

# The Main Trend of 2020: State Charitable Funds. What Came of Them?

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In the economic life of Azerbaijan, 2020 was marked by the establishment of various state funds (actually charitable funds). Although the activities of these funds were short-lived, they had a serious impact on economic processes. With this in mind, we briefly analyzed their activities and attempted to determine their impact on economic processes. In our opinion, donations to these charitable funds have de facto become an additional tax on citizens (especially those working in state agencies and state companies). On the other hand, these funds did not receive sufficient support for their respective target areas (the funds of the Coronavirus Response Fund were insufficient to respond to coronavirus, donations collected by the Armed Forces Relief Fund did not cover even a month of the army's expenses, etc.). The funds led to additional obligations for citizens, and simply to increased centralization for the state.

## **The establishment of the funds: the reasons and their description**

Among the presidential decisions published on the first working day of 2021 is a [decree](#) on the establishment of a public legal entity called the Karabakh Revival Fund. Along with the establishment of the fund, on January 4, 2021, the membership of its Supervisory Board was [confirmed](#), and on January 19, its charter was [adopted](#). The fund's main goal is to provide financial support for restoration, reconstruction and sustainable development in the liberated territories. At the moment, this fund was just the latest to be created as part of a trend. In 2020, the Azerbaijani government

established at least 4 new funds. It had never created so many funds before.

The main feature of these funds is that they are not directly linked to the state budget. In Azerbaijan, there are such funds as the State Oil Fund, the State Social Protection Fund (SSPF), the Social Development Fund for Internally Displaced Persons, etc., which are in fact linked to the state budget and included in the state budget system. These funds are financed directly from the state budget or have special methods of financing (for example, the State Oil Fund is financed by Azerbaijan's profit oil, the SSPF through mandatory state social contributions, etc.), but the funds created in 2020 did not have such features. These are, in fact, charitable foundations created by the state. The main source of financing for these funds is voluntary donations.

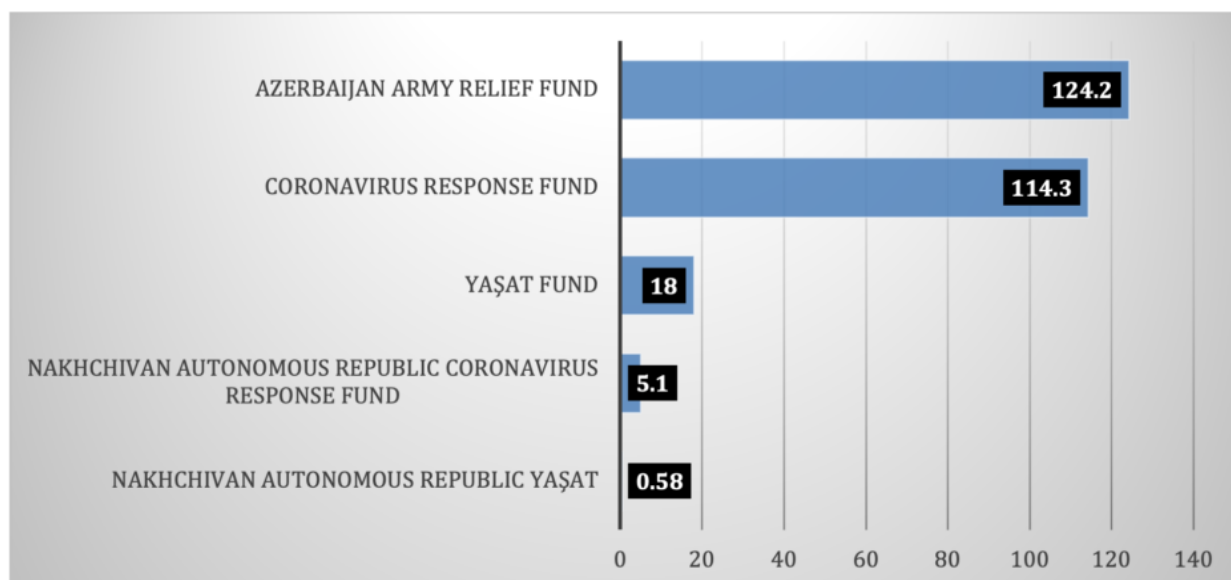
One of the first reasons for the creation of such funds was the coronavirus pandemic—the main theme of 2020. The COVID-19 disease, which quickly spread around the world (the first case was reported in December 2019, and a pandemic was [declared](#) on March 11, 2020), dealt a serious blow to economic relations and forced some changes within the existing economic system. This did not go unnoticed in the Azerbaijani economy. The impact of the COVID-19 pandemic on Azerbaijan made itself felt in two ways. On the one hand, crude oil consumption and selling prices around the world began to decline. (Crude oil and gas products account for 90% of Azerbaijan's exports. Azeri Light oil was [selling](#) for USD 70.04 on January 8, 2020, while on April 22 it was [selling](#) for the lowest price in 19 years – USD 15.81. As a result, the country's export revenues fell sharply. Officially, exports in 2020 [decreased](#) by 30% compared to 2019). This could not fail to have an impact on budget revenues.

On the other hand, quarantine measures began being implemented in Azerbaijan in the second half of February. Initially limited to border closures, these measures were followed by a

strict quarantine regime within the country. Under the strict quarantine regime, the activities of non-essential sectors (i.e. [all sectors](#) except special services and food and medicine sales) ceased. As a result, those employed unofficially and day laborers lost their income. During this period, only workers who were officially employed continued to receive their salary. In Azerbaijan, the official [number](#) of employees was about 1.6 million, which is only 1/3 of the total labor force for the period. It is clear that the socio-economic situation in the country became tense as a result of both falling oil prices and quarantine measures.

However, declining revenues and current global trends led to an interesting development in 2020. As soon as quarantine measures began, many charitable activities were activated throughout the country. Around the world, there was a practice of establishing funds to fight the coronavirus at this time. Taking this into account, the Azerbaijani government joined in on the trend. In fact, semi-public and semi-state funds were created. The government, which first used the practice to fight the coronavirus, later decided to use it to support the families of martyrs and veterans of the war. During the war, it even remembered the Armed Forces Relief Fund, which had been operating for 18 years. In any case, the government became extremely active in the funds during this period and, in most cases, encouraged the public to address issues ensured by the state.

Therefore, we could call 2020 the Year of Funds. Along with the quarantine, this was one of the main economic developments. In fact, the government aimed to centralize all charitable activities, etc., on the one hand, and to solve the problems of its social policy, which faced many bureaucratic restrictions, on the other. According to open-source data, in 2020, these funds raised just over AZN 261 million (their ranking is shown in Figure 1).



**Figure 1. Volume of donations attracted by 4 state funds since 2020 (millions of AZN)**

What were the results of this policy? What could this amount of money pay for? How was it spent? Was there ultimately a need to create these funds? We will try to answer these questions in our analysis. To answer these questions, we will first briefly describe below the funds listed by volume of donations collected in 2020. At the same time, we will try to answer the above questions by analyzing the level of transparency of these funds.

### **Armed Forces Relief Fund**

On October 6, 2020, the Ministry of Defense officially [appealed](#) to social media users. According to the appeal, “Given the increase in the number of people collecting aid for our Armed Forces on social media, citizens are asked to make transfers only to official account numbers shared by the Ministry of Defense, not to the accounts of various individuals.” The account numbers belonged to the Armed Forces Relief Fund (AFRF). But the appeal came a bit late. According to Banco.az, as of October 1, several hundred legal entities had already [announced](#) that they would transfer at least AZN 36.87 million to the fund. Among these companies and organizations were everything from a store selling cell phone

accessories to the Prosecutor General's Office. In September, there had already been a significant increase in donations to the fund – AZN 6.7 million was donated to the fund that month. For comparison, if we ignore the last 4 months of 2020, the maximum figure had previously been recorded in June – AZN 1.1 million. Earlier, the fund had received an average of AZN 700,000-800,000 per month. In fact, during the last 4 days of September, the amount of donations received by the fund exceeded the previous 8 months.

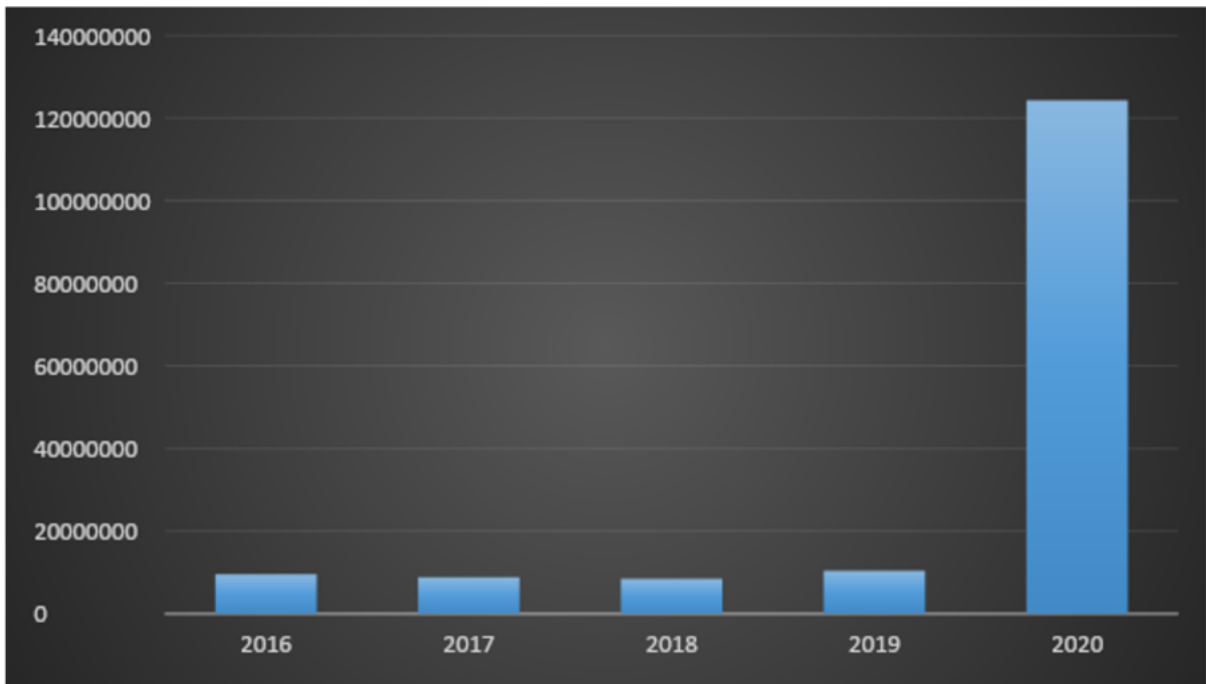
Before moving directly to the figures, it is necessary to provide information about the history of the fund. Among the listed funds, AFAF is the only one that was not established in 2020. It was established on August 17, 2002. The main [task](#) of the fund is “to ensure the development of the Armed Forces and the strengthening of its material and technical base for the reliable defense of the Republic of Azerbaijan, as well as the further strengthening of the social protection of servicemen.” History textbooks state that the main [purpose](#) of establishing the fund was to “regulate the population's assistance to the army.” Some [link](#) the establishment of the fund to military education.

Interestingly, for a long time no data on the activities of the AFAF was published, but since 2016, the official website of the Ministry of Defense began to publish monthly data about the fund's assets. The relevant reports provide only one indicator: the amount of donations collected by the fund. No data is provided about the fund's expenditures. By the end of 2015 (detailed information about the fund was provided then for the first time), the fund had collected AZN 70 million in donations. It should be added that according to the fund's regulations, funds must be collected on a voluntary basis.

On December 8, 2020, the fund was renamed the Azerbaijani Army Relief Fund (AARF), and a new charter was adopted. After these changes, the uses of the fund's assets were [specified](#) more precisely and concretely:

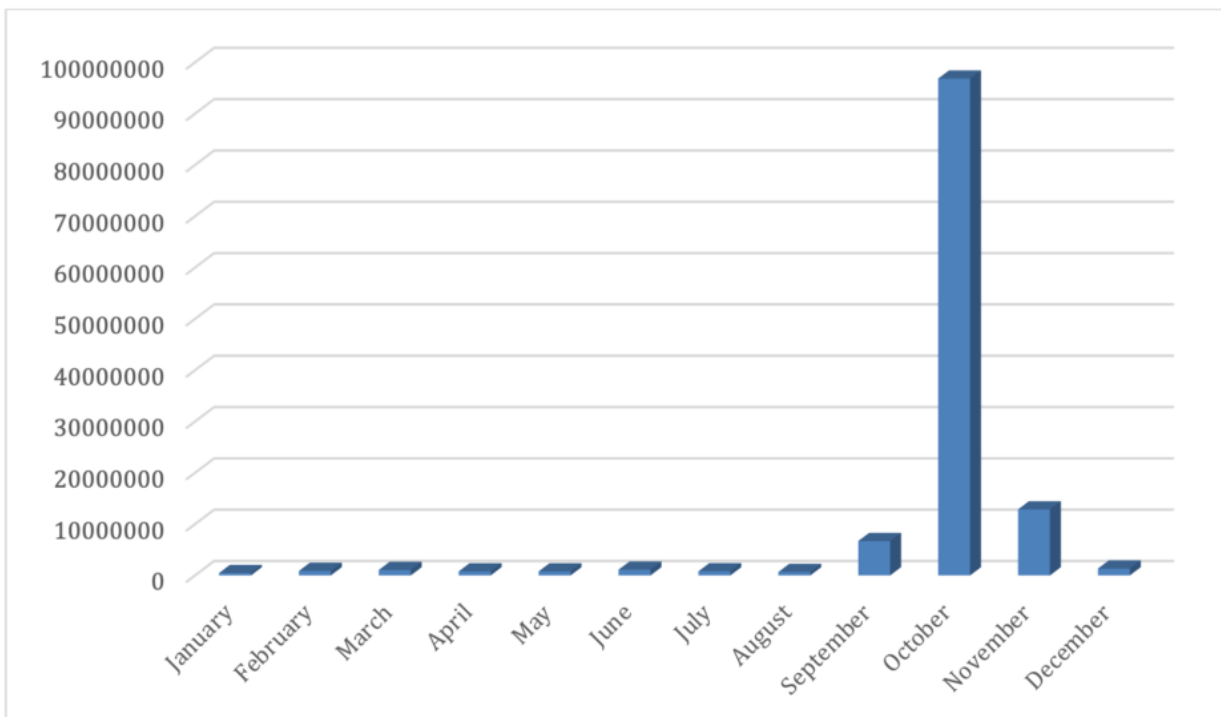
1. the development of the material and technical base of the Azerbaijani Army;
2. the purchase of military equipment, weapons and ammunition;
3. the development, testing, production, repair and modernization of military equipment;
4. the organization of scientific military research, experiments, and design;
5. resolving the social and domestic problems of servicemen;
6. and the training of professional military personnel and their continued education.

In any case, the fund has been operating for a long time, but it became very well-known in September-November 2020. We can see this in more detail when we look at the structure of donations. For example, if we analyze the years 2016-2019, we see that the fund collected an average of AZN 8-10 million each year. (It should be noted that the fund collects donations in various currencies. Until October 2020, the fund had donations in four currencies: the Azerbaijani manat, the US dollar, the euro, and the Russian ruble. In 2020, the fund opened accounts in two more currencies—the Turkish lira and the British pound sterling—but most donations are in manats. For example, as of December 31, 2020, 91.5% of donations to the fund were in manats. Previously, the manat's share had been 97-98%.) While the corresponding figure was AZN 9.4 million in 2016, it was AZN 8.4-8.8 million in 2017-2018. In 2019, the fund received AZN 10.4 million (see Figure 2). As can be seen in Figure 2, although there was a four-day war in 2016, it did not significantly affect the amount of donations to the fund.



**Figure 2. Donations to the fund by year**

The figure for 2020 is significantly different. If we compare each month (Figure 3), we see that the bulk of these donations [occurred](#) in October (77.9%). In second and third places are [November](#) (10.3%) and [September](#) (5.4%). In other words, 93.6% of donations collected were mainly related to the war period.



**Figure 3. Indicator by month in 2020**

As for the transparency of the fund, we face several problems here. The Ministry of Defense does not provide data on donors, the amount of donations, or the expenditure of funds. Based on their data, we learn the amount of monthly donations, but it is impossible to get information about the average amount, the structure of donations, etc. During the 44-day war, companies and organizations usually shared information about donations to the fund in the media. Based on this, [banker.az](http://banker.az) and [banco.az](http://banco.az) collected data based on these media reports. If we refer to this data, we can at least learn that in September-November, AZN 52.9 million of the donations transferred to the fund came from 347 legal entities. The average donation is AZN 152,500. But it should be taken into account that the donations vary greatly: from AZN 500 (Müsabiroğlu LLC) to AZN 17 million (Caspian Drilling Company). At the same time, a significant part of these funds comes from government agencies. For example, the Prosecutor General's Office, the Ministry of Emergencies, the State Security Service, and other ministries have made significant donations. Government agencies do not have the right to make direct donations, so donations on behalf of a government agency actually come from the salaries of agency employees. However, on December 15, Minister of the Economy M. Jabbarov said that 54% of the donations collected by the fund [came](#) from the private sector. In any case, in 2020, the Azerbaijan Army Relief Fund raised the most money.

### **Coronavirus Response Fund of the Republic of Azerbaijan**

As the coronavirus pandemic created additional problems for the economy, additional funds were needed. Azerbaijan was not the only country facing this problem. This allowed Azerbaijan to operate based on the experience of other countries. According to a study conducted by the WHO in March and June 2020, coronavirus support funds had been [established](#) in more than 40 countries around the world. Even the WHO itself [set up](#) an appropriate fund. These funds were created for various purposes. The International Monetary Fund cites the following



as the main reasons for the establishment of these funds:

- Centralized control of funds used in the fight against COVID-19;
- Unifying public and private resources;
- Unifying different levels of management in the struggle;
- Eliminating bureaucratic hurdles and making urgent purchases;
- Separating the money allocated for the fight against COVID-19 from other funds.

Such funds existed in Austria, Italy, Ghana, Kenya, and other countries. True, different methods were used to create them. For the most part, as in Azerbaijan, they were established by presidential decree. The main goal of such funds was to exercise centralized control over the relevant money. New laws were passed in some countries (Austria, Italy, Mexico) or established by the Cabinet of Ministers (Libya) to establish coronavirus funds. In some countries, the Ministry of Finance actually established a special fund under local law (Ghana). These funds have a wide range of powers in the respective countries.

The Coronavirus Response Fund in Azerbaijan was [established](#) by the presidential decree *On measures to protect the health of the population and strengthen the fight against the coronavirus infection in the Republic of Azerbaijan*. This decree established both the fund and the rules for the formation, management, and use of donations. According to the rules, the fund's assets can be used for the following purposes:

1. rewarding medical workers and providing them financial assistance;
2. improving the infrastructure and strengthening the material

and technical base of medical institutions (including the purchase of technological facilities, devices, equipment, vehicles, goods, and materials, as well as other medical supplies);

3. the formation of medical institutions with a special regime;

4. the organization and implementation of control and monitoring;

5. the funding of scientific research in the field of medicine;

6. the training of specialists in the field of medicine;

7. promotional and educational activities;

8. other measures taken to combat coronavirus.

At the same time, when the fund was established, it was noted that it would be temporary and it would only remain in existence until December 31, 2020. But on December 24, this period was [extended](#) for another year.

The first funds were allocated from the state budget. According to the presidential decree, AZN 20 million was [allocated](#) from the Reserve Fund of the President of the Republic of Azerbaijan to the Coronavirus Response Fund. At the same time, on March 21, 2020, the president's official website reported that he had [transferred](#) one year's salary to the fund. The amount was not specified, but the fund was one of the most transparent in terms of donations from its very first days. You can find information about almost every donor in the donation section on the fund's official website. According to the data there, the president transferred AZN 126,900 to the fund. His wife, the first vice president, also transferred her annual salary to the fund. Her donation [amounted](#) to AZN 101,700.

In the following period, about AZN 114 million was donated to the fund. Of these donations, AZN 86.4 million came from 3,375 legal entities and AZN 7.4 million from 12,475 individuals. Overall, the average donation among legal entities amounted to AZN 24,800, and among individuals – AZN 594. The interesting thing is that, according to the Minister of the Economy Mikayil Jabbarov, only 15.94% of the donations collected by the fund [came](#) from the private sector. The rest (about AZN 96 million) came from government agencies or state-owned companies. In other words, the state actually allocated money to this fund. But these funds were mainly the money of ordinary workers. For example, SOCAR Oil and Gas Construction Trust is listed as a legal entity in the list of donors to the fund. The trust donated AZN 63,511 to the Coronavirus Response Fund. However, according to the trust's official [statement](#), in 2020, the employees of the trust transferred AZN 63,511 to the fund established as part of measures to combat COVID-19. In other cases, funds were transferred from the salaries of employees (both YASHAT and the Armed Forces Relief Fund). If a donation is indicated as coming from a legal entity, it is only a part of the salary of the employees of the institution.

By the way, the issue of transparency was regulated by a special order adopted by the Cabinet of Ministers. The site was created in accordance with the [order](#) and was meant to provide data on expenditures twice a month. Although the site is full of information about donations, there is no information about expenditures.

There are interesting rules for spending the donations. According to clause 2.3 of the fund's management rules: "The fund's resources are to be used on the basis of income and expenditure estimates determined by the Cabinet of Ministers of the Republic of Azerbaijan in accordance with the expenditure target areas provided for in paragraph 2.7 of these Rules." It is clear then that the Cabinet of Ministers is responsible for determining the income and expenditure estimates. The fund also has a Public Oversight Board

established by the prime minister, consisting of 7 people – 5 from the public and 2 from the state. However, although it has Public Oversight in its name, in fact, it acted only as an executive body. For example, according to the relevant rules, the Board approves the orders received from government agencies at the expense of the fund within 2 working days and sends the relevant protocol to the procuring entity.

One of the shortcomings of the fund is that despite the fact that part of the donations was spent, there is no mention of this on the site. On the other hand, according to the *COVID-19 Vaccination Strategy in the Republic of Azerbaijan for 2021-2022*, approved by the Cabinet of Ministers, payments for vaccines should be [made](#) with money collected in the Coronavirus Support Fund of the Republic of Azerbaijan. Azerbaijan has already started vaccination. It has even received vaccines in several target areas. According to Ramin Bayramli, executive director of TABIB, based on the agreement between the State Agency for Compulsory Medical Insurance and GAVI (Global Alliance for Vaccines), up to 10% of the Azerbaijani population will be vaccinated under the COVAX platform. (The COVAX platform is a WHO vaccine initiative. Countries participating in the initiative will be able to obtain a certified vaccine.) Under the agreement, part of the total cost of the vaccine, an advance of USD 3,235,840, was to be [paid](#) in September. It is unknown whether the payment was made, but in any case, Azerbaijan has already [joined](#) the COVAX platform. At least 2 million doses of the vaccine should arrive in the country in the appropriate target area. The payment must be made at the expense of the fund. In fact, the fund's Public Oversight Board approved the expenditure on September 23. However, its approval was not necessary, as the official press release stated that "according to the government's decision, this payment (the vaccine fee we will receive) must be allocated from the Coronavirus Support Fund." The board must approve it in just two days. The procurement was not even implemented.

On the other hand, Azerbaijan reported the purchase of 4 million vaccines from the Turkish company Keymen İlaç. According to Report.az, this will [cost](#) us AZN 80 million manat. At the same time, Report.az reports with reference to an unpublished government decision that part of the cost will be covered by the Coronavirus Response Fund and the other part by the Ministry of Finance. According to the report, Azerbaijan initially had to pay 50% of the amount (i.e. AZN 40 million). If we take into account that vaccinations have already started in the country, we can assume that the payment has been made. However, there is no official information about it.

### **Nakhchivan Autonomous Republic Coronavirus Response Fund**

Shortly after the relevant presidential decree, on March 24, a Coronavirus Response Fund was established in the Nakhchivan Autonomous Republic. According to the relevant [decree](#), the main purpose of the fund is “to prevent the spread of coronavirus infection in the Nakhchivan Autonomous Republic and to provide financial support for measures taken to combat it.” The fund [operated](#) according to almost the same rules as the relevant fund established in the rest of the country. Thus, in contrast to the other 39 countries mentioned, Azerbaijan actually created two response funds in the fight against coronavirus at the same time.

This fund was supposed to be temporary. According to the rules, it was supposed to function only until December 31, 2020. There is no information on the extension of the validity period. An official website was created for this fund in the same way, and the relevant site provided information about donors, but in 2021 the site was suspended.

The first donations to this fund came from the local budget. According to an order signed by the chairman of the Supreme Assembly of Nakhchivan AR Vasif Talibov, on March 24, AZN 200,000 was [allocated](#) from the Nakhchivan Development and

Defense Fund. (The Nakhchivan Development and Defense Fund was established by Heydar Aliyev in 1992. The fund was then managed at the expense of donations from the population. There is no [information](#) on how it operated later). After a while, Vasif Talibov himself [transferred](#) nine months of his salary to the fund ([AZN 32,300](#)).

Donations were raised very quickly. For example, on May 15, it was reported that the Fund had AZN 5,047,000. By the end of 2020, the Fund's assets had increased to AZN 5,163,000. The main source of donations were various organizations and companies. In 2020, 439 legal entities transferred AZN 4,787,000 (on average, AZN 10,900 per legal entity). Here, too, the main role was played by government agencies. It is true that there were companies such as Jahan and Gamigaya Holding, which transferred AZN 150,000 each, but if you look at the list, you see mainly state organizations. For example, *soldiers of the Special Forces* are [listed](#) as the legal entities that transferred the most funds. They transferred AZN 669,300 to the fund. A total of 577 individuals contributed AZN 376,300 (an average of [AZN 652](#) per capita). The person who transferred the most money was V. Talibov. Interestingly, the Nakhchivan Autonomous Republic Coronavirus Response Fund is the only one that returned the funds transferred on the basis of appeals. Thus, according to the official website, on April 8, an individual, whose name we can not disclose for ethical reasons, transferred AZN 2,000 manat to the fund. Later, for some reason, he submitted an appeal and his money was returned. No such case was found at other funds.

But how was the collected money spent? It is interesting that the fund in Nakhchivan is more transparent in this regard. It is true that the official websites did not provide data about expenditures, but at an event in mid-May, the local Minister of Finance gave a report. According to him, as of May 14, AZN 5,047,000 had been transferred to the fund and AZN 3,326,800 had been spent. AZN 1,720,300 remained in the fund. It is difficult to say directly on what and how it was spent, but

according to the relevant reports, medical equipment (worth AZN 2,970,000) was purchased with this money, and rewards and bonuses were paid to health workers. The rest must have been [spent](#) for the same purpose. According to Vasif Talibov, a total of AZN 4.7 million had been [spent](#) on medical equipment by the end of the year. We can estimate that AZN 400,000 manat was spent on rewards and bonuses for workers.

### **YASHAT and Nakhchivan Autonomous Republic Fund to support the families of the wounded and martyrs**

On December 8, 2020, a fund was [established](#) to support the families of the wounded and martyrs who defended the territorial integrity of the Azerbaijan Republic, the YASHAT Foundation, with the goal of “the establishment of an appropriate platform for the implementation of civil society initiatives to provide additional support to the measures taken by the state in the field of social protection of martyrs’ families and persons with disabilities as a result of military operations, ensuring transparency, accountability and public control.” This foundation can be financed in various ways. The foundation’s main expenditures are:

1. the repayment of consumer loans and other debt obligations taken before the martyr’s family status or disability were determined;
2. the reimbursement of treatment and psychological support;
3. the reimbursement of expenses related to education, as well as assistance in additional education, vocational training, as well as the development of creative potential;
4. and the improvement of living conditions;

The foundation’s official website was launched in 2021, therefore, there is very little information about the funds raised in 2020. However, some figures were announced at public meetings. From the beginning of December 2020 to at least



December 26, AZN 18 million in donations were [transferred](#) to the foundation. By the way, as in the case of coronavirus, we see that a fund has been established specifically for the Nakhchivan Autonomous Republic. The relevant decision was [signed](#) by V. Talibov on December 14. But it is difficult to say anything about the activities of this foundation in 2020. In any case, the foundation has so far collected AZN 598,978.25. The YASHAT Foundation collected AZN 30.2 million in donations. By the way, it should be noted that the YASHAT Foundation, unlike others, provides data on expenses, but does not provide any data about donations and donors.

### **The funds' transparency**

The information described above was obtained from open sources. But in general, what is the state of the funds in terms of transparency? In fact, all funds must meet the same requirements. Each fund must submit a report for a certain period and provide information on the amount and structure of donations, as well as information on expenditures. But as we have seen, the funds differ in this respect. Although some of them provide some data, they do not disclose other data to the public. For example, the Azerbaijan Army Relief Fund provides data on the funds raised at the beginning of each month. It does not provide any other information. The YASHAT Foundation, on the other hand, provides relatively detailed information on all expenditures, but provides only generalized figures on donors. The Coronavirus Response Funds, on the other hand, provide detailed information about donors, but no record of expenditures. With this in mind, we have compiled a rating based on the transparency indicators of the funds (Table 1).

- We have compiled this rating based on 4 indicators:
- General information about donations and donors;
- Detailed information about donations and donors;
- Monthly (or for a certain period) reports on donations;



● Expenditure data.

To simplify things, we have selected two possible options for each indicator: – and +. Here “-” means there is no data, while “+” means there is data. The rating is determined by adding the number of “+” signs. The maximum score is 4, and the minimum is 0. As can be seen from the table, the maximum score cannot be given to any fund, but the most non-transparent is the Azerbaijani Army Relief Fund. The others are relatively more transparent. They provide 2 of the 4 required indicators. These indicators vary depending on the fund.

**Table 1. Funds’ transparency indicators**

Fund	General information about donations and donors	Detailed information about donations and donors	Monthly (or for a certain period) reports on donations	Expenditure data	Rating
Azerbaijan Army Relief Fund	–	–	+	–	1/4
Coronavirus Response Fund of the Azerbaijan Republic	+	+	–	–	2/4
Coronavirus Response Fund of the Nakhchivan Autonomous Republic	+	+	–	–	2/4
YASHAT Foundation	+	–	–	+	2/4
Nakhchivan Autonomous Republic YASHAT	+	+	–	–	2/4

**Was it necessary to create funds?**

International experience was taken into account when establishing the Coronavirus Response Fund, but the fact is

that in other countries this fund was financed by the state. The main goal of the fund was simply to separate the expenditures on coronavirus from other expenditures. In fact, it was a targeted fund. For example, in the state budget system of Azerbaijan there is a special budget fund *Automobile Roads*. All the money from this fund is spent only on the repair and construction of roads. What about the funds raised for the Coronavirus Response Fund?

It is difficult to give an accurate and detailed account of this. We can note that in the Nakhchivan Autonomous Republic, the fund's finances were spent in the abovementioned target areas. But in both cases, the fund was not included in the state budget system. In fact, the state spent the money from the charity fund. Although we are more or less aware of the expenditures in Nakhchivan, we are unaware of the situation in the country's general fund.

However, it is clear that the coronavirus fund's assets will not be enough in any target area. For example, Azerbaijan recently chose the Chinese vaccine brand *SinoVac*. However, the reasons for this choice were not disclosed. At the same time, the price of the vaccine was unknown, but we can make some estimations about it. At the same time, Ukraine has decided to buy the SinoVac vaccine. There, a local private company has already signed a contract with the Chinese and announced it. According to the agreement, the price of 1 dose was UAH 504 (or AZN 30.49). A person is given 2 doses over 21-28 days. According to the company, only UAH 15 (AZN 0.91) from this price is its profit. The remaining money can be calculated directly as cost. In fact, if we take into account that the vaccine came to Azerbaijan through Turkey, it would be normal for us to have a price of around AZN 30. 4 million doses mean AZN 120 million. The Coronavirus Response Fund has collected AZN 114 million (of which AZN 5 million has already been spent on COVAX). In other words, if the vaccine is projected to be purchased at the expense of the fund, all its assets will go to the vaccine, and support from the state budget will

actually be required. In addition, Azerbaijan is negotiating to acquire other vaccines. It was announced that Azerbaijan will introduce various vaccines. If we add their price, the fund's finances will not be enough at all.

But is the money enough for anything? The Ministry of Finance's [document](#) on the implementation of the state and consolidated budget for 2020 states that AZN 612.5 million was spent on bonuses for the medical staff involved in the response to coronavirus, the purchase of the necessary medical supplies and equipment, the purchase of medicines, an increase in the number of beds, ensuring the activities of specialized hospitals, and the services provided in quarantine institutions to individuals under quarantine control. Even if we [take](#) the minimum daily cost of patient care at AZN 100, that is AZN 308 million for the year. In any case, the donations collected in the fund were not enough to respond to the coronavirus.

There is another interesting aspect of fundraising. At the end of 2020, complaints from employees of various departments of SOCAR began to be heard. It turned out that during the year, money from their salaries had been transferred to 3 funds. If they had volunteered, this would not have been a problem. However, according to the chairman of the Trade Union of the Oil and Gas Industry of Azerbaijan, Jahangir Aliyev, this was the initiative of the union, and they [decided](#) to make transfers to the YASHAT Foundation. It is difficult to imagine that this is not the case with transfers to other funds.

How did this affect the workers? We can see this in the example of the SOCAR Oil and Gas Construction Trust. The trust employs approximately 4,000 people. According to official data, the employees of the trust transferred 10% of their salaries or AZN 207,858 to the YASHAT Foundation in December. In other words, the money transferred from the monthly salaries of 4,000 employees is AZN 2,078,580. This is AZN 24.9 million for the year. Thus, the average monthly salary of an

employee is AZN 519.64. The workers transferred money not only to the YASHAT Foundation, but also AZN 63,511 to the Coronavirus Response Fund and AZN 282,247 to the Armed Forces Relief Fund. In other words, AZN 553,616 was transferred to the 3 funds during the year.

During the year, SOCAR employees paid a 14% income tax, 3% to the SSPF, and 0.5% to the Unemployment Insurance Fund. In addition, 1-2% was transferred to the Trade Union. Thus, in normal times, at least 19% of the average annual salary does not reach employees. In 2020, the relevant funds were added. If we divide the collected donations by the number of employees, this means that an actual average monthly additional 2.2% does not reach the employees.

For employees, the transfer of money to funds felt virtually like a fixed tax. (According to Article 11 of the Tax Code of the Republic of Azerbaijan, a tax is a compulsory, individual, and gratuitous payment. Transfers to the funds as donations were individual and gratuitous payments. As they were made within the administrative order system, they were in fact compulsory.) This would be quite normal if it happened once, but keep in mind that this happened 3 times in a year. Of course, this can lead to dissatisfaction. It is true that SOCAR employees receive not only a direct salary, but also receive additional payments, but in 2020, the monthly income of workers decreased. Most employees did not go to work directly and received only the specified salary. In fact, in this situation, employees paid both AZN 3.5 million in taxes and 2.2% to the funds. The average salary at Azerkimya Chemical and Pharmaceutical Ind. is even lower. As a result, the relevant actual tax was higher for these workers.

In other words, these funds were mainly engaged in the redistribution of funds already allocated. Relevant assets were spent on services that could already be provided by the state. Vaccination had to be carried out by the state, and the money for this could be taken from the budget of the

Compulsory Medical Insurance (in 2020, each employee had to transfer 1-2% of their salary to this insurance plan). Part of the YASHAT Foundation's expenses are related to the state's obligations (for example, the purchase by the state of medical rehabilitation equipment worth AZN 47,000, prosthetic eye equipment worth AZN 12,000, and other equipment). In general, 66% of the YASHAT Foundation's expenses are related to home repairs. This is an issue usually taken care of at the level of the local Executive Authority, etc.

## **Conclusion**

Based on the above, we can draw the following conclusions:

1. The main purpose of the funds was to centralize the finances, as stated in an article published on the website of the International Monetary Fund. In March-April 2020, the Azerbaijani public began to actively hold charity events in support of the poor and people deprived of income. These events covered a large part of the country. For example, one of the initiatives, which did not have a very large audience, [managed](#) to collect donations of AZN 171,000 in a single month. The turnover of a number of other initiatives was even higher (for example, the Bravo network [said](#) that it sent AZN 1.5 million worth of food in one month). Taking into account these trends, the contributions to the Coronavirus Response Fund have in fact begun to serve a different purpose (this can be seen in the proposals voiced at the first meeting of the Public Oversight Board of the relevant fund). More and more, they began to indicate this as support for social policy (despite the fact that the purpose of the fund was different when it was created). The same policy was applied to the Army Relief Fund and YASHAT Foundation. At the same time, attempts were made to coordinate or play a key role in expanding private initiatives in society (this was no secret when the YASHAT Foundation was established. Activists active in the relevant field were also invited to meetings and received relevant lists).

2. Unlike in other countries, the practical application of these funds is very limited. The Coronavirus Response Fund does not have sufficient financing for vaccination. The donations collected by the Azerbaijani Army Relief Fund during the year are not able to cover the army's monthly expenses (for example, in January 2021, AZN 337.3 million was [spent](#) from the state budget on the *Defense* item. The fund collected AZN 124 million in donations). The collected funds are not enough to achieve any goal, but create a certain impression.

3. Funds were raised in most cases mainly through administrative means. We have seen this mostly in the example of SOCAR and the Coronavirus Response Fund. In the latter case, 85% of the funds were formed at the expense of employees of government agencies and companies. Given that most of the money was raised within a month or two, it is likely that they were not voluntary. On the other hand, fundraising has become an additional obligation for private companies. For example, some banks, which were later declared bankrupt, were unable to pay customers, but paid AZN 100,000-200,000 to the fund. Due to administrative means, de facto charitable foundations were given additional advantages over private and public initiatives. This is also a violation of competition rules (private and public funds did not have access to administrative means. However, several initiatives nevertheless managed to raise several million manats).

In this article, we have tried to show the real impact of the funds in real life, after showing the official reasons and descriptions. In our opinion, in 2020, additional obligations were introduced for the majority of the population (50-55% of salaried employees work in the public sector). The main purpose of these obligations was not to solve any problem, but to centralize the collection and expenditure of funds in a certain target area, as well as to control it.