

**THE ROLE OF CIVIL SOCIETY ORGANIZATION IN HUMAN CAPITAL  
DEVELOPMENT: CASE OF AZERBAIJAN**

**By**

**ISMAYILOVA, Naila Sohbet**

**THESIS**

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirements

for the degree of

**MASTER OF PUBLIC POLICY**

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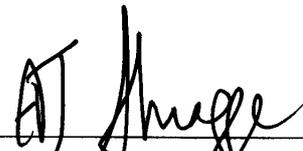
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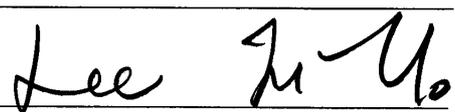
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## **ABSTRACT**

Challenges in modern societies, such as technological evolution, a knowledge-based economy and globalization have already prompted many countries to seek new ways to be competitive. There is a belief that success depends on the people with high levels of individual competence. In other words, people are becoming valuable assets and improvement of human capital can make a significant contribution to the sustainable development of each society. The main issue of this process is to provide equal cooperation opportunity between social partners, such as government, civil society organization and private sectors. It will be effective not only to human capital development, but also in the development of society as a whole.

The following proposal investigated the role of social partners in the human capital development process in the Azerbaijan. This paper mainly focused on the relationship between civil society organizations and government bodies in terms of the implementation of different state programs that related to human capital development. A conducted survey and an in-depth interview with the experts, from government agencies and civil society organizations, as well as donor organizations, help us to analyze the level of cooperation between government and civil society organizations, and also the role of civil society in this area.

The study finds out some challenges that come from legislation and an unequal distribution of public funds; however, through this paper we also learn about some best practices in terms of CSOs and government partnership, which can be used as a catalyst in the improvement of the process. Taking into account all these challenges and the successful practices the paper provides recommendations that can be useful for government institutions and civil society organizations to improve their cooperation, as well as recommendations for donors.

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## ACRONYMS

ADB – Asian Development Bank  
BERI – Business Environment Risk Intelligence  
BS/BTP – Best School/Best Teacher Program  
CSO – Civil Society Organization  
CSS of NGOs – Council of State Support of NGOs  
CIS – Commonwealth of Independent States  
DVE – Development of Vocational Program  
ESP – Education Support Program  
ETF – Exchange Traded Fund  
GDP – Gross Domestic Product  
GNP – Gross National Product  
GCI – Global Competitiveness Index  
HCD – Human Capital Development  
HESP – Higher Education Support Program  
IDP – Internally Displaced Person  
MOE – Ministry of Education  
OECD – Organization for Economic Co-operation and Development  
OSI – Open Society Institution  
SPEA – State Program on Education Abroad  
TI – Transparency International  
UN – United Nations  
UNDP – United Nations Development Program  
UNICEF – United Nations International Children's Emergency Fund  
UNESCO – United Nations Educational, Scientific and Cultural Organization  
USAID – United States Agency for International Development program  
WB – World Bank

## CHAPTER ONE: INTRODUCTION

### 1.1.Problem Statement

Challenges in modern societies, such as technological evolution, a knowledge-based economy and globalization have already driven many countries to seek new ways in order to reach competitiveness. There is a belief that success depends upon the people who have high levels of individual competence. In other words, people are becoming valuable assets and the improvement of human capital can make a significant contribution to the sustainable development of each society. In the second half of the 20<sup>th</sup> century the importance of human capital and, particularly, of investment in education was recognized worldwide as a main indicator of sustainable development. This recognition forced governments to review their human capital strategy and to “implement better human capital raising policies at the local level.”<sup>1</sup>

After gaining independence in the 1990s, Azerbaijan was able to achieve significant economic growth that helped reduce poverty and create new jobs. According to the Exchange Traded Funds` (ETF) Country report (2009), from 2003 to 2007 around half a million new jobs were created by the Azerbaijani government. Official figures for the same period show that “the rate of unemployment decreased from 30 % to 6.5 %. In spite of such positive developmental indicators, Azerbaijan still has a low rank in the Global Competitiveness Index (GCI) (57 out of 139 countries). The quality and quantity of education have been shown as one area of weak performance of the country.”<sup>2</sup>

The knowledge, experience and skills of individuals, (in other words human capital, which is used as a synonym for knowledge embedded in all levels) create value for

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<sup>1</sup> European Union Strategy on Human capital development, 2010.

<sup>2</sup> Global Competitiveness Index, 2010.

companies and the economy as a whole. According to the statistics, about 2.7 % of the GDP was spent for education in 2007, which analogous to the level of education spending in other developing countries. However, while in many developing countries lack of investment the main factor that impedes the development of education sector, in Azerbaijan the amount of investment in education is not a problem. The problem is lack of strategic policy to prioritize the main directions for investment in national education. The vast majority of investments have been made in educational “hardware” (school buildings, renovation, equipment, purchasing, computers and supplies) compared to investments in educational “software” (capacity building/training, new methodologies, new teaching and education governance approaches, new funding mechanisms).

However, claiming that Human Capital Development (HCD) is a single way for economic growth would be wrong. But it would be a valid approach to say that without a Human Capital Development Strategy, an economy is very unlikely to achieve long term sustainability.

In his writing, Adam Smith emphasized the role of government in this process and noted that government should provide equal access to general education for all of the population. Adam Smith mentioned that “access to an equal educational opportunity is a more sustainable way”<sup>3</sup> for individual to gain and improve his/her social condition.

As this paper does not consider the question of equality in education, we will not touch upon on this issue, but we will look through the government programs which intend to improve human capital in Azerbaijan and try to find out how implementation of these programs is divided among the social partners (in many countries civil society organizations are included as a fourth social partner).

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<sup>3</sup> Smith Adam, “Wealth of nations”, 1790.

## **1.2. Background Information on Education in Azerbaijan**

Azerbaijan provides free and compulsory education to children between the ages of 6 and 15. The primary level of education takes 4 years, from the ages 6 to 10, while basic level of education is 5 years from ages 10 to 15, and the secondary level of education requires 2 more years, from ages 15 to 17. After graduation from secondary education, pupils achieve the Certificate of Complete Secondary Education. In addition to the usual secondary school, there is also the technical secondary school, which lasts for 3 years. Unlike an ordinary secondary school, the students who graduate from a technical secondary school get a Certificate of Complete Secondary Specialized Education. New educational law (adopted in 2009) requires an examination for students after 9<sup>th</sup> grade to continue their study in general secondary education (grades 10-11). This level of education is free in public schools. However, the new legislation allows schools to provide more strict selection of students. The two reasons behind this decision are to increase the quality of secondary education and to encourage students to choose technical secondary school (vocational education).

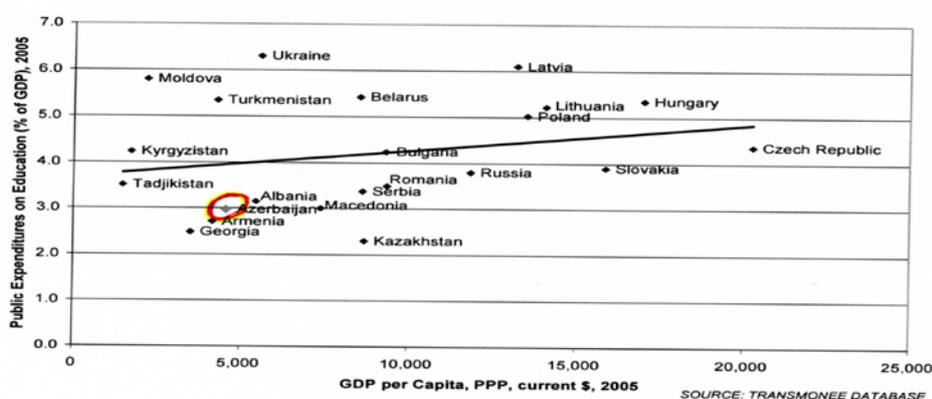
When speaking of the educational system in Azerbaijan, it would be interesting to demonstrate trends in the state budget expenditures on education over the last decade. For instance, in 2008 the state budget expenditures on education reached 1.115 billion AZN (1AZN = 0.8219 US dollar), which was 5 times more compared with the state budget on education expenditure in 2002. Furthermore, public expenditure per student was significantly increased over the last decade. Table 1 shows the growth trend of education expenditure in the last 12 years.

**Table 1 State Budget Expenditures on Education in 1995-2007 (in constant 1995 prices)<sup>4\*</sup>**

Year	in million AZN, constant 1995 prices	Per student in AZN, constant 1995 prices	Per student as % of GDP per capita	Total number of persons receiving any kind of formal education (public and private)**
1995	75.2	...	...	...
1997	81.7	43.40	14.6	1,882,500
1999	113.7	57.47	16.7	1,979,100
2000	115.6	58.72	15.5	1,968,300
2001	115.5	57.66	14.0	2,002,861
2002	115.0	57.33	12.7	2,006,400
2003	133.3	65.44	13.1	2,036,205
2004	154.0	76.27	14.0	2,018,853
2005	168.0	85.18	12.5	1,972,056
2006	201.7	104.54	11.5	1,929,627
2007	272.1	144.59	12.9	1,881,672

Although the ratio of public expenditure on education has increased over the last decade, if we compare public spending on education as a per cent of GDP in Azerbaijan with other transition countries, we can observe a difference. However, public spending on education as a per cent of GDP in Azerbaijan is lower than others even among the transition countries with a similar GDP per capita level. According to the “World Development Indicator 2008” report (WB), public expenditures per primary student was 5.5 per cent, per secondary student was 8.5 per cent and per tertiary student was 9.4 per cent of the GDP per capita in Azerbaijan in 2006<sup>5</sup>. *Chart 1 shows this difference.*

**Chart 1 Public spending on education as per cent of GDP in transition countries.<sup>6</sup>**



<sup>4</sup> "Statistical Yearbook of Azerbaijan" and "Education, Science and Culture in Azerbaijan, 2007

<sup>5</sup> UNICEF Country Report, 2006.

<sup>6</sup> "Budget investment in health and education of Azerbaijani children", UNICEF Country report, 2006.

In spite of the variation of public expenditure on education when compared with other countries, the problem of literacy does not exist in Azerbaijan. The country report of international organizations, such as UNICEF and UNESCO, corroborate this fact. However, the quality of education lags behind its neighbors in the CEE/CIS region.<sup>7</sup> The main challenges in the Azerbaijani education system can be divided into two key areas: first, the education system is not market oriented, and second, the quality of educational staff does not meet the requirements. Furthermore, as mentioned above, the economy of Azerbaijan mainly depends on the oil sector, which is a serious threat to the future sustainable development of the country. These major factors urged the Azerbaijani government to review its HCD strategy and develop policy towards improving HC.

### **1.3. Non-Governmental Organizations in Azerbaijan**

The roots of civil society in Azerbaijan are quite deep. According to the historical resources various religions that existed in the territory of this country, such as Zoroastrianism, Christianity and later Islam “have made significant contributions to this process.”<sup>8</sup> As the main purpose of this paper is to determine the level of cooperation and collaboration among civil society organizations and government agencies in human capital development, it is essential to provide relevant background information on the historical development of CSOs in Azerbaijan. In this part, I will mainly discuss those facts that support the general idea of this study and will explain the current situation in the NGO sector in order to give a comprehensive picture to my readers.

At the beginning of the 20<sup>th</sup> century, when the industrialization processes started in Baku (the capital of Azerbaijan) civil society organizations were mostly associated with trade

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<sup>7</sup> Education in Azerbaijan, UNICEF Country Report, 2008.

<sup>8</sup> “History of Azerbaijan”, I volume, National Academy of Science of Azerbaijan, Baku 2007.

union activities. After the first oil boom, the emergence of private philanthropy provided support to education and other social activities. Through this support, the first private philanthropic Girls` Gymnasium was established in Baku in early 20<sup>th</sup> century. Haji Zeynalabdin Tagiyev, the oil millionaire, was one of the main advocates of civil society initiatives at that time. Thanks to his initiatives, a number of young people got a chance to study in different well-known European universities.

During the last years of the communist regime, CSOs in Azerbaijan were preceded by a national-liberation movement called the People`s Front, which emerged in the late 1980`s and the early 1990`s. In that period the majority of CSO` activities were focused on humanitarian assistance to and psychosocial rehabilitation programs with the refugee and IDP population of Azerbaijan during the conflict between Armenia and Azerbaijan over Nagorno-Karabakh. In 1992-1994, 20 % of Azerbaijani territory has been occupied by the Armenian army.<sup>9</sup> In the years of independence CSOs focused on capacity building, strengthening their advocacy and lobbying, and on working to improve the legal environment for CSO activities. Nevertheless, for quite a long period (1994-1998) the attitude of the government representatives towards CSOs was unequivocal. The word “non-governmental” very often was interpreted as “anti-governmental,”<sup>10</sup> which was really a serious barrier not only to civil society organizations` participation in decision making processes, but also their implementation of daily project activities.

Despite the fact that some members of the government still share similar thoughts regarding CSOs, we can observe positive changes at the policy level. These changes give hope to the development and strengthening of civil society in Azerbaijan. According to the Council of the State Support to CSOs, currently more than 3000 non-governmental

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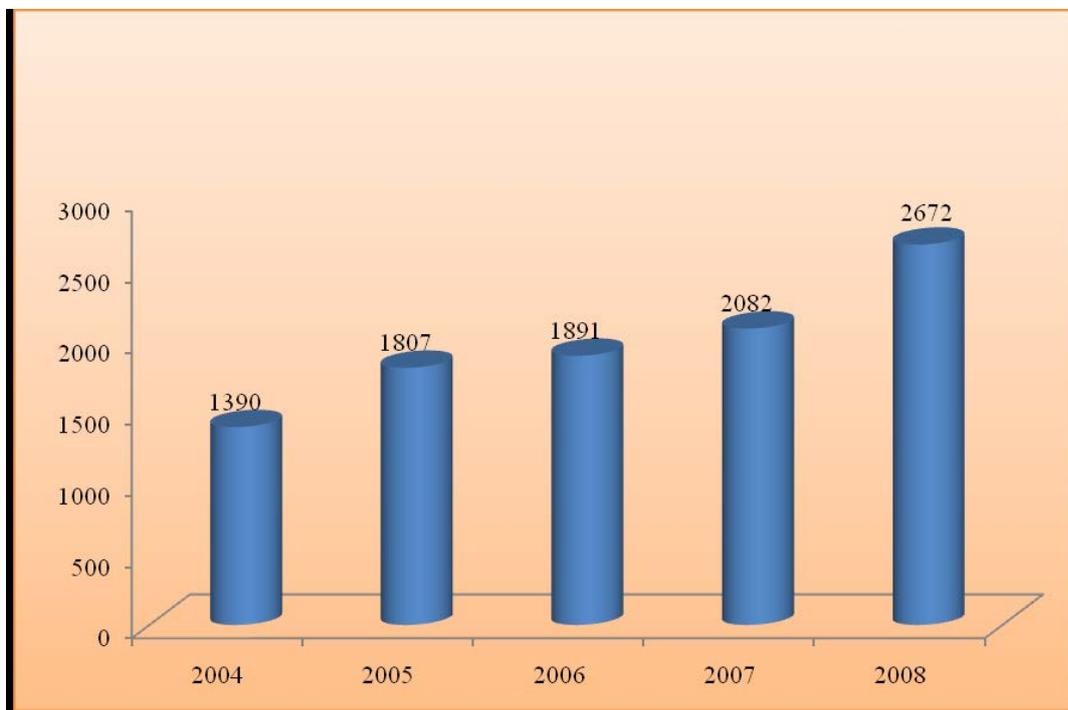
<sup>9</sup> [http://pards.org/crs\\_country/CRSReportArmenia-AzerbaijanConflict\(August8,2003\)Updated.pdf](http://pards.org/crs_country/CRSReportArmenia-AzerbaijanConflict(August8,2003)Updated.pdf).

<sup>10</sup> “Azerbaijan Civil Society sector assessment, USAID final report, January, 2005.

organizations are working in Azerbaijan, 2500 of them are officially registered. In 2008 the number of employees in the CSO sector was 2672. The number of visible and active NGOs is around 700. The council grouped NGOs activities into 8 main categories.<sup>11</sup> They are:

- *Human rights and democracy;*
- *Family, women and children`s issues;*
- *Refugee, IDPs, disabled and veterans`s issues;*
- *Economic and social issues;*
- *Education, science and culture;*
- *Youth and patriotic education;*
- *Health and environment;*
- *Drug addiction, corruption, and fights against human trafficking.*

Chart 2 **Number of employees in the NGO sector (persons)**<sup>12</sup>



<sup>11</sup> The Council of State Support to NGOs under the President of the Republic of Azerbaijan, national report, 2010.

<sup>12</sup> Ibid, Baku, 2010.

Even though there are large numbers of CSOs around the country, challenges still exist. In some degree, the weaknesses of the Azerbaijani CSOs come from the community itself. For instance, only a few CSOs have developed organizational capacity and have financial viability. Besides this most CSOs lack strategic planning, a membership base, financial resources and a clear organizational chart. As well, lack of financial resources inside the country has made CSOs totally dependent on international donors. As mentioned in USAID`s final report, “many LNGOs are primarily preoccupied with surviving from project to project.”<sup>13</sup> In addition, the level of collaboration among the CSOs is very poor, which is considering another big issue in terms of development of this sector. The author of the USAID report mentions that they appear “more competitive rather than cooperative.”<sup>14</sup>

Finally, the scope of CSOs is narrow. The CSOs that have reasonably effective activities are based in the capital city. This can be explained by easy access to the donor institutions, as well as in terms of other facilities, such as offices and human resources. Organizations not based in the capital are weak and their impact to the national level is very limited.

The funding of Azerbaijani CSOs comes mainly from various donor agencies. Some experts analyzing the CSOs` dependence upon international donors see this trend as a negative effect to the development of society. Recently, some changes occurred under the new government leadership regarding CSOs. The changes gave opportunity to some CSOs to collaborate with government institutions, even participating in legislative discussions and presenting their recommendations. In addition, the president signed a resolution establishing the Council of State Support for NGOs that supports local CSOs through grants and other means. In 2008, 191 different projects by civil society organizations were funded by the state

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<sup>13</sup> Azerbaijan Civil Society Sector Assessment, USAID final report, January, 2005.

<sup>14</sup> Ibid, 2005.

council; the total budget was 1,500,000 USD, while a year later, the amount of budget was increased by twice, 3,000,000 USD.<sup>15</sup>

Although CSOs meet various challenges during their development process, the studies showed public awareness of CSOs is growing steadily and around 67% of CSO representatives believe that they are able to provide significant changes in Azerbaijani society.<sup>16</sup> In recent years, the CSOs representatives have become involved in the implementation of some government programs, such as “National Strategy on Increasing Transparency and Combating Corruption,” “National Strategy for Combating Human Trafficking,” and “Protection and Affairs of Juveniles.” It was a new approach not only for government institutions and CSO representatives, but also for ordinary citizens to feel ownership and make a contribution to their country.

Of course there is no perfect partnership. Every partnership needs to improve in some stage of cooperation. But there is a big hope that through this partnership the Azerbaijani government will be able to improve the quality of the implementation of programs which focus on the future benefit of the country.

#### **1.4. HCD Initiatives in Azerbaijan**

Various analyses provided by local economists show that the main income of the state budget is derived from oil and gas, from 40% to 75%. The rapid inflow from the oil and gas revenues allowed the country to achieve amazing GDP growth between 2003 and 2008. The rate of GDP increase in this period was about 20% per year. However, keeping this rapid growth in mind, the economists emphasize that the oil revenues will be stable in the next two years and will gradually diminish in the next 15 years. It is not only because of the effect of the global economic crisis and the volatile price of oil, but is also a result of an economic

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<sup>15</sup> National report on NGO sector in the Republic of Azerbaijan, 2010.

<sup>16</sup> CRS survey, 2005.

syndrome called “Dutch decease” (economists used this terminology, in order to describe the decline of the manufacturing sector in the Netherlands),<sup>17</sup> where the economy of a country manifests excessive dependence on a single revenue source.

Local economists who considered this trend urged the Azerbaijani government to care for development of human capital in order to guarantee the future of the country. In early 2000, there were several messages from the government which indicated its understanding of "the challenges of sustainability" in relation to an excessive dependence on oil and gas revenues and focused on the development of a non-oil economy, as well as investments in "human gold." Since 2007 human capital development has become one of the major priorities of the government. In order to achieve these priorities the Azerbaijani government established several programs, which include “Reforms in Education,” “State Program on Education abroad,” “Peoples Computer,” “Reforms in Vocational Education,” “Better school,” and so on.

**“EDUCATION ABROAD”, State Program.** In 2007, the program was adopted by the government in order to support Azerbaijani people to get better knowledge in the best international schools around the world. The scholarship provides 100% financial support and after graduation the students are expected to return to their country and work in a position identified by the Government for a certain period of time. Only 5000 ambitious young people will be able to benefit from this program. A few thousand (if to consider that currently the program is in the middle of its implementation, we can assume that almost 2500 students had an opportunity to study abroad; the program will expire in 2015) have been sent overseas to study already.

***Development of Vocational Education (DVE)*** – Shortly after independence, instability of the economy led the factories to discontinue their activities. The consequences of economic

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<sup>17</sup> Wikipedia. Definition of “Dutch Decease”.

decline seriously affected vocational education in Azerbaijan, and several years after the collapse of the Soviet Union the number of vocational education programs was reduced significantly. As well as the interest of young people significantly decreased in this field. As the main purpose of the HCD strategy of Azerbaijan is the development of the non-oil sector, the government launched a State program on DVE in order to support this idea. Through the program, it planned to strengthen the technical base, adapt the vocational education system to the market economy, improve the curriculum, teach staff, and increase the public status of vocational education in the country.

***BEST SCHOOL /BEST TEACHER Program (BS/BTP)*** – The program was launched in 2007 in order to encourage both schools and teachers to take active part in the development of an innovative education process. During the last 4 years of the program, 200 schools and 400 teachers were awarded grants (10,000 AZN for schools, 5,000 AZN for teachers – 1 AZN is 0.79 US dollar).

The state Reform Program on Education can be listed as the final part of the field of human capital development. The reform program itself considered several significant changes in education such as adopting a new curriculum, new textbooks, increasing the quality of teacher training, improving school management systems and transitioning the higher education system to the Bologna standards. It is considered as a unique chance to move away from the Soviet education system to join the European education system. In other words, there are a number of opportunities which allow us to say that Azerbaijan has the capacity and potential to develop an HCD strategy and to improve the welfare of its citizens.

Bearing in mind all these important human capital-related opportunities o, a question arises as to who is responsible for developing HC in a particular country? Is it only the government bodies' responsibility to implement the programs? What is the role of CSOs in this process? Do they have the same rights as government agencies? If so, how can CSOs

engaged in HCD process? The UNDP report, “Turn Black Gold into Human Gold” highly recommends involving CSOs in the HCD process. It states that cooperation with CSOs will increase the efficiency as well as accountability and transparency of the programs.

This paper will provide a brief study on the HCD situation in Azerbaijan and identify the role of CSOs in the human capital development process.

### **1.5. Significance of the Study**

First, the study is unique in that it represents the first attempt in Azerbaijan to investigate the general characteristics of CSOs and state cooperation, and it explains the contribution of CSOs in human capital development. Second, this study analyzes HCD Strategy in Azerbaijan and its efficiency impact on the development process in whole. Third, the study provides the recommendations that suggest how cooperation with CSOs can influence the efficiency of programs. Finally, this study can be used as a reference for policy makers, donor institutions, as well as NGOs themselves, in order to improve future cooperation with relevant stakeholders.

### **1.6. Research questions**

*This study will pursue the following questions:*

- What are the preliminary results of HCD Strategy?
- What are the role distribution and the level of collaboration between social partners (state, CSO, private)?
- Why and how should NGOs be involved in the human capital development process?
- What is the level of partnership between CSOs and government agencies in planning, monitoring and evaluation of programs?

## **1.7. Research hypothesis**

**RH 1.** Involving CSOs in human capital development is important to increase:

- Transparency/Accountability
- Awareness/Equal access

**RH 2.** CSOs' participation in the human capital development process is very low, because of lack of expertise, human resources among the organizations themselves, as well as bureaucracy and weak ties within the social partners.

## CHAPTER II. LITERATURE REVIEW

### *2.1. Human capital and its role in development*

Many scholars have believed that investment in “human capital” is a significant source of economic development for the country. Over the last two centuries there have been several studies where scholars mentioned the importance of human capital and identified its impact on the development process. Economists discovered that investment in human capital was the initial element to increase the “wages of individuals compared to the quantitative input of other components such as land, financial capital and labor force.”<sup>18</sup>

Two theories regarding human capital exist: the classical and the modern approach. The classical approach does not accept the importance of human capital in economic development, while the modern approach fully supports the significance of human capital and claims that “human beings themselves are capital.”<sup>19</sup> Furthermore, Modern Human Capital Theory (HCT) is formulated based on the “economic self-interest of individuals operating within the freely competitive markets.”<sup>20</sup> However, scholars began to pay more attention to the importance of human capital in the development process. The new approaches to development emerged immediately after the Second World War. Since this study does not concentrate on the description of HCD theory, and rather it examines the contribution of CSOs towards the human capital development process, this chapter, we will just lay out the basic concepts of these theories in order to clarify the main points of the study.

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<sup>18</sup> Salamon.P.M, “Human Capital and America’s Future”, 1991.

<sup>19</sup> Ibid. p.11.

<sup>20</sup> Ibid. p.21.

In discussing the concept of development, Woodhall finds investment in the human capital more effective and sustainable.<sup>21</sup> Similarly, Romer argues that the investment in individual's knowledge and skills can easily transfer to certain services and goods.<sup>22</sup>

Robert Solow (1957) emphasized that three main factors can affect the development of national income. He listed these factors as follows: rises in the stock of physical capital (equipment, machines and facilities that are used for producing goods and services) increases in the size of the labor force, and all other related factors.<sup>23</sup> Solow also mentioned "technological progress" and stressed that increasing the level of education could be one of the main contributions to the development process. In addition to Solow, Edward Denison (1985) used the same approach when discussing the role of education, but he supported his argument by providing an explicit account. According to him, from 1929 to 1982, "increasing levels of education were the source of 16 % of the growth of total potential output in nonresidential business."<sup>24</sup> Another study, which was conducted by Dale Jorgenson and Kevin Stiroh (2000) noted the contribution of education to economic development at 8.7 per cent of total growth between 1959 and 1998 and 13 % of growth in output per worker.

Another important issue is to determine the meaning of human capital, which is explained in a different way in different documents. What is the explanation of human capital? In his article Todaro (2003) explained the meaning of human capital in terms used by economists, the world of "Human Capital often related for education, and health," because it is an important attribute of human capacities. When you improve skills and abilities, you will be able to raise productivity. Moreover, Patrick Fitzsimons (1999) formulated human capital

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<sup>21</sup> Woodhal.M, "Human capital: educational aspects. International Encyclopedia of the Social and Behavioral Sciences", 2001.

<sup>22</sup> Romer.P, "Increase Returns and Long-run Growth", Journal of Political Economy, 1986, p1030.

<sup>23</sup> Solow, Robert M. "Technical Change and the Aggregate Production Function" Review of Economics and Statistics 39, 1957 p. 312, 317

<sup>24</sup> Denison Edward, 1985, p 80

by focusing more on education. According to him, human capital is “the significance of education and training as the key to participation in the new global economy.”<sup>25</sup> The UN Nations Glossary explains human capital as the “productive wealth embodied in labor, skills and knowledge.”<sup>26</sup> According to OECD (2007), human capital is “the knowledge, skills, competencies and attributes that allow people to contribute to their personal and social well-being, as well as that of their countries.”<sup>27</sup> The authors of the same report stress that educated persons can increase their income, as well affect the economic growth of their country. Becker (2005) stressed that additional training with resources like computers and expenditures on medical care are also human capital issues. All of these focused on the increase of income, improved health condition which can easily affect human welfare, and life expectancy. Economists call these kind of expenditures “an investment in human capital.”<sup>28</sup>

Taking into account all the above-mentioned approaches regarding human capital, we can say that it is one of the main indicators of development. Therefore without having sufficient human resources, it is impossible or difficult to exploit natural resources, as well as capital in a rational way. Having in mind this brief information, in the next section I will look at the contribution of education as one of the main factors in the overall development of a nation.

## **2.2.Education and Development**

Since ancient times, well-known philosophers and scientists have recognized the importance of education as the main factor that can influence improvement of the skills of human beings. Plato noted that “education is indispensable to the economic health of a good

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<sup>25</sup> Fitzsimons Patrick, p.199.

<sup>26</sup> UN Nations, Glossary, <http://data.un.org/Glossary.aspx>

<sup>27</sup> OECD Insights. 2007. Human capital: how what you know shapes your life. 3.

<sup>28</sup> Becker 2005, p.17.

society, for it makes citizens ‘reasonable men.’”<sup>29</sup> According to Plato, the economic value of education is extremely high; he emphasized that “a considerable part of the community’s wealth must be invested in education.”<sup>30</sup>

Until the 20<sup>th</sup> century, there were not many writings which describe the influence of education on the development of a nation. A few scholars, like A. Smith throughout his writings, emphasized the correlation between education and economic growth. Many scholars who followed this idea stressed that investment in a worker’s education significantly affects her/his productivity in the workplace.<sup>31</sup>

The human capital issue flourished in the middle of the 20<sup>th</sup> century, particularly after the adoption of the European Recovery Program (well-known as the Marshall Plan), where investment in the human being was highlighted as the most valuable capital among all. This factor allowed us to say that the discovery of the importance of human capital began as early as the 1960s. Tilak (1989) characterized this as the “human investment revolution in economic thought.”<sup>32</sup> Further, Hough (1987) in his studies noted the importance of education and wrote that “education leads, or should lead to a more productive, more efficient and more usefully employable person and it is therefore, clearly of an investment nature.”<sup>33</sup>

In their article, Olaniyan and Okemakinde (2008) described education as an “economic good,” which is related to the concept of human capital; also “development skills are an important factor in production activities.”<sup>34</sup> Moreover, the authors emphasized that investment in education increases the chance of individuals to stay in the labor market longer and thus enable them to enjoy a higher job mobility compared with others whose level of

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<sup>29</sup> Here-Now4U, Online Magazine, [http://www.here-now4u.de/eng/an\\_overview\\_of\\_science\\_of\\_univ.htm](http://www.here-now4u.de/eng/an_overview_of_science_of_univ.htm).

<sup>30</sup> Ibid.

<sup>31</sup> Lucas. R, “On the Mechanics of Economic Development”, Journal of Monetary Economics, 22/1, p36.

<sup>32</sup> Tilak, “Education and its effect, in human capital”, 1989.

<sup>33</sup> Hough, J.R. “Education and the national economy”, 1987, Croom Helm LTD, Provident House, Burrell Row, p 48.

<sup>34</sup> Olaniyan and Okemakinde, “Human Capital theory: implications for educational development”, European Journal of Scientific Research, 2008, Vol.24< N2, p 157.

education is low. In addition, talking about the relationship between education and growth, Babalola (2003) said that education can be a basic source in order to maintain a positive equilibrium. If we looked over the last decade the history of economic development around the world, we will see that some countries achieve rapid growth, while others have a very low growth rate. There are many studies that examine evidence in order to find out why some countries throughout history achieved positive growth while others did not. Examining the difference of growth paths between countries, scholars have suggested to pay attention to “the expansion of scientific and technological knowledge that raises the productivity of labor and other inputs in production.”<sup>35</sup> This kind of systematic approach has “greatly increased the value of education. Countries that managed have significantly improved on the income growth, at the same time paid attention to the development (or increase) of the education, training of their labor force.”<sup>36</sup> Moreover, outstanding economic growth in Asian countries, such as South Korea, Singapore, Japan, Taiwan, as well as in European countries, like Finland, “in recent decades dramatically illustrate the importance of human capital growth.”<sup>37</sup>

Looking at the "economic miracles," which have occurred over the last 3 decades, we will see a clear pattern of HCD, which is stressed as a significant element of any successful development strategy. Below is a very short overview of a few exemplary cases:

### **2.2.1 BEST PRACTICE OF HCD STRATEGY AND ECONOMIC ACHIEVEMENT**

Once the former president of *Finland* and the Nobel Peace Prize winner M. Ahtisaari said in his speech that it is not possible to plan innovation, but it is possible to create the conditions that support it. Many scholars attributed this approach to the success of Finnish

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<sup>35</sup> Becker, Stanley Gary, “Human capital: a theoretical and empirical analysis with special reference to education”, The University of Chicago press, 1993, p 24.

<sup>36</sup> Ibid, p 24.

<sup>37</sup> Ibid, p 25.

HCD strategy. By the mobilization of human capital, Finland achieved its economic growth. Today Finland is home to worldwide acknowledged businesses, like Nokia and Wartsila.

*The Korean* “economic miracle” is another example of best practice towards mobilization of human capital for successful development in a short period. As shown in various studies, at the beginning of the 1960s South Korea was one of the poorest countries in South East Asia. Its GDP per capita at that time was less than \$800. Although the natural resources are limited in Korea, developing human resources for economic growth became the center of government policy. The efficiency of labor, information technologies, developing heavy industrial export components such as ship building, cars, steel industry, and electronics were the main components of South Korea's efforts to sustain rapid growth. Furthermore, the increased level of education is considered one of the successes in Korean economic development. According to the OECD report, Koreans have the highest ratio – around 95 % - among the OECD countries of high school graduation. Moreover, the result of PISA (Programme for International Student Assessment) tests shows that the competitiveness of the Korean education system can be compared with the Finns and the Japanese. The highest value on education over the decades allowed Koreans to improve their human capital development index to 15<sup>th</sup> place.<sup>38</sup> In addition, over the last forty years, Korea`s GDP per capita increased ten times, to \$7235.

All of these examples show the importance of investing in education as a main tool to increase the nation`s welfare. In their study, Bowman and Anderson find a close relationship “between basic education level measuring literacy levels and economic growth as measured by GNP per head broadly to apply across the whole range of the world`s developing countries.”<sup>39</sup>

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<sup>38</sup> UN Human capital Development Index, Country Report 2010.

<sup>39</sup> Hough, p 50-51.

Taking into account the above mentioned views, we can say that there is a positive correlation between education and growth. In other words, if countries invest more in education, there is a high probability they will increase productivity. Bronchi (2003) argued that raising the value of education can reduce the inequalities in income distribution among the population. However, scholars emphasized that the efforts addressing human capital development should be clear. The case analysis from developing countries shows that sometimes the results of investment in education are not as significant as it is predicted. Explaining these cases, Fagerlind and Saha (1997) mentioned that “the more political the goals of education, the more problematic the outcomes.”<sup>40</sup> Therefore the authors suggested the importance of structural reforms, in order to achieve positive outcomes.

This point of view is very important in order to increase the value of education, as well as to control the resources invested in education. This view emphasizes the importance of cooperation between government and other social partners. As the main idea of this paper is to find out the participation of civil society organizations in the development process, during the next part of this chapter we will explain the importance of cooperation and involving CSOs in this process.

## ***2.3 CSO and DEVELOPMENT***

### **2.3.1. What is a CSO?**

The concept of civil society is not new. It has existed within political and social theories for hundreds of years. But the last decade, because the volume of international aids to developing countries increased, it gave an opportunity to CSOs to become one of the main partners and engage in the implementation of various programs.

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<sup>40</sup> Sited from European Journal, “Human Capital theory: Implications for Educational Development” p 160.

Briefly, some modern books present CSOs as non-governmental organizations (NGOs). This term especially became popular after the 1950s, when the UN was established. Since that time, the UN has emerged as an organization outside of government institutions and the importance of UN cooperation with NGOs has been mentioned in Article 71. There is no single definition of NGOs, but, in particular, there is a general agreement that it is a non-profit and non-governmental organization. Many authors include associations, clubs, charity organizations, and work teams under this category. The World Bank definition of NGOs is as follows:

*“... groups and institutions that are entirely or largely independent of government and that have primarily humanitarian or cooperative rather than commercial objectives. NGOs include charitable and religious associations that mobilize private funds for development, distribute food and family planning services and promote community organization. Citizen Groups that raise awareness and influence policy are also NGOs”*<sup>41</sup>

In other words, as non-profit organizations, NGOs can share equal opportunities with the government for the development of a country, as well as can play an important role in the improvement of policies. According to the World Bank NGOs, trade unions, faith-based organizations, initiatives groups, movements, foundations and many others are considered as a CSOs. In this paper we use Civil Society Organization terminology, while survey and in-depth interviews were conducted we contacted not only NGO representatives, but also different initiatives' groups, foundations, and movements who are contribute to civil society and particularly to human capital development in Azerbaijan.

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<sup>41</sup> World Bank glossary, 2009.

### 2.3.2. CSOs in development process

According to the World Bank, CSOs as private organizations are involved in various activities, which are related to the well-being of the society. Thus, CSOs promote the interests of the poor, provide social services, and participate in community development projects and activities. Charnowits (1997) mentioned that the emergence of CSOs began through different stages, namely: emergence, engagement, disengagement, formalization, nuisance value, intensification, and empowerment from the 1770's, 1990's and present.<sup>42</sup> Talking about CSOs' activities throughout their history Korten (1987, 1990) divided them into four generations.

According to him, the first generation of CSOs helps people “in acute need, by giving emergency relief to cover an immediate need for food, medical aid, shelter or similar basic necessities.”<sup>43</sup> The second generation started to cooperate with the target groups as well as realized various activities together with them. However, third-generation CSOs combine their micro and macro level initiatives; due to which, their activities are not limited to supporting poor people in order to improve their living conditions, but also, “to change the structures and institutions in society that keep large groups of the population in poverty.”<sup>44</sup> Finally, Korten defined the fourth-generation CSOs, as those which participate in the implementation of programs at the national, regional, and global level.

In the 1980s there was a positive change regarding the understanding of the role of civil society (NGOs) in essential development. In this context NGOs have been seen as indigenous people organizations, in which they can work together on their own initiative in order to reduce the opportunity gap, in society. Bebbington (1993) in discussing CSO,

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<sup>42</sup> [Charnowits](#), Steve, 'Two centuries of participation,' 1997

<sup>43</sup> International Development Cooperation, The role of NGOs, p 144.

<sup>44</sup> Ibid, p 145.

growth in many countries, argues that military regimes unintentionally led to increase in CSO numbers:

*“...dictatorship gave birth to institutions that resolve..... not only the needs that social groups have, but also the problems of professionals, those who had no place to work; not only no place to work in the field wished , but no type of work at all’ In reality, institutions are made up of individual actors, this leaves room for a man’s work outside the limits defined by institutional mandates.”<sup>45</sup>*

Moreover, in 1989 (after the Cold War) the bilateral and multilateral donor agencies developed a new policy agenda that supported the role of NGOs in poverty reduction, social welfare and the strengthening of civil society. In other words, NGOs were seen as an integral part of a thriving civil society and an essential counterweight to state power.

In former Soviet Republics, NGOs involvement in local development process began right after the collapse of the Soviet Union. Although there were some “public organizations” during the Soviet administrative period, they implemented tasks from “headquarters” rather than focused on the people`s needs. As Bebbington observed, the communist regime led to the development of various civil society groups, which played an important role in the pursuit of independence. Many scholars mentioned that the history of NGOs’ development is different from continent to continent, while lack of democracy and governance was one of the main reasons that pushed the development of civil society.

There are various points of view that characterized the importance as well as the role of NGOs in society. On one point, everybody agreed that the growth of civil society is one of the significant trends in international development. In order to achieve sustainable development and raise the living standards, civil society is the best way to gain cooperation between social partners – government, business and civil society organizations. Many donor

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45 Historical Evolution of NGOs: NGO Proliferation in the Post-Cold War Era, This article was originally published in *Avrupa Gunlugu* in No: 4/2003 pp. 299-326.

agencies believe that NGOs play a critical role in representing the poor during the decision making process, and, through this, they will be able to reduce poverty. This point of view shows the important role of civil society. It also leads governments, especially in developing countries, to cooperate with NGOs not only in the implementation of various programs, but also to involve NGOs in the decision making process as through assured accountability, good governance and transparency, all much needed tools for economic development.

All of the above mentioned points of view support the idea that partnership with NGOs within the different fields, such as education, health, human rights and administration, especially in government run projects, are important and useful. Keeping it in mind in the next part of this chapter I will explain the role of NGOs in education development. As the study is focused on describing the case of Azerbaijan, after providing brief and general information on nonprofits involvement in education sector, I will turn to NGO activities in educational development in Azerbaijan.

### **2.3.3. NGOs' contribution in education development**

The Universal Declaration of Human Rights (1948) states that “everyone has the right to education” and “every government is obliged to enforce this right.”<sup>46</sup> (Article 28). This gives the responsibility to all governments around the world to provide equal access to education for all citizens. After the Dakar Forum (2000), when the Education for All (EFA) initiative was born, some important ideas targeting education were developed. Participating countries agreed to improve education conditions in their countries by providing access to education and improving education quality, eliminating gender disparity in education, and achieving positive education results by 2015.

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<sup>46</sup> Human Rights Declaration, Article 28, 1948.

EFA is one of the important initiatives which focus on the development of education in all developing countries. It requires NGO and government partnership in this field.<sup>47</sup> In recent years, many international donor agencies have increased their interest in this field. According to them, improvement in education is one of the first main paths to reducing poverty in developing countries and increasing a nation's well-being.

Moreover, the studies conducted by UN agencies attest that during the last decades COSs provided a number of innovative and alternative non-formal basic education programs, as well as served the educational needs of children, youth and adults in disadvantaged and remote areas, which proved their important partnership in realization of the EFA. The study recommended NGOs' involvement at all stages: designing policy, implementation and evaluation (MOE, 2002).<sup>48</sup>

In addition, through this partnership the advantages such as addressing problems in a more integrated multidisciplinary and comprehensive manner, eliminating on duplication and waste of costs and efforts, creativity, mutual trust and allowing the flow of information and promotion of technology transfer (Berhanu, 2004).<sup>49</sup> A worldwide experience has shown that NGOs can make a significant contribution to the development of education, especially in developing countries. Studies have also confirmed the greater roles NGOs have come to play in the field of education as alternative service providers, innovators, advocates and critics in policy dialogue.

Furthermore, Robert F. Arnove and Rachel Christina argue that government itself cannot provide all the necessary changes that society needs. In this sense, cooperation with other sectors is important. Since these changes "require the mobilization of resources, both

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<sup>47</sup> UNESCO report 2001

<sup>48</sup> MOE 2002.

<sup>49</sup> Berhanu Dinka, Under Secretary-General of the United Nations , Burundi, 2004.

financial and human, on a national level,”<sup>50</sup> cooperation between institutions is inevitable. Furthermore, NGOs are able to react to a particular issue quietly, easily and flexibly, which will speed up the implementation process of programs. Cooperation between NGOs and government can be considered as mutually beneficial which is aimed at the development of the social welfare of nations. Government itself will be able to improve the quality of social programs; civil society organizations will become the active members of society and both of these directions will support the development of democracy in a particular society.

Education reform is one of the important areas where contributions of CSOs are highly recommended. In many developing countries, this movement started after the 1990s, when the socialist bloc collapsed. Then the integration of education systems to the European standards was one of the priorities for former Soviet countries. Describing that period, I. Silova and G. Steiner-Khamsi mentioned that after the collapse of the USSR the “educational reform package was transferred to the region: From Baku to Ulaanbaatar.” The reform package was almost the same for all countries, which consisted of the following aspects: extension of the curriculum to 11 or 12 years of schooling, inclusion of new subjects like English and computer skills, student-centered learning, introduction of standards/or outcomes-based education, decentralization of educational finance and governance, rationalization of schools, privatization of higher education, standardization of students assessment, liberalization of textbook publishing, establishment of education management and information systems. In addition to these, some specific features were added to the packages which consider female education in Muslim countries, and post-conflict education in the areas suffering wars and civil unrest.<sup>51</sup>

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<sup>50</sup> Robert F. Arnove and Rachel Christina. 1998. “From NGO-State Relations: An Argument in Favor of the State and Complementarity Efforts,” *Current Issues in Comparative Education*, Vol.1(1), *Teachers College, Columbia University*, p 46.

<sup>51</sup> Silova Iveta and G. Steiner-Khamsi, book, “How NGOs react”, 2009, p 2.

After the 90s many donor organizations opened their branches in developing countries in order to contribute to the development process. Azerbaijan, as a new independent country, opened its door to the donors as well. Open Society Institute (OSI), United Nations (UN) Agencies – United Nations Development Program (UNDP), United Nations International Children`s Emergency Fund (UNICEF), partly United Nations Educational, Scientific and Cultural Organization (UNESCO), World Bank (WB), Asian Development Bank (ADB) and many other donor institutions started to work in Baku, the capital city of Azerbaijan. Of course, each donor has its own interest and agenda which is why the scope of the programs has been different. As this study is focused on educational issues, we will focus on those donors who have contributed to education reform and have provided non-formal education activities in general.

For instance, the OSI, especially its Education Support Program, was fully involved in promoting reform in order to eliminate exclusion from quality education, increase accountability and efficiency in management and governance, and spread the values of open society. At the same time, another department of the institution, HESP facilitates teaching and learning of the humanities and social sciences in higher education, while UNICEF through the implemented programs focused on “right-based approach” to education. Another donor agency, ADB, worked in school building and early childhood development programs.

Improving textbooks for secondary schools can be considered as one of the successful programs that were implemented by OSI. The project contributes to the traditional textbook publishing process, in other words it was “de-monopolization of the textbook industry, introduction of alternative textbooks and choice for both teachers and students, and development of an independent publishing industry.”<sup>52</sup> It is also mentioned that changes in the textbook publishing process gave advantages to the Ministry of Education to save

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<sup>52</sup> <http://www.opensocietyfoundations.org/about/offices-foundations/open-society-institute-budapest>

\$30,000 in the recent year. Besides this, OSI supported different activities that focused on the promotion of education, reforms initiatives toward providing teaching training, parent involvement in the education process, and improving transparency and accountability in the educational system through school finance and governance. Of course, all these initiatives that were provided by the OSI should be highly appreciated, but there were some missing points too. As we look through the OSI projects implementation area, we find out that most of them were implemented in capital cities or other big cities of Azerbaijan. There were only few projects which involved more remote regions. This resulted in inequality between urban and rural areas, and led to the improvement of open society values in the big cities only. In the future, it would be better to apply the experience in the development of rural areas, where demand for education is very high.

With respect to the other donor agencies, it should be mentioned that UNICEF, especially within the last 4 years, was actively involved in the development of inclusionary education in Azerbaijan, which consisted of integrating disabled children with the ordinary schools and giving them equal educational opportunity. In contrast, ADB showed interest in early childhood education, which is an ongoing process in Azerbaijan. Reforms in early childhood program started in 2010. Even though reform in this level of education launched later than others, there is a big hope that government will contribute to the development of this area, as early childhood education is considered as a main source of a country's development.

All of the above-mentioned points are leading to the conclusion that education is very important in the development of a nation, and the implementation of educational programs the government requires the collaboration of other partners. CSOs are one of them and cooperation with CSOs can bring benefits to the government, CSOs and to the society itself.

## 2.4. Importance of participatory collaboration

In the previous chapters of this study, I discussed the importance of collaboration and participation among the government agencies and CSOs. Having this in mind, this section will provide information about participatory collaboration.

The understanding of participation in development emerged after the 1960s, when the approach, met with the basic needs of the poor strata of the population, grew out. Later this concept became incorporated in academic studies and policy statements. Explaining this point of view, Burkey (1993) claimed that “the participation of the poor and marginalized people on development initiatives intended to benefit them has been acknowledged as important in achieving sustainable development.”<sup>53</sup> This statement emphasizes the importance of participation in order to achieve outputs, where ordinary people are involved in the development process, trying to find out some solutions to various problems, as well as are able to analyze their own social-economic situation. Burkey also considers the social and economic duties and the rights of citizens. At the same time, this statement is a signal to the population regarding their role in decision making and the development process as a whole.

Jean-Claude Garcia-Zamor (1985) explains the terminology of participatory collaboration as involving beneficiaries in different stages of the policy making process: from decision making to the implementation and evaluation process.<sup>54</sup> In the economists’ point of view, participation is equal sharing of the projects’ benefits, while social science representatives explain their opinion in terms of “community contribution to decision making process.”<sup>55</sup>

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<sup>53</sup> Burkey, 1993.

<sup>54</sup> Zamor Jean-Claude Garcia, 1985.

<sup>55</sup> Zamor Jean- Claude Garcia, 1985.

In addition to these, according to the World Bank definition, participation is "... a process through which primary stakeholders influence and share control over their own development initiatives, decisions, and resources which affect them."<sup>56</sup> In other words, participatory collaboration is encouraging participation of all beneficiaries in the different stages of implementation of policy. Based on the general scholarly agreement on the importance of public participation, it can be argued development projects cannot be successful without participation of relevant stakeholders. In discussing this subject, Oakley mentioned several advantages of participation which are: efficiency, effectiveness, self-reliance and sustainability.<sup>57</sup>

As it was mentioned earlier, participation is the process where stakeholders, particularly primary stakeholders, are involved in the identification, planning, implementation, monitoring and evaluation of the projects. There are different mechanisms which should be considered in the implementation of developing projects, such as the information sharing mechanism, the consultative mechanism, and the joint assessment mechanism, the shared decision making mechanism, the collaborative mechanism and the empowering mechanism.<sup>58</sup> As Long (2001) mentioned in his writing the first 3 mechanisms are important, especially in groundwork, in order to involve beneficiaries to take active part in the development of their communities.

At the end, it is necessary to emphasize that participatory collaboration itself is very useful and important. Firstly, it is a process which gives partners a space to learn from each other. Secondly, it is a key factor to develop accountability and transparency within the community at the local level, and at the national level in general. Thirdly, the role of social

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<sup>56</sup> Long, 2001.

<sup>57</sup> Oakley, 1989.

<sup>58</sup> World Bank, 2001.

partners in this process is significant, because through projects they consider the needs of the society and create opportunity for the stakeholders to be an important participant in the development process.

## CHAPTER THREE. RESEARCH METHODOLOGY

### 3.1. Methods

To fulfill the goals and objectives of the study, both quantitative and qualitative data were used. The quantitative data enabled to identify the scope of cooperation between government agencies and CSOs and also the nature of implemented projects by CSOs in the area of human capital development, while the qualitative data helped us to understand at which level and how the CSOs are involved in the implementation of state programs. Moreover, the qualitative data helped us to identify potential successes and challenges of this cooperation. To identify the scope of cooperation between government agencies and CSOs in Azerbaijan, we conducted the survey among CSOs' representatives. In addition, qualitative data was collected to examine the consequences of state and CSOs' cooperation in Azerbaijan, including document analysis, as well as in-depth interviews with multiple government and donor representatives.

#### 3.1.1. *Quantitative data*

The quantitative survey was conducted to identify the scope of cooperation between government agencies and CSOs towards human capital development. In order to strike a balance between CSOs located in urban and rural areas; this survey employed the economic classification of regions of the Republic of Azerbaijan. Thus, there are ten economic regions in Azerbaijan and they are listed as follow:

- *Absheron Economic Region,*
- *Ganja-Qazakh Economic Region,*
- *Shaki-Zaqatala Economic Region,*
- *Lankaran-Astara Economic Region,*
- *Quba-Khachmaz Economic Region,*
- *Orta Kur, Aran Economic Region,*
- *Yukhari-Karabakh Economic Region,*

- *Kalbajar-Lachin Economic Region*,
- *Daglig-Shirvan Economic Region*,
- *Kur Economic Region*

Since the Kalbajar-Lachin Economic Region is under occupation by the Armenian military forces, this region is not included in the survey. Thus, nine economic regions are included in this survey and the number of CSOs from each economic region was chosen based on the size of the region.

Finally, 100 CSOs' representatives from above-mentioned nine economic regions were surveyed as part of this research project.

### ***3.1.2. Qualitative data***

Qualitative data was collected through document analysis, and in-depth interviews. It was used to complement quantitative data from student surveys and used to explain the role of CSOs in human capital development.

*Interview* - A total of ten in-depth interviews were conducted with different stakeholders to examine their perceptions regarding CSOs and government partnership in the development of human capital. Individual semi-structured interviews were carried out with the representatives of government institutions and donor agencies. The majority of the interviewed stakeholders were from Baku, the capital city of Azerbaijan. The main objectives of these interviews were to examine stakeholders' perspectives regarding CSOs and government cooperation, as well as its impact on the human capital development process. As under the human capital issue, this study considers development of educational programs in Azerbaijan, three interviews were conducted with education decision makers, in order to understand how the Ministry of Education is cooperating with the CSOs and how this partnership benefits the public. Furthermore, two interviews were conducted with the

representatives of the Council of State Support to the NGOs, in order to identify their perspective on this issue, as well as to examine what the future priorities of the council in the human capital development path are. The rest of the five interviews were conducted with the representatives of donor agencies, who have been working in Azerbaijan for more than 5 years and have contributed to the human capital development process. The main purpose of these interviews is to identify donor agencies` perspective on the human capital development issue, as well as to examine the output of the programs that were implemented in this area.

### ***3.2. Limitations of scope***

Any research, regardless of its purpose, generally encounters various obstacles. This study was not an exception. The study encountered several methodological limitations because of the logistical difficulties. First, sample of CSOs sample was limited, as I shortlisted the number of CSO representatives to be surveyed according to the size and reputation of the organizations. It would be important to include medium-size CSOs, as well as the private sector in future surveys in order to draw a diverse picture of cooperation among social partners` in Azerbaijan. Second, I only used long-term programs that are related to human capital development issue. It would be interesting to analyze other short-term programs and identify their outputs. Third, although I used economic regional classification for the survey, to achieve diversity among CSOs, it was not possible to cover all cities located within these regions. Fourth, the representatives of CSOs were very slow completing multiple-choice questionnaires. It took a lot of time and effort for the data-collectors. Finally, more importantly, the available statistical data on this topic is limited and may not always be accurate. To the best of my ability, I have tried to cross-check all statistical data to ensure its validity, whenever it is possible. Despite these limitations, I believe that this study will prove a useful document for CSOs and government representatives in their efforts to improve their partnership in future.

## **CHAPTER FOUR. DATA ANALYSIS AND INTERPRETATION OF DATA**

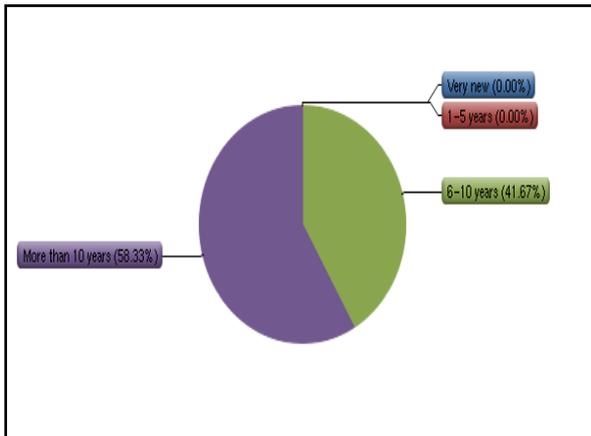
### **4.1. General statistics**

In order to get a clear picture of partnership between CSOs and government 100 questions were sent to the representatives of CSOs. The questions were divided into 3 parts. The first part consisted of general questions about the CSOs, while the second part was designed to identify the level of cooperation between social partners and the implementation of human capital development programs. Finally, the third part was focused on sustainability of these programs.

Through the first block of the questionnaire I was able to gather information relating to their background, the respondent`s position in particular, their organization and available output of implemented projects, as well as the number of beneficiaries. Furthermore, the survey let us know how to identify the major problems of CSOs, which can be considered as a serious obstacle during their activities. This information is important to forming a basic idea about the Azerbaijani CSOs, who work in this sector.

Thus, the survey shows that about 58 % of respondents have been working in the NGOs sector for more than 10 years. About 42 % of respondents have between 6 and 10 years of experience in the NGO sector. It gave us an opportunity to assume that the respondents have enough expertise in this field and ability to implement various programs in human capital development.

**Chart 3 Work experience of CSOs**

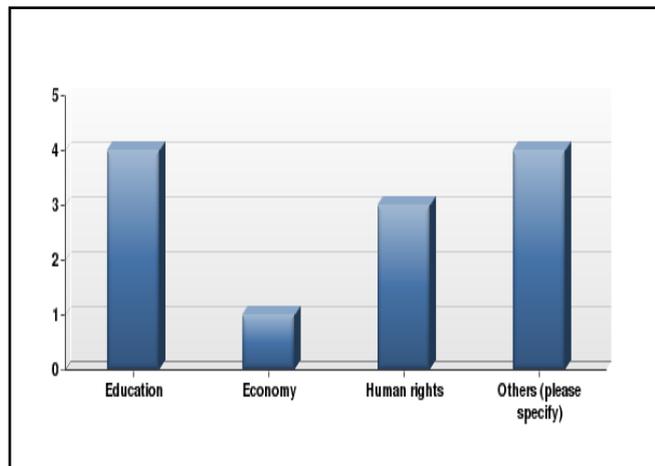


According to the respondent answer the majority of NGOs have experience in the area of education. The results of survey show that about 33 % of respondents are working on educational programs. About 32 % of respondents mentioned their

experience under “other” category, which includes humanitarian aid and environmental issue. Furthermore, 25 % of respondents are working in the field of human rights. The remaining 9 % of respondents mentioned that their field of expertise is related to the economy.

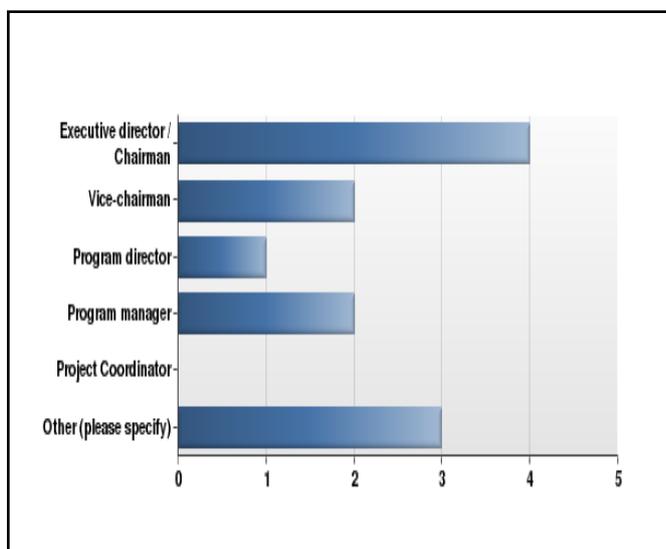
**Chart 4 NGOs expertise field**

Regarding the position of respondents in a particular organization according to the survey result the majority of respondents (33 %) are executive directors, 17 % are vice-



chairmen, 17 % are program managers, 8 % are program directors and the rest 25 % have different positions (like HR manager, board members) in an organization. Chart 5 shows the variation of the respondents` position in an organization.

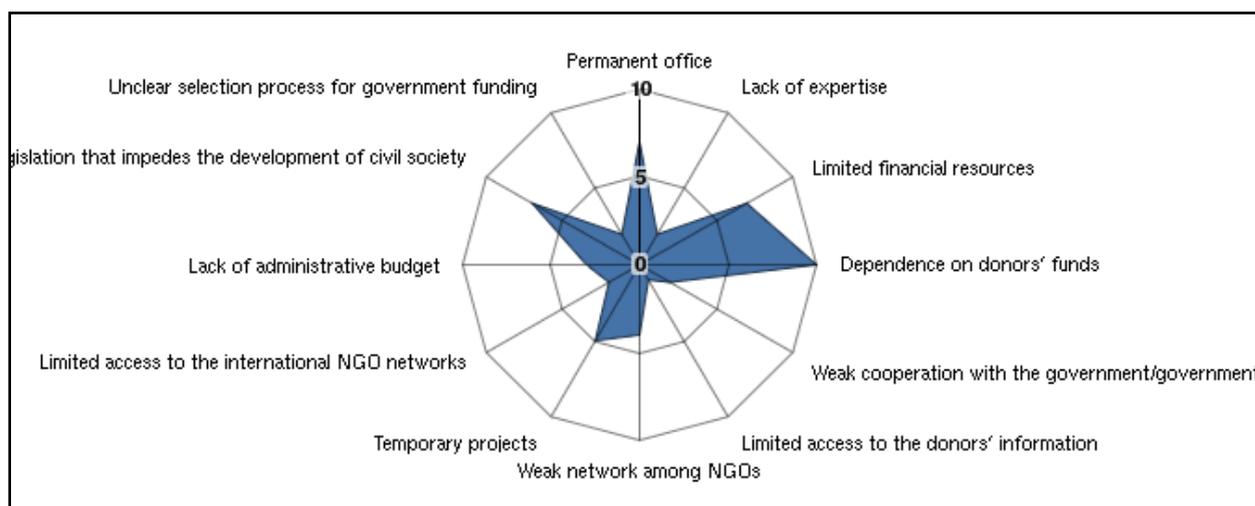
**Chart 5 Variation of respondents` position**



Another important finding of this study is the main problems CSOs currently confront. The survey makes clear that dependence on donor funds (83 %), unclear legislation, limited financial resources, and lack of permanent offices (58 %) are the main difficulties for the NGOs. Furthermore,

temporary projects (42 %), weak networks among NGOs (42 %) and lack of expertise in respective fields can be also considered as barriers for the development of civil society as a whole.

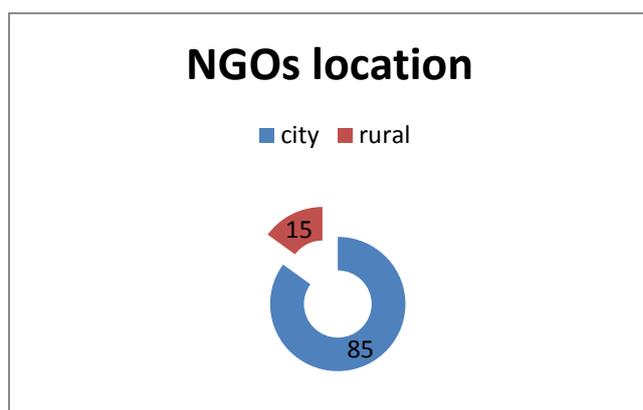
**Chart 6 Main challenges of CSOs.**



In addition, the survey shows that the majority of CSOs (90 %) are located in city centers. This can be considered positive, as the location is very important for CSOs in order to have easy access to donor agencies, as well as to the relevant information needed to

perform their duties. But on other hand, it breaks the connection with the beneficiaries who are living in rural areas. Also, we can interpret this information as lack of participation of CSOs which are located away from the city centers. The Chart 7 shows the distribution of CSOs among the urban and rural areas.

**Chart 7 Distribution of CSOs among the urban and rural areas**



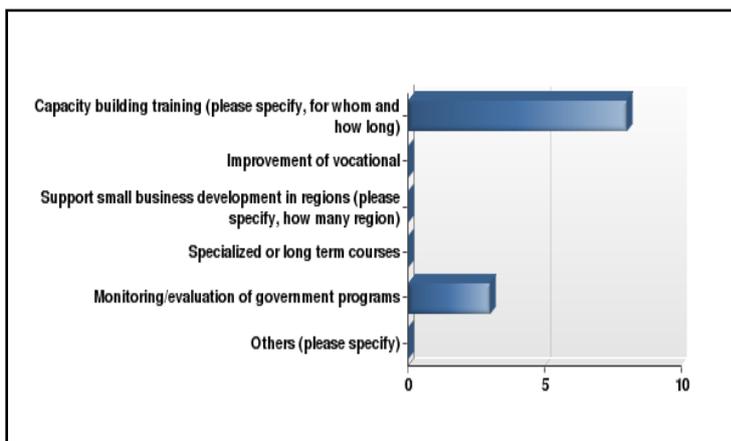
#### **4.2. Cooperation opportunity: success and challenges**

Establishing cooperation among the social partners in the human capital development process was one of the recommendations given by international experts. Furthermore, the literature review helped us to find out another point of view which emphasizes the importance of cooperation between social partners. According to UNESCO participatory process is important not only in building partnerships, but also in improving the efficiency of programs. Through this survey, we tried to identify cooperation opportunity between CSOs and government agencies, as well as we tried to find out existing success and challenges. The second block of the questionnaire helps learn the CSOs' representatives' opinions regarding this issue.

In discussing CSOs engagement in the policy making process, Lasswell (1977)<sup>59</sup> presented the policy cycle, which simplified the functions of policy progressions into four categories. They are:

- Identification of problem and agenda setting
- Adoption and formulation
- Implementation
- Monitoring and Evaluation

**Chart 8 Field of CSOs` activities**



Keeping in mind the above defined categories; we asked our respondents in which stage they are involved in the policymaking process. The answers indicate that mainly CSOs are involved in the

implementation process (34%) of a particular policy. Just a few of them emphasized that somehow they were involved in the monitoring and evaluation process (19 %). The survey showed that involving CSOs in the problem identification, adoption and formulation process is still weak in Azerbaijan.

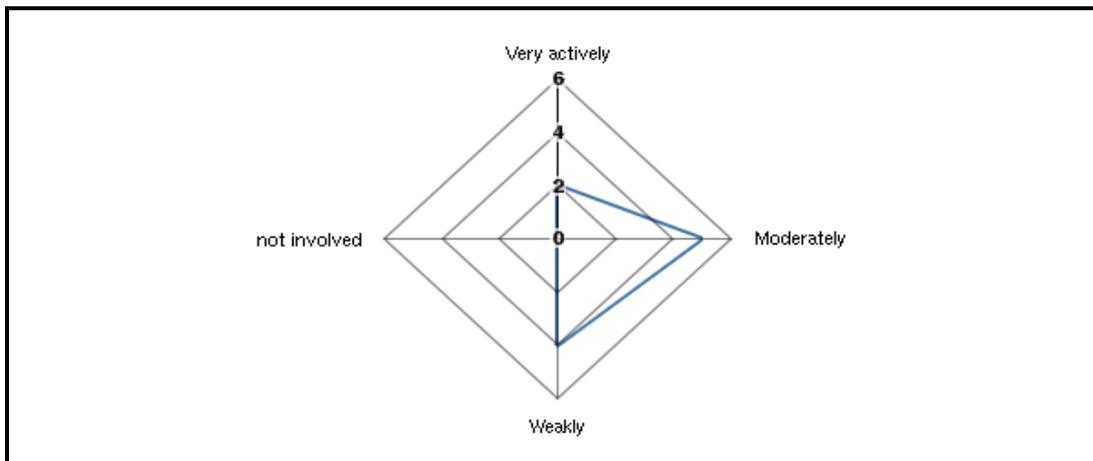
In addition, the survey finds out that the scope of human capital development programs is not wide. According to the respondents` answers the CSOs are mainly implementing capacity building trainings (73%) for various groups. The participants of this training are mainly primary school teachers, school administrators and members of parents

<sup>59</sup> Harold Lasswell, 1977, University of Chicago Press.

associations. Only 23% of respondents mentioned that their organization was able to participate in evaluation and monitoring of the government programs. Chart 8 shows the field of activities of CSOs.

The next graph shows that a small number of CSOs were able to participate in the implementation of state programs. CSOs, themselves, evaluated this partnership moderately, in Chart 9, below. The above graph also shows that in some fields there is no CSO engagement at all. For instance, the development of vocational education is one of the long-term programs launched by government. As the chart shows, only 2% of CSOs participated in the implementation of this program.

**Chart 9 Satisfaction of cooperation level**

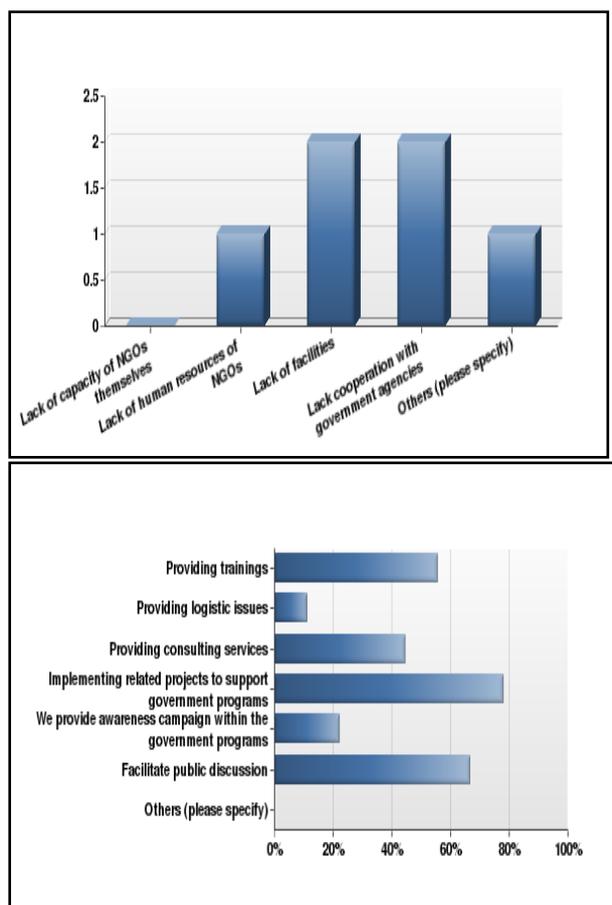


Survey shows that involvement of CSOs in capacity building programs, especially long-term professional development courses for educational staff, participants find more interesting. The representative one of the government institution in-directly approved this point of view while interviewed: *“Feedbacks from the participants lets us to say that the training programs that organized within the CSOs’ programs are quite interesting. Most of the teachers find it useful in order to improve on their skills and knowledge.”* In addition to

this other government representatives directly or in-directly mentioned importance of CSOs and government cooperation while interviewed. ***“Cooperation with the CSOs would give an advantage to both CSOs and government institutions. It will be useful for CSOs to improve their expertise in this area, and for government to increase the quality of their programs. It is demand of modern society we cannot deny it”***.

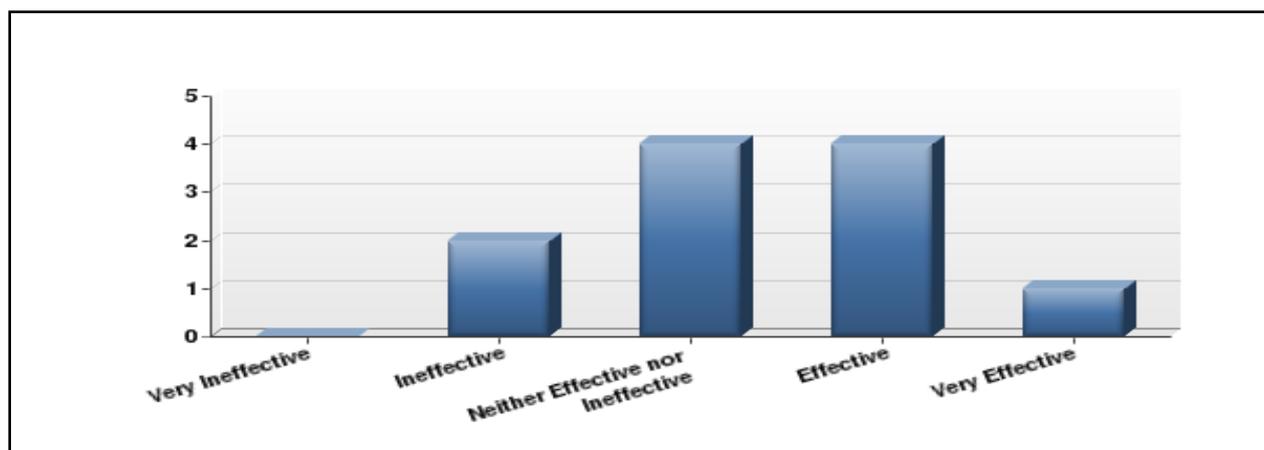
The survey helps to discover other interesting approaches pertaining to the relations of CSOs with government. Thus, the responses of CSO representatives indicate that the level of cooperation between social partners is very weak. About 67 % of respondents mentioned that they are unsatisfied with the current level of cooperation between government and CSOs. In spite of the poor state of partnership, 52 % of respondents mentioned that through their projects, members of the CSOs try to support the realization of government programs. This approach can be highlighted as an attempt by CSOs in order to improve cooperation between social partners. Analyzing the level of CSOs and government cooperation interviewed representative of government agency stated that the government is always ready and open for cooperation with NGOs: ***“We are looking for good partners, in order to increase the quality implementation of state programs. Times by time we invite NGOs representatives, but not all of them are high qualified. I think it is time for NGOs to specialized in particular area and become a giant of the field.”***

**Chart 10 Challenges of cooperation and implemented projects by CSOs**



In other words, CSOs evaluate their participation in the implementation of the human capital development strategy as neither effective nor ineffective. We can assume that there are several barriers which constrain the participation of CSOs in this process. One of the participants interviewed consider strong bureaucracy in government institutions as one of these obstacles. *“It is not easy to build cooperation with government agencies. The level of bureaucracy is very high and the level of transparency is very low. You never knows why you application was refused.”*

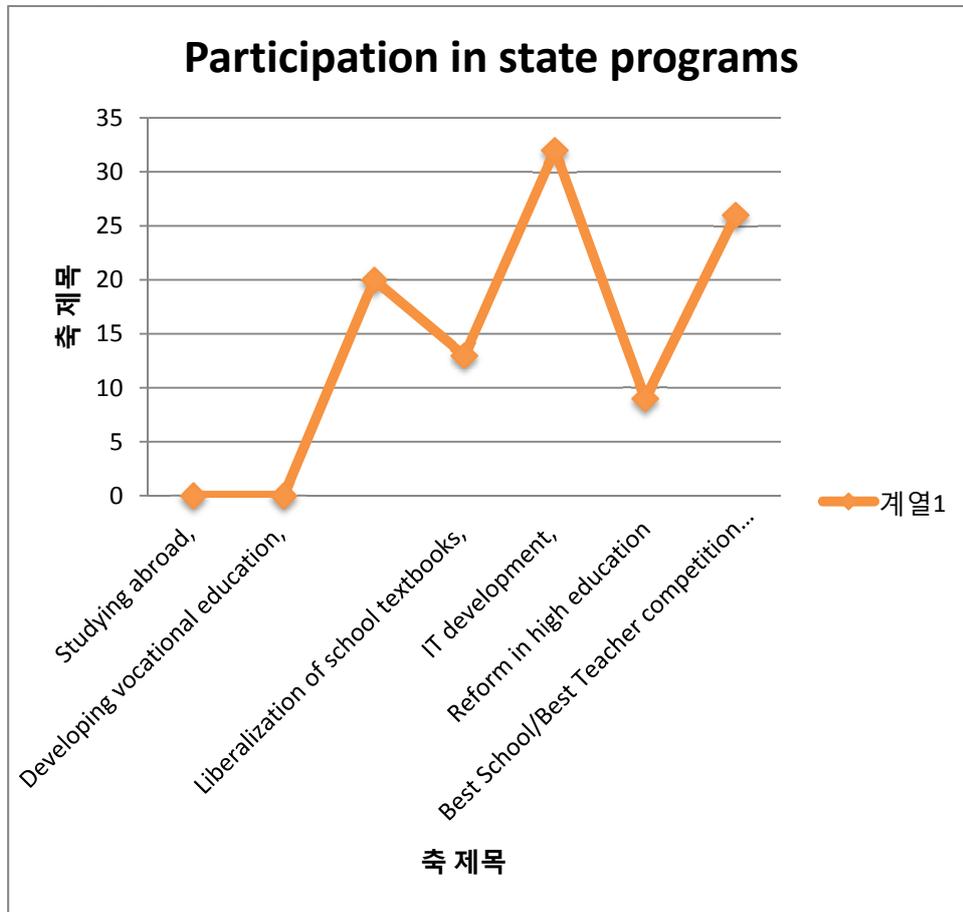
**Chart 11 Participation of CSOs in HCD**



Following this point of view, we asked the CSOs' representatives how they evaluate the level of collaboration with government institutions, particularly in the human capital development process. The survey finds out that 45 % of respondents are not satisfied with the level of collaboration. 23 % of respondents are happy about the existing status of government-CSO partnership, while the remaining and 32 % of respondents mentioned their position as neutral.

In addition, the survey reveals that CSOs' representatives rank their level of participation in long-term state programs as 'not satisfied.' However, the study observes a comparatively "high level" of CSOs' participation in school curriculum development (20%), liberalization of textbooks (13 %), development of informational-technology at school (32 %), and the involvement in the evaluation process of school competition through Best School/Best Teacher programs (26 %). The scope of CSO engagement in higher education reform programs is only around 9 %. However, none of the respondents participated in the execution of programs involving education abroad and development of vocational programs. Chart 10, below, shows the summary of the questions on this issue.

**Chart 12 Participation in state programs**



#### **4.3. Government support to the CSOs: Should CSOs receive funds from the government?**

The finding of the survey allows us to say that there are some attempts towards cooperation between social partners. The third part of the questionnaire allowed a glimpse into the current amount of public funds. CSOs receive for the implementation of state programs. Before sharing relevant information with readers, briefly, I would like to mention that there are various opinions regarding receiving public funds. Some experts argue that, particularly in developing countries, CSOs who receive public money simply stop criticizing the government policy and forgot about their goals and priorities. It is argued that such behavior damages the reputation of CSOs. In contrast to such behavior, these CSOs' experts

explain that receiving public funds makes for stability in organization and for predictability in regard to incoming resources. Although there is a diversity in opinions, we think that receiving public funds does not restrict the activities of an organization and that, vice versa, it should give opportunity to the CSOs to be an important part of their society, as well as get a chance to participate in the decision making process.

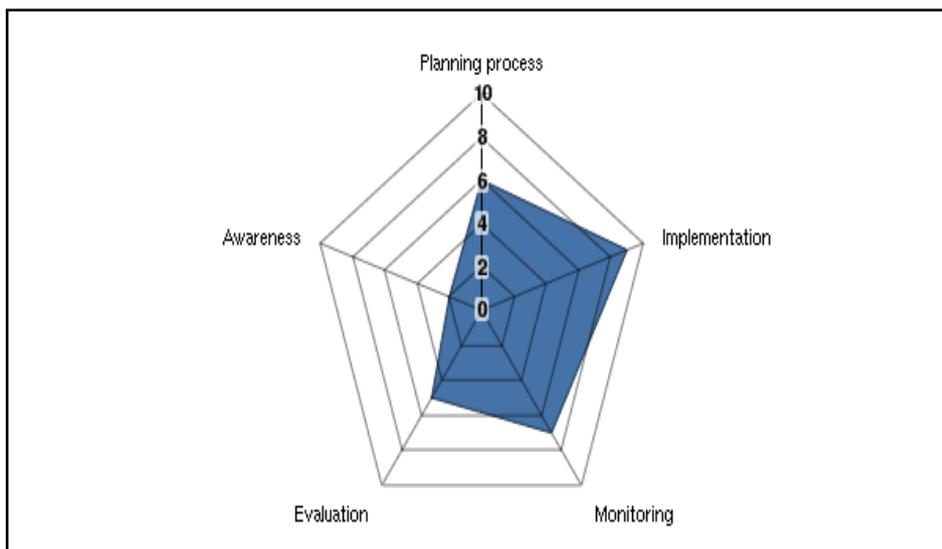
In their answers to the question whether the current amount of government support is sufficient for CSOs to implement state programs, 55% of respondents considered it inadequate.. Only 9% of respondents mentioned that the provided support by the government is enough for them. About 36 % of CSOs' representatives believe there are serious challenges to receiving government support. According to them the distribution of public funds is not clear, and there is no systematic path to getting public funds.

As stated in Chapter 1 resources from the state budget to support NGOs' activities have increased over the last 4 years. According to the Council of State Support to NGOs report, in 2008 this figure was 0.023 % of overall budgetary expenditure, but in 2009 this number increased to 0.035 %. It is true that government could not fund all CSOs' projects, but there should be some useful pilot projects that are necessary to be funded by government institutions.

In addition, the survey also asked the respondents at what level of CSO involvement in the HCD process would be effective to increase the quality of programs. The majority of respondents think that engaging CSOs in the implementation process (82 %) will significantly raise the effectiveness of the programs, while 64 % are interested in the monitoring process. However, 55 % of CSOs' representatives emphasized that their participation into the HCD process should be considered from the beginning of the process. In other words, they think that involving CSOs in the planning process will be more efficient.

In addition, 48 % of respondents are interesting in the evaluation process, while 18 % of them note their interest in organizing social awareness campaigns. Chart 13 shows the comprehensive picture of CSOs' involvement into the HCD process.

**Chart 13 Involving CSOs in HCD process**



Examining the activities of Azerbaijan's CSOs', we find out about some projects, the implementation of which was started by a local organization are currently continued by the government. As an example, we can say the textbook policy is changing. Implementation of this program started about 10 years ago by the local NGOs with the funding from OSI. Through this program, the Ministry of Education was able to provide for liberalization of the textbook market, and involved highly qualified teachers in the designing of textbooks. This example gives us a hope to say that local CSOs are able to be good partners for human capital development programs.

In addition to the quantitative data several in-depth interviews (qualitative) were conducted within this paper. The experts interviewed were representatives of both government agencies and different national and international CSOs. During the interview

both sides mentioned the importance of cooperation and collaboration between social partners, as this can be the best way of keeping transparency and accountability while the state programs are implemented. However, according to the government representatives, the experts that are working for CSOs need to specialize in some particular area, rather than work on various topics. According to them, because of this, government agencies have difficulty inviting CSOs' representatives to be members of the relevant government commission. Also, government representatives emphasized that even though the number of CSOs increased last years, there is a small number of organizations working continuously and implementing useful programs for society. ***“Although the number of NGOs are increasing every year, but not all of them are doing serious activities, so we can not cooperate all of them. We need qualified experts.”***

In addition, through this research we find out that there are several ministries, such as Ministry of Education, Youth and Sport, Ministry of Labor and Social Welfare, Ministry of Economic Development, as well as some state commissions, like Anti-Corruption Commission under the Presidential Administration, Commission of Civil Servants, State Council of NGOs and Azerbaijan Youth Foundation which closely collaborate with civil society organizations. Thus, the above mentioned government agencies once or twice a year provide funds for the CSOs for the implementation of various projects. Also interviewed government representatives highlighted that they cooperated with the CSOs in order to develop some legislation. ***“For instance, there was public discussion while government was proposed amendments to the “Education law,” and also there is an ongoing process concerning “Open government” issues, in which several CSOs are involved.”*** Even though it is new experience, the interviewee mentioned that it is quite an interesting and useful relationship. ***“We can observe positive cooperation between government institutions and CSOs. We cannot say that it is in perfect level, but if there is an effort we have to***

*appreciate it. As a representative of international agencies we always listed positive way of cooperation, and of course there is a number of recommendations what government should improve in the future”, - interviewed international donor agencies representative stated their position regarding government and CSOs cooperation in Azerbaijan.*

Through this paper, using both qualitative and quantitative data, we find out that there are some gaps and challenges regarding the social partners' cooperation. Both government and CSOs' representatives consider it as a part of the development process. The government side emphasized that improved cooperation with CSOs is one of the priorities of Azerbaijani government laid out in the national action plan of, “Azerbaijan -2020: Outlook for the future.” The plan notes the importance of “stimulation of the private sector to donor activities and achieve institutional level in this area.”<sup>60</sup> In addition, government promised to develop infrastructure for CSOs, to strengthen the social partnership, to prepare programs and to provide amendments to the laws accordingly.

Taking into consideration the already existing experience and government approaches in new Azerbaijan's development strategy, there is a hope that cooperation between social partners can be increased in a stable way and Azerbaijani society can benefit from it.

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<sup>60</sup> “Azerbaijan-2020: Outlook for the Future”, draft, 2012.

## **CHAPTER FIVE. CONCLUSION and RECOMMENDATIONS**

There is no doubt that developing human capital is necessary for the future sustainability of societies. Obviously, building a strong partnership between social partners is important in order to reach the final goals on this field. Furthermore, this partnership is important to understanding and strengthening the concept of social responsibility in a society. However, it is difficult to propose a single way of building the relationship between CSOs and public authorities in the developing countries. As countries differ, the patterns of cooperation between CSOs and government is also vary. But one thing is clear; in the market economy partnership between social partners becomes a necessary feature of the society.

In addition, this partnership should take into account the demands of society. Another important part in this process is being able to get feedback from society, as well as getting public trust and support. As mentioned in Chapter 1, in many developing countries like Azerbaijan, transparency and accountability is a sensitive issue. Therefore CSOs can play a strong role building contact between government and society. David Hulme divided cooperation between CSOs and government into 3 types in his book, “The role of CSOs in International Development Cooperation”:

- Confrontation: CSOs are in opposition to authorities and authorities try to limit CSOs` work;
- Co-opting: only CSOs that allow themselves to be integrated into the state system are permitted to work;
- Cooperation: both authorities and CSOs are committed to a constructive dialogue.

In this respect, analyzing the path of cooperation of Azerbaijani CSOs and government institutions we can say that this cooperation is somewhere between the first and second types.

Representatives of CSOs during their interview mentioned that there are some difficulties and obstacles to their cooperation with the government institutions. Even though there are some positive examples of government and CSOs' cooperation, but there is still a long way to go. But CSOs believe that using these positive examples, Azerbaijani government can improve its cooperation in this area and create a good example not only domestically, but also for the whole South Caucasus region.

Programs launched to develop the quality of education are one of the main subjects of debate in the society. That is why involving CSOs in this process is more than important. This cooperation will give the advantage to both, government and CSOs themselves. On the one hand it would be a good instrument to develop civil society within the country and increase its commitment by involving them in the policy making process. On the other hand, this partnership can affect the outputs, increase the quality, as well as guarantee the transparency and accountability of the programs.

**In order to improve cooperation between social partners the following recommendations should be considered by government:**

- ***To review the cooperation path between the social partners.*** It is important to build baseline between social partners. This paper showed that there are some positive cooperation between government agencies and CSOs members; however, private sector is very weak partner of this cooperation. Government should encourage private sector to take active part to the development of NGOs. In many countries well-known private companies also founder of different foundations. This foundation also support to the implementation of relevant government policies and programs. Azerbaijani government can apply this model as a method of cooperation between social partners.

- *To ensure CSOs' participation to state programs in all levels: from policy planning to evaluation.* In order to achieve its goal CSOs members should involve different level of decision making process. It can be increase the level of truth to the government intuitions in the society.
- *To share the state program activities between CSOs.* As CSOs are more flexible than government bodies it can be effective way to speed up the implementation process, as well as it can be ensure the transparency of the state programs.
- *To support the development of CSOs within the country.* It is essential to strengthen cooperation and collaboration between social partners in order to achieve sustainable development of the society. Azerbaijani government has this capacity and it is important to improve legislation base and funding opportunities within the country to make a strong civil society.
- *To encourage private sector to become donors for CSOs.* Business sector can be one of the potential domestic donors for the CSOs. To achieve this government should develop specific benefit package for the private sectors. For instance, it can be reduction of taxes in case of funding social programs.

**In order to become strong social partners the following should be considered by CSOs:**

- *To develop knowledge in particular field and become demanded expertise.* It essential that CSOs focused in particular area and develop their expertise on this field. It will make them more demanded social partner.
- *To improve strong cooperation among the other CSOs.* The study showed that cooperation between CSOs is very weak. In some cases they look each other as a competitor rather than partners. It is one of the weak parts of CSOs in Azerbaijan. However, cooperation between CSOs themselves is more important, in terms of

sharing and matching knowledge and expertise in particular area. Collaboration between CSOs will give them an opportunity to be strong and long life in the society.;

- ***To build strong cooperation between private sector.*** For a long time there was no hope that private sector can be good domestic partner. But nowadays the trend is change around the world. Many well-known business companies are became successful domestic donors. For instance, Mathilda and Bill Gates Foundation is one of the big “private” donors not only in USA, but also around the world. There are many big transnational companies in Azerbaijan, who can play successful domestic donor role. Using international experiences CSOs should start search the way of possible cooperation.
- ***To learn and share the best practices from around the world.*** It is essential opportunity for Azerbaijani CSOs to expand their cooperation with the other neighbors CSOs, as well as be partner for worldwide organization.

**In order to become strong social partners the following should be considered by private sectors:**

- ***Take an opportunity to become active members of their society.*** As a member of society private sector representative can involve development of their community.
- Support long terms projects instead of single philanthropy activity. Currently private sector funds sort term philanthropy activities, such as National Holiday Celebration in Orphanage Houses, visiting old people, and support activities of disable children and so on. It is essential if private sector looks for long term cooperation and results.

- *To find their partners from the society.* Involving private sector to the educational programs development will be important partnership for both businesses and educational communities. Through this cooperation business can find knowledgeable experts for their companies and educational community can guarantee working places for their students.
- *Develop ProBono Network and contribute development of CSOs.* ProBono is successfully developed model in United State and partly in European countries where representatives of business sector involve development of the CSOs. In this case private sector members are not provided funds, but they can spend their time and expertise for the development of CSOs members' capacity in particular area, such as fundraising, marketing, human resource development, project writing and so on. Improvement ProBono Network model can be significant way to build strong cooperation between private sector and CSO.

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## APPENDIX

### Questionnaire for survey

#### General information

1. How long has your organization been working in the NGO sector?  
Very new    1-5 years    6-10 years    More than 10 years
2. In which field does your organization specialize?  
Education    Economy    Human rights    Others\_\_\_\_\_
3. Please briefly explain the major challenges that NGOs face in Azerbaijan society?  
(you can choose up to 5 options)
  - Permanent office
  - Lack of expertise
  - Limited financial resources
  - Dependence on donors` funds
  - Weak cooperation with the government/government institutions
  - Limited access to the donors` information
  - Weak network among NGOs
  - Temporary projects
  - Limited access to the international NGO networks
  - Lack of administrative budget
  - Unclear legislation that impedes the development of civil society
  - Unclear selection process for government funding
4. In your opinion, what determines the importance of the projects?
  - Based on government order
  - Based on the needs of society
  - Based on organization interest
  - We follow the donors requirement
  - Other (please explain your point)\_\_\_\_\_
5. Your position in your organization
  - Executive director / Chairman
  - Vice-chairman
  - Program director
  - Program manager
  - Project Coordinator
  - Other\_\_\_\_\_
6. Gender
  - Male
  - Female

#### Involving human capital development process

The Azerbaijani government is implementing several programs, which focus on the development of human capital – Studying abroad, developing vocational education, Reforms in school curriculum (student oriented), updating of school textbooks, IT development, and reform in high education and so on.

7. What kind, of projects does your organization implement in order to develop human capital in Azerbaijan?
  - Capacity building training (please specify, for whom and how long\_\_\_\_\_)
  - Improvement of vocational education
  - Support small business development in regions (please specify, how many regions\_\_\_\_\_)
  - Specialized or long term courses
  - Others\_\_\_\_\_
8. Mentioned above are several programs, which have been implemented by the government in order to develop human capital. Please briefly explain how NGOs are involved in these programs?
  - Very actively
  - Moderately
  - Weakly
  - Not involved
- 8.1.If you answer to Q8 was positive, please give us detailed information, what is the main role of NGOs in this process?
  - Providing trainings
  - Providing logistic issues
  - Providing consulting services
  - Involving international expertise
  - Implementing related projects to support government programs
  - All of them
  - Others\_\_\_\_\_
- 8.2.If you answer to Q8 was negative please give us detailed information, why NGOs are not involved in this process?
  - Lack of capacity of NGOs themselves
  - Lack of human resources of NGOs
  - Lack of facilities
  - Lack cooperation with government agencies
  - Not having appropriate information about programs
  - Others\_\_\_\_\_
9. Does your organization involved in the implementation one of the following state programs?
  - Studying abroad,



15. Does your organization participate with government agencies in the decision-making process?
- Yes - No
16. If yes, please describe, how your organization is involve in the decision making process?
- We are a member of working groups under the government institution
  - We are involved with the improvement of legislation
  - We are working as an expert for a government commission
  - Others\_\_\_\_\_
17. Please note the name of government institutions with which your organization works closely?
- Ministry of Education
  - Parliament (and its permanent commissions)
  - President Administration
  - Ministry of Economic Development
  - Ministry of Labor and Social Welfare
  - Others\_\_\_\_\_

### **Sustainability of the projects**

18. How often does your organization provide monitoring and evaluation of the projects?
- Based on donors` requirement
  - 2 times a year
  - Not necessary to evaluate the project
  - Others\_\_\_\_\_
19. How can you measure the efficiency of implementing projects in order to develop human capital?
- Feedback from participants
  - We follow the participants` achievements
  - Government interest in the project
  - It is difficult to measure
  - Others\_\_\_\_\_
20. Please briefly provide the number of participants who benefit from the projects implemented by your organization?
- 50-100
  - 101-500
  - 501 and more
21. How do you ensure the sustainability of projects?
- get additional funding
  - government interest in the project
  - it is difficult to make sure, as the donors` interest in the project is not clear
  - others\_\_\_\_\_

22. Is there any project implemented by your organization accepted by government and improved/applied at the local level?

- Yes No

In your opinion, in which level NGOs should involve Human Capital Development initiatives?

**Thanks for your participation!**