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**ANNEX 2 TO THE DECISION ON THE ENPI ANNUAL ACTION PROGRAMME 2009 IN FAVOUR OF AZERBAIJAN**

**1. IDENTIFICATION**

Title/Number	Twinning/Technical Assistance Facility in support of the EU-Azerbaijan ENP AP implementation (CRIS N° ENPI/2008/020-602)		
Total cost	€6 million		
Aid method / Method of implementation	Project approach (twinning and technical assistance) – <i>centralised management</i>		
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.”<sup>1</sup> It emphasizes the importance of the support for socio-economic reform (with focus on regulatory approximation with the EU *acquis*), fight against poverty and administrative capacity building<sup>2</sup>.

Furthermore, the National Indicative Program notes that, in designing support in these areas, focus 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 programmes, introduced through the European Neighbourhood Policy Instrument and the ENP Action Plan, will play an essential role in the achievement of the National Indicative Programme priorities.

The proposed €6 million twinning/technical assistance facility will help Azerbaijan strengthen its capacity to develop or refine its national sector development strategies in priority sectors and will support Azerbaijan in achieving 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*”.

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<sup>1</sup> Azerbaijan NIP 2007-2010, Section 1 “Introduction”

<sup>2</sup> 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, several 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 recent EC-TACIS experience with providing technical assistance to the Azerbaijani administration have revealed challenges in the capacity of many public administration entities to analyze, approximate and enforce new EU-compliant legislation and regulation. Here EU Member State public sector expertise through Twinning can support the streamlining of Azerbaijani reforms and international commitments - including those undertaken within the framework of bilateral relations with the EU.

In this respect, the first twinning projects in the field of food safety/ fishery, energy and standards are currently on-going and areas such as anti-corruption, the role of the Parliament in legal approximation, statistics and banking supervision, environment, social protection, health, public finance and civil service reform among others are in different preparatory stages. Further areas will be identified for the twinning pipeline through the new programming approach currently being developed by the Government of Azerbaijan.

In line with Backbone Strategy (Paris Declaration on aid effectiveness, Accra) the Twinning facility builds on beneficiary ownership through its demand driven nature where the Azerbaijani public administration institutions are the initiator of the assistance.

At the same time, the Government of Azerbaijan seeks to organize the bilateral exchange of specialists with EU member states' appropriate governmental agencies with purpose to learn from their experience on European integration processes.

## **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 to the National Coordination Unit and the Partnership and Cooperation Agreement (PCA) implementation in Azerbaijan" (AP 2006). Other technical assistance projects from the Action Programme 2006 are being implemented in the fields of vocational education training reform etc.

The joint EC-OECD programme SIGMA, introduced in Azerbaijan in 2008, is supporting improvements in government and management in Azerbaijan currently in the fields of public finance and public administration reform.

## **2.4. Donor coordination**

After the inclusion of Azerbaijan into the ENP, the State Commission on European Integration was set up under the Presidential Decree dated 1 June 2005. Within this Commission the Ministry of Foreign Affairs coordinates relations between the State Commission and the EU. The Ministry of Economic Development (MoED) of Azerbaijan is the leading institution coordinating donors' financial support grants and loans through a Department of Foreign Investments and Coordination of Technical Assistance. Reporting to the Minister of Economic Development, who acts as National Coordinator of EC cooperation programmes, a National Coordinating Unit (NCU) is specifically in charge of coordinating EC-funded assistance programmes.

### **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.

##### *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.

#### **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, public finance management, support to sustainable economic development, environment, energy and transport. Due to the demand-driven approach, the facility should be flexible in terms of the areas of intervention.

#### **3.3. Risks and assumptions**

The proposed measure will address challenges in the area of public administration in Azerbaijan, an objective which 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.

#### **3.4. 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 the regions and non-oil areas will have a direct positive effect on Azerbaijan's progress towards the reduction of poverty.

– 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.

### **3.5. Stakeholders**

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

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

The action will be implemented in centralised management mode.

Indicatively 4-5 Twinning projects will be selected within the framework described in the twinning guide of AIDCO for the neighbourhood area. Call for proposals are expected to be launched in 2010. The indicative amount for this twinning component is about €5.5 million.

Services contracts will be signed following the relevant procedure of the Commission applicable for external relations for technical assistance related to the twinning component. Indicative amount: €0.5 million.

### **4.2. Procurement and grant award procedures**

The measure will be implemented via contracts for technical assistance and twinning projects, following the procedures of centralised management. In case supply of equipment is required for the benefit of the twinning projects, a limited number of supply contracts may also apply.

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.

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 €6 million that will be used to finance 4-5 twinning projects in Azerbaijan. Some funds can be used to support the Programme Administration Office (PAO) by providing short-term technical assistance to prepare the receiving administration and assess twinning requests. Part of the budget will be used for launching framework contracts aimed at supporting not only twinning projects financed in 2009 but also those that will be financed in 2010. Some limited funds will be used for other technical

assistance (including sectoral studies necessary for the preparation of relevant sectors for future Twinning projects).

The definition of the calendar and sectors to be funded under the AAP 2009 will depend on the requests that will be made by the public administration institutions in the beneficiary country within the annual programming procedure in Azerbaijan and on the decision by the European Commission on their eligibility for twinning.

The operational duration of the programme should indicatively be of maximum 48 months as from signature of the Financing Agreement.

#### **4.4. Performance monitoring**

The monitoring of the measure will follow standard European Commission 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. The EuropeAid Standard Indicators are not applicable at this stage due to the demand driven nature of the programme, but 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**

The European Commission Delegation in Baku and the Programme Administration Office (PAO) will be holding public awareness raising seminars and training events with potential beneficiary institutions in Azerbaijan. The PAO has also designed a dedicated website to promote and disseminate information on the twinning instrument as well as other information materials on Twinning and TAIEX.