

ACTION FICHE FOR AZERBAIJAN

1. IDENTIFICATION

Title	Support of the EU-Azerbaijan ENP AP implementation through a twinning facility		
Total cost	€ 5 million		
Aid method / Management mode	Project approach – centralised management		
DAC-code	43010	Sector	Multi-sector

2. RATIONALE

2.1. Sector context

The National Indicative Programme (NIP) 2007-2010 for Azerbaijan underlines that "The principal objective of cooperation between the EU and Azerbaijan is to support the country's reform agenda and to develop an increasingly close relationship, principally within the framework of the policy objectives defined in the Partnership and Cooperation Agreement (PCA) of June 1999 and the EU-Azerbaijan European Neighbourhood Policy Action Plan (ENP AP) of 14 November 2006."¹ It emphasizes the importance of the Support for socio-economic reform (with emphasis on regulatory approximation with the EU *acquis*), fight against poverty and administrative capacity building².

Furthermore, the National Indicative Program notes that, in designing support in these areas, emphasis should be placed not only on technical advice on approximation of legislation and alignment of procedures, including technical regulations, conformity assessment procedures and standards, but also on administrative capacity building to ensure national ownership and effective enforcement of approximated rules and regulations.

The twinning and TAIEX instruments, introduced through the European Neighbourhood Policy Instrument and the ENP Action Plan, together with other types of assistance - infrastructure and equipment funding, pool funding and budgetary support, including in the context of sector-wide approaches (SWAPs) - will play an essential role in the achievement of the National Indicative Programme priorities.

The proposed € 5 million twinning facility will help Azerbaijan strengthen its capacity to develop or refine its national sector development strategies in priority sectors, and build Azerbaijan's capacity to achieve effectively ENP / PCA objectives.

The measure will also work on raising awareness and training on legislative drafting and reform, thus contribute to the attainment of Objective 4.1 of the PCA "*political dialogue and reform*" and in particular support "*Civil service reform and administrative capacity building*".

¹ Azerbaijan NIP 2007-2010, Section 1 "Introduction"

² Azerbaijan NIP 2007-2010, Section 2 "Main priorities and goals"

2.2. Lessons learnt

Azerbaijan has been a beneficiary of EC External Assistance programmes, and in particular Tacis technical assistance, since 1991. The Azerbaijani government has been developing a number of sector reform strategies in all the priority sectors. However, all of them require in-depth revision and refinement in light of the commitments taken under the ENP.

Analyses of Azerbaijan's public service, as well as the EC-TACIS recent experience with providing technical assistance to Azeri administration have revealed a considerable weakness in the capacity of many public administration entities to analyze, approximate and enforce new EU-compliant legislation and regulation. This weakness has also been held as the main reason behind the country's difficulties in streamlining its reforms and abiding by its international commitments - including those undertaken within the framework of bilateral relations with the EU.

The twinning instrument, now available to Azerbaijan provides a more flexible yet more effective instrument for the strengthening of administrative capacity and institutional building, particularly by enabling the direct cooperation between neighbouring countries and EU member states' administrations. The Government of Azerbaijan has already expressed a strong interest in twinning, specifically with new member states with whom Azerbaijan might share some common features (Baltic countries, Romania, Bulgaria, etc).

2.3. Complementary actions

EC activities in relation to legal approximation in Azerbaijan mainly include work towards the implementation of the Partnership and Cooperation Agreement, in particular through the TACIS projects on "Support for the implementation of the PCA between EU and Azerbaijan" (AP 2004-2005 and AP 2006). Other technical assistance projects from the Action Programme 2006 are being implemented in the fields of international accounting standards, economic policy legal drafting, etc.

On the front of twinning, a set of three framework contracts have been launched in March 2007 to begin identifying specific priorities of the Azerbaijani institutions which applied for twinning and whose requests were compatible with the twinning principles and in line with the experience of the Member States.

2.4. Donor coordination

The Ministry of Economic Development (MoED) of Azerbaijan is the leading institution coordinating donors' financial support grants and loans through a newly created Department of Foreign Investments and Coordination of Technical Assistance. Within the Ministry of Economic Development, a National Coordinating Unit (NCU) is specifically in charge of coordinating the EC assistance programmes. The Action Programme 2007 proposes utilization of the budget support instrument and of the Twinning/TAIEX instrument to promote stronger country ownership and greater alignment with national development objectives.

3. DESCRIPTION

3.1. Objectives

Overall objective

The proposed measure aims at strengthening the capacity of the Azerbaijani administration to implement the ENP as well as the Partnership and Cooperation Agreement it signed with the EU.

Specific objective

The specific objective will be to help Azerbaijan in running and implementing reforms in areas covered by the ENP action Plan and the PCA, particularly good governance, environment, transport, the enhanced energy cooperation or the reform of law enforcement entities.

3.2. Expected results and main activities

The expected results of the proposed measure are:

- The political dialogue for further neighbourhood relations is enhanced
- The capacity of the Azerbaijani ministries and agencies to enforce effectively the commitments set forth in the ENP Action Plan, the PCA and their national reform programmes is enhanced.

Some areas of the ENP Action Plan and of the PCA have tentatively been identified as suitable sectors to receive further assistance via the twinning instrument, including good governance, judicial and civil service reform, anti-corruption, support to sustainable economic development, environment, energy and transport.

3.3. Stakeholders

The key stakeholders will be the concerned policy-setting and implementing ministries and agencies, the judiciary system, and, though indirectly, industries and society groups and the community of donors. The proposed measure will impact first and foremost on the policy-setting and implementing agencies.

3.4. Risks and assumptions

The proposed measure will have to address public administration weaknesses in Azerbaijan, an objective which inevitably requires a strong commitment and collaboration on the part of the Government of Azerbaijan. This approach assumes that Azerbaijan will go on with its process of administrative reform, thus creating the pre-conditions for retaining civil servants in public administration after implementation of the measure.

3.5. Crosscutting Issues

The coherence of the measure with cross-cutting issues can be characterised as follows:

– Poverty reduction:

The strengthening of Azerbaijan relevant public agencies' capacity to plan economic development strategies and to develop legislation that favours the growth of economic activity in non-oil and non-Baku based areas will have a direct positive effect on Azerbaijan's progress towards the reduction of poverty country-wise.

– Good governance and human rights:

Improved administrative capacity and the introduction of EU-compliant procedures in legislative development will raise the democratic standards of governance, by implying improved wider and systematic consultation of the civil society and businesses.

– Integration in world economy:

The foreseen support towards the introduction or improvement of standards, including e.g. safety, production, financial standards and eventual progress towards approximation of Azerbaijani legislation to EU best practices in investment climate and regulatory systems, will favour Azerbaijan's gradual move towards a more open market economy and its increased integration in the world economy.

– Environment:

The measure will support reform towards the achievement of sustainable economic development, with a particular regard to the impact of economic and social reform on environmental issues, and to possible actions towards the approximation of Azerbaijani environmental regulation.

– Gender balance:

The measure has only indirect impact on this issue.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Centralised management

4.2. Procurement and grant award procedures

The measure will be implemented via contracts for twinning projects, following the procedures of centralised management.

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

The essential selection and criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. Twinning projects are implemented in accordance with the applicable Twinning Manual. Accordingly, the Government of Azerbaijan will be required to contribute to the logistical arrangements including appropriate human resources (internalised cost).

4.3. Budget and calendar

The programme foresees an envelope of EUR 5 million that will be used to finance 3 or 4 twinning projects in Azerbaijan. Some funds can be used to support the Public Administration Office (PAO) and to provide short-term technical assistance to prepare the receiving administration and assess twinning requests.

The definition of the calendar and sectors to be funded under the AP 2007 will depend on the requests that will be made by the public administration institutions in the beneficiary country and on the decision by the EC on their eligibility for twinning.

4.4. Performance monitoring

The monitoring of the measure will follow standard EU procedures, based on benchmarks to be agreed with its beneficiaries shortly after its start-up. Project monitoring will be based on periodic assessment of progress and delivery of specified project results and towards achievement of project objectives. Suitable objectively verifiable indicators will be agreed between the contracting authorities and project partners.

4.5. Evaluation and audit

Evaluation and audit of the measure, during implementation and/or at the end of the programme, may be requested by the Contracting Authority.

4.6. Communication and visibility

A twinning launching workshop will be organized in Baku in 2008. In the meantime the PAO has been holding public awareness raising seminars and training events with potential beneficiary institutions in Azerbaijan. The PAO is also working on the design and construction of a dedicated website to promote and disseminate information on the twinning instrument.