

Annex 1: Action Fiche for Azerbaijan AAP 2011

1. IDENTIFICATION

Title/Number	Framework programme in support of EU-Azerbaijan agreements (CRIS: ENPI/2011/22822)		
Total cost	EU contribution: EUR 11 million		
Aid method / Method of implementation	Project approach – direct centralised management		
DAC-code	15110	Sector	Public sector policy and administrative management

2. RATIONALE

2.1. Sector context

This framework programme is fully in line with the EU-Azerbaijan ENP Action Plan and the National Indicative Programme 2011-2013, prioritizing good governance, rule of law and fundamental freedoms, public administration reform and facilitation of a new EU-Azerbaijan Agreement, including establishing a Deep and Comprehensive Free Trade Area (DCFTA). These priorities coincide with the sectors identified in the framework of the Comprehensive Institution Building programme (CIB), an Agreement-driven programme intended to assist Azerbaijan with institution building for a number of core institutions central in preparing the ground for and implementing the future EU-Azerbaijan Agreements. Under the NIP 2011-2013, 19 million have been earmarked for the CIB.

Negotiations on an Association Agreement (AA) are under way since July 2010. This agreement will widen and deepen EU-Azerbaijan cooperation under the Eastern Partnership by promoting further convergence towards EU *acquis* across a wide range of sectors. When the right conditions will be met, the EU and Azerbaijan will establish a DCFTA providing for mutual market access.

On 13 January 2011, the Government of Azerbaijan has signed a Memorandum of Understanding on the National Indicative Programme and a Memorandum of Understanding regarding the Framework Document of the Comprehensive Institution Building Programme, emphasizing that the Government of Azerbaijan regards European integration as a priority of domestic and foreign policy.

The National Indicative Programme 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 Technical Assistance and Information Exchange (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.

This programme will consist of three components: preparation for implementation of the CIB programme, implementation of the CIB programme and other technical assistance/Twinning for support to other areas of cooperation under the EU-Azerbaijan agreements.

This Action Fiche fully reflects the results of the comprehensive consultation process between the European Commission and the Government of Azerbaijan on the content of the CIB programme, carried out in the course of 2010.

2.2. Lessons learned

The previous and current assistance projects for implementation of the Partnership and Cooperation Agreement have identified lack of administrative capacity of the beneficiary institutions. In this regard, technical assistance has been a key to the Project Administration Office (PAO) and other departments of the Ministry of Economic Development.

The request for payment of the first tranche of the energy Budget Support operations initiated in 2007 has been received in 2010. The request for payment of the first tranche of the Budget Support Programme on Justice (AAP 2008) has been received at the end of 2010. The direct cooperation with public administrations of EU Member States enabled by the Twinning instrument is well appreciated and Azerbaijan is leading in the implementation of this instrument in the region. There are currently 21 Twinning projects in different stages (4 on-going, 8 under negotiation of the contract, 6 under preparation) and 3 projects already completed.

To avoid risk of under-spending and to increase the ownership of undertaken changes, interventions under this framework programme need to be based on real needs of the beneficiary institutions, identified by the beneficiaries and assisted by the experts in relevant areas both at the central level as well as in line ministries and agencies. A more thorough assessment of the most adequate instruments to be used for each assistance request by the Government will be reflected in the Institutional Reform Plans (IRPs).

2.3. Complementary actions

All activities under this programme will be closely coordinated and will build on the results of interventions and support by donors provided for the selected sectors. Involvement of relevant donors as observers to the CIB Programme Steering Committee might be envisaged.

The foreseen interventions will complement ongoing and planned budget support operations, Twinning and TA initiatives funded through the ENPI Annual Action Programmes (AAPs) 2007, 2008, 2009 and 2010 for Azerbaijan.

In particular, the institutions identified under CIB having a key role in further deepening bilateral and trade relations with the EU will build on the results obtained by various projects such as 'Support to the National Coordination Unit and Cooperation Agreement (PCA) Implementation in Azerbaijan' (AAP 2006), 'Support to the Ministry of Economic Development' (AAP 2006), 'Support to the Improvement of legal and Technical Aspects of food quality and safety assurance and certification' (AAP 2006), 'Strengthening of standardisation, metrology, conformity assessment and accreditation' (AAP 2006).

Similarly, the institutions identified under CIB having a key role in the area of Justice and Home Affairs, including on visa facilitation and readmission agreements will build on the on going political dialogue initiated within the frame of the AAP 2008 Sectoral Budget Support

Programme accompanying the reform of the Judiciary. The results of the AAP 2006 Twinning 'supporting the Anti-corruption department within the Prosecutor General of the Republic of Azerbaijan (AAP 2006) will also be relevant.

2.4. Donor coordination

Since 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 Aid Coordination. Reporting to the Minister of Economic Development, who acts as National Coordinator of EU cooperation programmes, the Department of Foreign and Aid Coordination is specifically in charge of coordinating the EU assistance programmes.

3. Description

3.1. Objectives

The overall objective of this framework programme is to build the institutional capacity of selected public administration institutions in Azerbaijan to implement reforms under the current EU-Azerbaijan agreements and the future Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) when the conditions will be met.

The specific objectives of this programme are the following:

- To ensure effective institution-building of a limited number of core institutions central in preparing the ground for and implementing the future EU-Azerbaijan Association Agreement, including the DCFTA and visa liberalization dialogue.
- To support the relevant institutions within the Azerbaijani administration to comply effectively with the commitments set forth in the EU-Azerbaijan ENP Action Plan.
- To implement preparatory, supervisory, monitoring, audit and evaluation work necessary for timely and efficient launch and implementation of actions in the framework of ENPI annual programming in priority sectors under ENP Action Plan.

3.2. Expected results and main activities

The expected results of the proposed measure are:

- Enhanced political dialogue.
- 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.
- Selected institutions have the technical capacity and the necessary human and financial resources to further negotiate the EU-Azerbaijan agreements and implement the undertaken commitments.

Some areas of the ENP Action Plan and of the PCA have 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.

To achieve the results, the current framework programme will have the following components:

1. Preparation for implementation of CIB

- Technical assistance in support to the Programme Administration Office (PAO) at the Ministry of Economic Development.
- Support to the Ministry of Foreign Affairs expected to be set up for the overall coordination of the Association Agreement and the CIB Steering Committee.

2. Support to the implementation of the CIB Institutional Reform Plans (IRPs)

- Implementation of the 3 Institutional Reform Plans foreseen in the MoU on CIB. The subjects of the reform plans are as follows (indicative breakdown of distribution of CIB resources in brackets):
 - a. Association Agreement and working towards further deepening of bilateral economic and trade relations (30%), leading reform institutions: the Ministry of Foreign Affairs and the Ministry of Economic Development;
 - b. Justice and Home Affairs, including negotiations on a Visa Facilitation Agreement and an EU Readmission Agreement (30%), leading reform institution: the Ministry of Justice;
 - c. Strengthening human and institutional capacities related to negotiating and implementing the future agreements (40%), leading reform institutions: the Diplomatic Academy of Azerbaijan and the Civil Service Commission under the President of Azerbaijan.

3. Other Technical Assistance and Twinning (implementation of the EU-Azerbaijan ENP Action Plan)

- Support to relevant areas of cooperation under the EU-Azerbaijan agreements. Actions under this component will support development of institutional and administrative capacities for regulatory approximation and implementation of ENP AP commitments in sectors recognised as priorities, as well as identification and formulation of actions related to implementation, follow up and monitoring of actions. This component will cover other sectors and institutions than those benefiting from the CIB Programme.

3.3. Risks and assumptions

Beyond the endorsement of the IRPs, the actual capacity of the concerned governmental bodies to steer the overall CIB programme and to keep assistance closely responding to the commitments coming from the Association Agreement require the set up of an efficient coordination structures.

Regarding Twinning, 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 continue its process of administrative reform, thus creating the pre-conditions for retaining civil servants in public administration.

3.4. Crosscutting Issues

Implementation of this framework programme will directly contribute to good governance by improving the work of public institutions and management of public resources. It will also directly contribute to poverty reduction, good governance and respect for human rights and integration in world economy. In addition, in preparation of projects under this framework programme, attention will be paid to take account of gender equality, impact on environment and sustainable development.

3.5. Stakeholders

The Ministry of Foreign Affairs is the CIB Coordinator and the Ministry of Economic Development, the Ministry of Justice, the Diplomatic Academy of Azerbaijan and the Civil Service Commission will be the key interlocutors for implementation of CIB. The Ministry of Economic Development is also the National Coordinator of EU Assistance programmes and has major role in the overall coordination and monitoring of Twinning/TAIEX/Support for Improvement in Governance and Management- SIGMA/TA projects and budget support operations.

Regarding Twinning and technical assistance projects, all state institutions can benefit directly, based on their competences in the European integration process and based on Government priorities for external assistance. The population at large will indirectly benefit from implementation of this programme through more efficient public administration, promotion of rule of law and respect for human rights, through gradual approximation to EU standards, opening access to EU markets and increased mobility.

The CIB Programme should also be open to participation and funding of other donors like EU Member States and international organizations and international financial institutions.

4. Implementation issues

4.1. Method of implementation

The main implementation method for projects under this framework programme will be direct centralised management. Service, twinning, grant and framework contracts are considered to be used for all Components, but for Component 2, according to the CIB guidelines, supply and works contracts can also be envisaged.

According to the Guidelines for the preparation of the CIB programme, CIB will also be open to co-financing from other donors and should allow for the participation of EU Member States and other donors willing to contribute to CIB programme implementation.

4.2. Procurement and grant award procedures

1) Contracts

All contracts implementing the action will 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.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Financial Regulation applicable to general budget. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Article 21(7) of the ENPI Regulation.

2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

4.3. Budget and calendar

The overall estimated budget of this framework programme is EUR 11 million. At this stage the allocated amount for each component is indicative. Tentatively, EUR 3 million of the total amount will be dedicated to Components 1 and 2, while EUR 8 million will be used for Component 3. If the money from one component is under utilised, it could be reallocated for the implementation of another component.

The Government of Azerbaijan is expected to contribute to the implementation of this framework programme financially or in kind. At least 20% co-financing will be required when EU funding will be used for supply and infrastructure contracts under this action fiche. A minimum requirement for all projects is for the beneficiary institution to provide the long-term project experts with adequate office space and basic communications. The exact share of technical assistance projects and supply contracts is not defined as it will greatly depend on the Government's ability to provide the necessary co-financing.

It is foreseen that the operational duration of the action will be 48 months from the signature of the contracts.

4.4. Performance monitoring

The projects under this framework programme will be monitored throughout their implementation by Results-Oriented Monitoring System of Projects and Programmes of

External Co-operation, by the European Commission. For overall monitoring of the implementation of the CIB programme, it is envisaged to set up a Steering Committee, to involve all national stakeholders and donors, as well as all relevant project representatives.

4.5. Evaluation and audit

Evaluation and audit will be decided by the European Commission on a case-by-case basis and will be carried out with the support of technical advice of external consultants recruited by the Commission. A mid-term evaluation and final evaluation of the CIB programme implementation is envisaged.

4.6. Communication and visibility

Each project under this framework programme will have its own communication and visibility component and budget, according to the EU Manual on Visibility of External Actions.