from a totalitarian system to a democratic civil society. The culture of democracy is taking strong roots within the country. Several political parties have emerged representing different groups in society. This has opened up opportunities for inclusion and greater participation in the political decision making process. It also provides greater voice to people and improves the prospects of accountability.

Strengthening the process of democracy has been the significant improvement in public access to information. The National Human Development Reports have had an important role to play. They have been able to inform the public about the state of human development, point to achievements and shortcoming, analyze outcomes, highlight issues of concern, and generate discussion on policy options. The Reports are helping to gradually instill a culture of transparency and accountability. Along with other changes taking place in society, it is expected that in the coming years, greater public involvement and stronger public vigilance will prove to be extremely influential in shaping the future of Azerbaijan.



TOWARDS SUSTAINABLE HUMAN DEVELOPMENT



5.1 Introduction

The challenge before Azerbaijan today is to re-establish the conditions for enhancing people's capabilities, expanding their choices, and promoting human security at all levels in society. Moving towards sustainable human development, however, will depend critically, among other factors, on how effectively Azerbaijan reconstructs its economic base. To rebuild its economic foundations, the country must begin to invest once again in establishing scientific and technical competencies of its people. Azerbaijan's real asset is the knowledge base of its people. Unfortunately, economic difficulties during transition, military conflict, and the growing problem of refugees and IDPs have distracted attention from the need to reinforce science, educa-

tion and culture. Many qualified people have found themselves without work, some have migrated, and yet others are performing tasks for which they are over-qualified. A top priority of the State must be to create conditions for the development of human potential. Building on the foundations of science and education will introduce innovation and ensure much-needed global competitiveness. Increasing scientific capacity must become a national priority. At the same time, it is critical to transform the country into a knowledge-based and knowledge-led society by stepping up investments in science. Finally, Azerbaijan must make the most of the information and communications technology sweeping the world. The sections that follow discuss the importance of these issues.

5.2 Increasing scientific capacity

The Azerbaijan NHDR for 1998 talked about 'development with a technological lag' as a form of 'development without a future'. This was meant to describe a situation where technologies being introduced are 'new' to the country but are outdated from the perspective of advanced science and modern technologies. This greatly reduces the country's competitiveness, as well as the possibility of preserving and developing human capital.



Azerbaijan's industrial base is narrow. As discussed in Chapter 2, close to 61 percent of the country's output is accounted for by the energy sector – oil, gas extraction and electric energy production.

Some changes in the industrial structure are visible. Sectors showing improvement are chemical-based industries and device engineering. On the other hand, the production of metal rolling, domestic appliances and industrial electric appliances has almost stopped or is minimal. For example, according to the State Committee on Statistics, the output of air conditioners, refrigerators, electric appliances as well as fertilizers has decreased dramatically compared to 1990 levels (Figure 5.21).

The manufacture of many goods before 1990 thrived because of the protection that the former Soviet Union offered. But with the opening up of the economy to global

competition, it is virtually impossible for the production of such goods to be sustained. Outmoded technologies, poor equipment and lack of cost consciousness make their production grossly unprofitable.

Some efforts to modernize production have, however, begun. The UNDP, for instance, supports a project that seeks to upgrade the technology used for manufacturing domestic refrigerators and compressors. This is part of a larger effort to introduce green technologies to protect the ozone layer. The project is expected to increase the output of refrigerators, improve quality and promote competitiveness.

Azerbaijan has good prospects for developing innovative processes in many other fields:

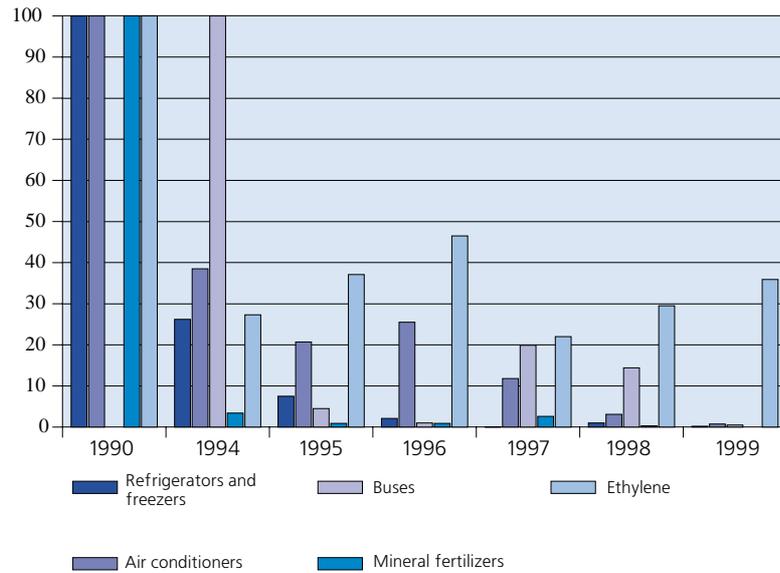
- production and deep processing of natural resources

Table 5.33 Structural changes in some items of industrial production, percentage

Industrial sectors	1998	1999
Extraction of oil and gas, oil refining	60.9	61.3
Food processing, tobacco, cloth, wood and furniture production	7.5	5.8
Production of chemical products, plastics, machinery, metals, electro-supply	29.5	30.8
TV, radio, communications, medicines, medical devices, cars, transport equipment	0.94	0.86

Source: SCS, 2000

Figure 5.21 Output of selected industrial products, 1990–1999, percentage of the 1990 production level



Production of buses in comparison with 1994

Source: SCS, 2000

- chemistry and chemical technology
 - new technologies and devices based on the use of new materials
 - biotechnology
 - pharmacology based on the use of renewable natural resources and ethnic knowledge
 - the food industry with the creation of a new generation of food products and food additives
 - marine cultures including production of new marine products
 - organic agriculture and cattle breeding
- The scientific potential of the country and the process of globalization can accelerate innovation in these fields. However, in order to avoid ‘development with a technological lag’, a comprehensive science and technology policy is needed. Such a policy should take note of the following priorities:
- compliance of prospective projects with the principles of long-term sustainable development
 - efficient use of non-renewable resources and renewable energy sources and raw materials
 - compliance with the objective of human health protection, biodiversity and the environment





- creation of new jobs, providing for the economic independence of people and competitiveness in the international markets

5.3 Investing in science

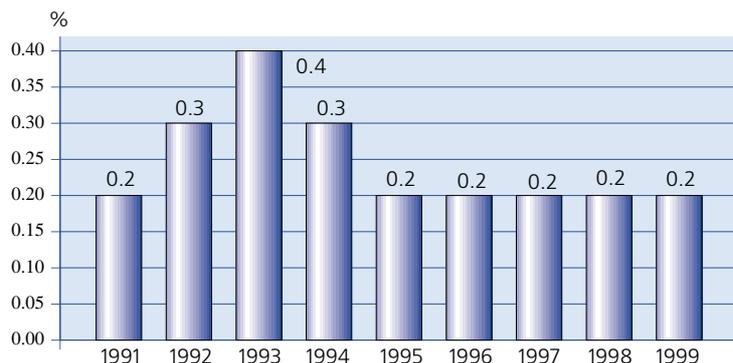
Establishing and sustaining industrial competitiveness will however require investing in the knowledge base of the economy. It is only then that the country can ensure careful use of its natural resources, maximize benefits from new technologies and capitalize on the opportunities offered by globalization. This will require the formulation of a new science and technology policy that takes account of the country's core competencies and economic opportunities. Such a policy will have to be backed by adequate resources for upgrading the skills and knowledge base within the country.

Azerbaijan has the potential to be a knowledge leader in industry and agriculture. This would perhaps be the most reliable and sustainable way of ensuring growth and human development. The preservation and constant improvement of the country's scientific potential requires coordination of efforts at national and international levels and the cooperation of the state and private sectors.

The scientific resource base of the country consists of the institutions of the Academy of Science and other ministries, agencies and organizations that supports research, design and technological activities in different fields. Institutions of higher learning also offer another base for scientific investigations and technological experimentation. Scientific centres in the country conduct both theoretical research and practical experiments. Fundamental research is undertaken at the Academy of Science and in the State Universities. Branch institutions carry out applied research. These institutions are important for creating new products and technologies.

Recent data reveal that there are 1,538 people with the Doctor of Science degree, and 9,339 with the Candidate of Science degree (Ph.D.). Of those with Ph.D. degrees, around 30 percent are women. Among post-graduate students in 1999, 31 percent were women. In some branches of science such as medicine, biology, philology, psychology, pharmacy and pedagogy, women constitute more than half the number of post-graduate students. A smaller proportion of women are found in post-graduate courses in specialties such as physics, mathematics, political sciences, law and economics.

Figure 5.22 Public expenditure on science as share of GDP, 1991 –1999, percent



Source: SCS, 2000

Financial support to such scientific institutions has, however, been falling in recent years. The trend is alarming. The highest allocation over the past decade was in 1993. Even then, it was just 0.4 percent of GDP. Considering how low the GDP was in those initial years of transition, the amount is by no means large. Also, the funds allocated are meant to cover natural sciences (including physics, mathematics, chemistry, biology and agriculture) and the social sciences. The neglect of and setback to science is even more apparent today. In 1999, for instance, not enough funds were allocated for science (Figure 5.22). In contrast, countries in the European Union allocate close to 3 percent of their GDP for scientific purposes. Japan allocates 3.1 percent of its GDP.

Lack of financial support has greatly limited the capacity of scientific institutions and their personnel to make any meaningful contribution to the economy. At the

same time, wage and salary payments in the institutions are very low (Figure 5.23).

The stipend for post-graduate students, for example, is 25,000 manats (approximately US\$ 5.50) per month whereas the living minimum per capita is much more. As a result, the inflow of young people into science has rapidly gone down. A large number of researchers have moved to other fields or have left the country. The migration has to be seen not just as a case of ‘brain drain’ which is more relevant for characterizing emigration for temporary work. Since a majority of emigrants eventually settle down in other countries, in the long run, the matter is a serious case of ‘gene drain’.

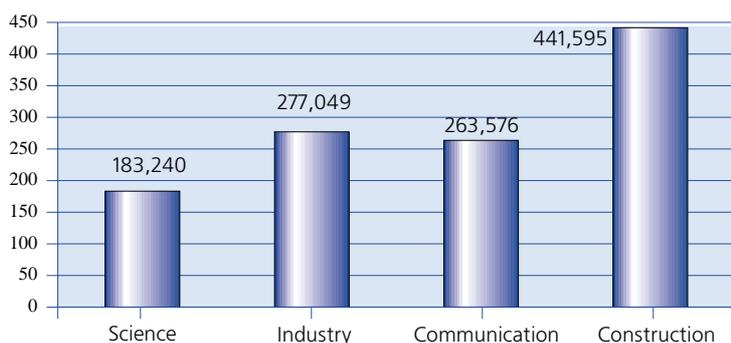
High mobility of scientific researchers and highly qualified specialists in the process of globalization is natural. However, it is also vital for small countries with limited human resources to initiate special programmes for the protection and realization of human potential. Some efforts are under way to increase the wages of teachers and scientific researchers. This is being done in accordance with the Decree of the President. But a more systematic and comprehensive national policy is urgently needed.

Simultaneously, indicators will need to be developed to measure the contribution of scientific knowledge generated in the country. For example, one indicator could be to track seminal articles published in international journals, monitor citations and representations in various publications such as SCI (Science Citation Index) and SSCI (Social Science Citation Index). Collaboration with international agencies, both for scientific support and for financial assistance, will also benefit the country.

Expanding both industrial output and employment opportunities will depend upon how effectively Azerbaijan uses

Figure 5.23 Wages of scientific researchers, 1998, manat

(4,500 manat ≈ US\$ 1, February, 2001)



Source: SCS, 2000

new technology and innovation. Innovation involves creation of new technologies, introduction of new products, experimentation with new ideas and judicious use of resources. Innovation occurs best in an environment that supports science and technology and encourages new approaches. Azerbaijan has the requisite human capital and the scientific and technical potential to make innovation the engine of economic growth and human development.

5.4 Capitalizing on information and communications technology

Sweeping the world today are dramatic changes in information and communications technology that have enabled many developing countries to leapfrog into the future – cutting down generations of waiting time for progress. Extensive scientific and technical progress, modern methods of information dissemination and communications, and the globalization processes have opened up many new prospects for expansion of human choices. People have much better access to information and market opportunities than ever before. Greater awareness leads to better and more informed decision making – and this in turn contributes to making the economic, natural and social environment more favorable for human development.

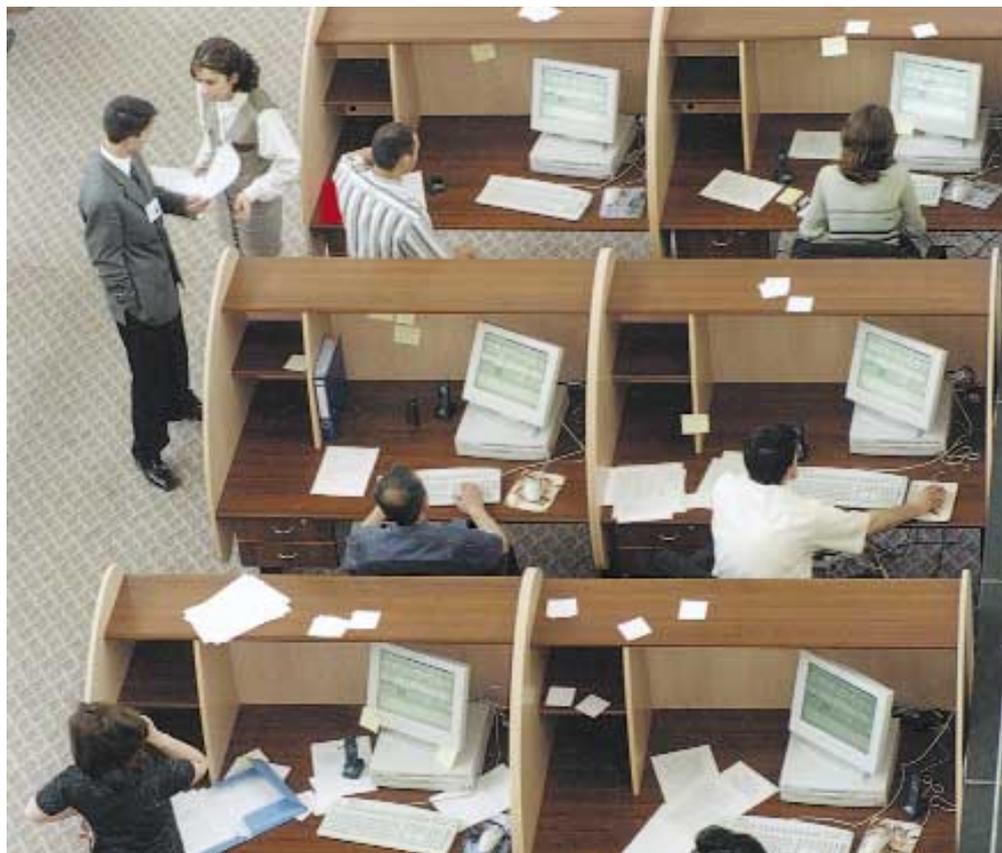
Expansion of opportunities is also closely linked to developments in physical infrastructure – and those in particular that contribute directly to improving transportation within the country. Physical infrastructure means more to people's lives than merely the movement of goods and services. Improved roads and better communications link people to markets, enabling them to tap into market and other economic opportunities. They also ensure better access to social services – health and educational facilities, and to better social and political interaction. For

instance, development of modern infrastructure, particular the net of pipelines, will make possible the delivery of resources like oil and gas to the world markets. Similarly, re-establishing the importance of the famous Silk Route that passes through Azerbaijan can greatly expand the movement of goods and services. If simultaneous improvements are made in telecommunications, then the improved connectivity can yield multiple benefits to society.

5.5 Conclusion

Azerbaijan today is in the process of implementing many development projects to address a multitude of pressing problems - economic, political and social. The State, national and international organizations have come together to form meaningful partnerships for change and human development. Particular attention is being paid to addressing the priorities of the most disadvantaged in society, and the most vulnerable.

However, accelerating human development requires the adoption of new approaches that keep people and their priorities at the top of the policy agenda. Despite the challenges and difficulties caused by transition in the last decade, Azerbaijan has progressed from a totalitarian system to a democratic civil society. Factors hampering more dynamic progress are partly geopolitical and partly reflective of the inertia of the administrative-bureaucratic system inherited from the country's past. The country still faces a number of challenges including the unsolved conflict over the Nagorno-Karabakh region, the occupation of a part of Azerbaijan's territory and the presence of a sizable population of displaced people. A corrupt bureaucracy and internal conflicts are other obstacles to democratic reforms. Azerbaijan however realizes the urgent need for reforms. Bringing together



all sections of society in order to build a strong base for transparent and democratic development is required. This will also speed up the process of economic reforms.

The establishment of a new political system in Azerbaijan has been accompanied by the formation of numerous political parties and social-political organizations. Today there is a wide range of political forces in the country. Their ideological and political philosophies vary. Despite difficulties in establishing constructive relations among political parties, there is consensus on the need for a dialogue on issues of national importance.

Azerbaijan needs to tap into its rich natural and human resources to establish sustainable and dynamic human development. It needs to re-establish the standards of living that people once almost universally enjoyed, and to end human insecurity. The country needs to reverse the deterioration in educational standards, prevent intellectual migration, promote employment opportunities, and ensure social

cohesion and political integration. The situation is indeed complex. The country however is on the right path – with a judicious growth strategy, a concern for the environment, and for the health of its people. Priority attention needs to be paid to investing in science, increasing scientific capacity, and making the most of the emerging technologies in information and communications. Supported by the efforts to strengthen democracy, these moves will surely establish Azerbaijan as a knowledge-based society and accelerate human development even further.



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
1999	71.6	97.3	10	509.2	0.777	0.865	0.515	0.719

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		Daily newspapers (copies per 100 people)	Television (per 100 people)	GDP per capita (USD)	GNP per capita (USD)
						Total (%)	Female (%)				
1999	71.6	43.4	277	1.3	61.5	76.2	32.8	24.1	89.0	509.2	---

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 20% to lowest 20%	Female wages (as % of male wages)	Average annual rate of inflation (%)	Years of life lost to premature death (per 1,000 people)	Injuries from road accidents (per 100,000 people)	Intentional homicides by men (per 100,000 people)	Reported rapes (per 100,000 women aged 15-59)	SO ₂ and NO ₂ emissions (kg per capita)
	Total	Youth (15-24)									
1999	1.2	---	---	---	70.0	- 8.5	---	29.5	5.8	1.9	8.1

* 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 (% female)	Parliament (% of seats occupied by women)
1999	75.1	23.7	43.4	99.9	58.8	31.2	---	48.8	6.0	12.0

5 • DEMOGRAPHIC PROFILE

	Population (millions)		Annual population growth rate		Total fertility rate 1999	Fertility rates over time (1999 as % of 1960)	Contraceptive prevalence rate 1992-99	Dependency ratio 1999	Population aged 60 and over (%) 1999	Life expectancy at age 60 (years)	
	1960	2000	1960-2000	2000-2001 (est.)						Male 2000	Female 2000
	4.0	8.0	2.09	1.01	2.00	---	2.9	75.7	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)
1999	---	43.2	11.3	0.1	5.2	0.8	277	---	1.1	---	---

7 • EDUCATION PROFILE

Enrollment ratio, ages 6-23 (%) 1999	Upper-secondary full-time equivalent gross enrollment ratio 1999	Upper-secondary technical enrollment (as % of total upper-secondary) 1999	19-year olds in full-time education (%) 1996-99	Tertiary full-time equivalent gross enrollment ratio 1999	Tertiary natural and applied science enrollment (as % of total tertiary) 1996-99	Expenditure on tertiary education (as % of all levels) 1999	Annual public expenditure per tertiary student (USD) 1996-99	Total education expenditure (as % of GDP)		Public expenditure on education (as % of GDP) 1999
								1960	1999	
61.7	86.0	9.9	14.0	84.4	---	---	132.3	---	---	4.8

8 • HUMAN CAPITAL FORMATION

Average years of schooling			Scientists and technicians (per 1,000 people) 1999	Expenditure on research and development (as % of GNP) 1999	Upper-secondary graduates (as % of population of normal graduate age) 1999	Tertiary graduates (as % of population of normal graduate age) 1999	Science graduates		
Total 1999	Female 1999	Male 1999					as % of total graduates 1998-99	% female 1998-99	% male 1998-99
10	9	11	3.3	0.2	59.1	19.1	2.5	25	75

9 • NATIONAL INCOME ACCOUNTS

GDP (USD billions) 1999	Agriculture (as % of GDP) 1999	Industry (as % of GDP) 1999	Services (as % of GDP) 1999	Consumption		Gross domestic investment (as % of GDP) 1999	Gross domestic savings (as % of GDP) 1999	Tax revenue (as % of GNP) 1999	Central government expenditure (as % of GNP) 1999	Exports (as % of GDP) 1999	Imports (as % of GDP) 1999
				Private (as % of GDP) 1999	Government (as % of GDP) 1999						
4.0	21.6	23.4	55.0	76.0	13.0	---	---	---	---	32.0	47.9

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 earnings 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	Services						
1999	56.7	30.8	11	58.2	---	---	---	---	40	---

11 • NATURAL RESOURCES BALANCE SHEET

Land area (thousands of km ²)	Population density (people per km ²) 1999	Arable land (as % of land area) 1999	Permanent grasslands (as % of land area) 1999	Forest and woodland (as % of land area) 1999	Irrigated land (as % of arable land area) 1999	Internal renewable water resources per capita (1,000 m ³ per year) 1999	Annual fresh water withdrawals	
							As % of water resources 1999	Per capita (m ³)
86.6	92.6	19.3	28.6	11.5	15.4	---	31.3	1187

12 • SOCIAL STRESS AND SOCIAL CHANGE

Year	Prisoners (per 100,000 people)	Young adult prisoners (as % of total prisoners)	Intentional homicides by men (per 100,000 people)	Drug crimes (per 100,000 people)	Reported adult 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			
1999	---	---	5.8	30.4	1.9	36.5	1.1	0.3	3.1	11.0	32



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