



Brussels, 20.7.2016
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COMMISSION IMPLEMENTING DECISION

of 20.7.2016

**on the Annual Action Programme 2016 in favour of the Republic of Azerbaijan to be
financed from the general budget of the European Union**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action¹, and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Article 84(2) thereof,

Whereas:

- (1) The Commission has adopted the Single Strategic Framework for EU support to Azerbaijan for the period 2014-2017³, point 1.2 of which provides for the following priorities: regional and rural development, justice sector reform and education and skills development, complemented by support for capacity development and institution building, and support for civil society. This Implementing Decision falls under the support for capacity development and institution building.
- (2) The objectives pursued by the Annual Action Programme 2016 to be financed under the European Neighbourhood Instrument (ENI)⁴ are: I. Financial Governance: to improve the efficiency of public expenditures and revenue collection; II. Economic Governance: to strengthen the competitiveness and export performance of SMEs; III. Judicial governance: to strengthen access to justice to all citizens and businesses, especially to vulnerable groups and women victims of domestic violence. The Annual Action Programme 2016 contains one action.
- (3) The overall objective of the Action entitled “Technical Cooperation Facility” (TCF) is to support the Government of Azerbaijan in the diversification of its economy while promoting a balanced and inclusive growth. The action will be implemented under direct management through grants (including Twinning) and service contracts.

¹ OJ L 77, 15.3.2014, p. 95.

² OJ L 298, 26.10.2012, p. 1.

³ C(2014) 5129

⁴ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27).

- (4) It is necessary to adopt a financing decision the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012⁵.
- (5) It is necessary to adopt a work programme for grants the detailed rules on which are set out in Article 128(1) of Regulation (EU, Euratom) No 966/2012 and in Article 188(1) of Delegated Regulation (EU) No 1268/2012. The work programme is constituted by the Annex (sections 5.3.1 and 5.3.2).
- (6) It is necessary to allow the payment of interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (7) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (8) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by Article 15 of the ENI Regulation,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the measure

The Annual Action Programme 2016 in favour of the Republic of Azerbaijan, as set out in the Annex, is approved.

The programme shall include the following action:

- Annex: Technical Cooperation Facility.

Article 2

Financial contribution

The maximum contribution of the European Union for the implementation of the programme referred to in Article 1 is set at EUR 13.5 million and shall be financed from budget line 22 04 02 02 of the general budget of the European Union for financial year 2016.

The financial contribution provided for in the first paragraph may also cover interest due for late payment.

Article 3

Implementation modalities

The section “Implementation” of the Annex to this Decision sets out the elements required by Article 94(2) of Delegated Regulation (EU) No 1268/2012.

⁵ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

Article 4

Non-substantial changes

Increases or decreases of up to EUR 10 million not exceeding 20% of the contribution set by the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution, as well as extensions of the implementation period shall not be considered substantial within the meaning of Article 94(4) of Delegated Regulation (EU) No 1268/2012, provided that they do not significantly affect the nature and objectives of the actions.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 20.7.2016

For the Commission

Johannes HAHN

Member of the Commission



ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2016 in favour of the Republic of Azerbaijan

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning calls for proposals: 5.3.1 "Grants: calls for proposals in a framework of Twinning program" and 5.3.2. "Grants: call for proposal to combat domestic violence".

1. Title/basic act/ CRIS number	Technical Cooperation Facility (TCF) CRIS number: ENI/2016/039-391 financed under the European Neighbourhood Instrument	
2. Zone benefiting from the action/location	Neighbourhood East, Azerbaijan	
3. Programming document	Single Support Framework (SSF) 2014-2017	
4. Sectors of concentration/ thematic areas	Complementary Support for Capacity Development and Institution Building	DEV. Aid: Yes ⁶
5. Amounts concerned	Total estimated cost: EUR 13 562 500 Total amount of EU budget contribution: EUR 13 500 000 Estimated co-financing by potential grant beneficiaries: EUR 62 500	
6. Aid modality(ies) and	Project Modality Direct management:	

⁶ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

implementation modality(ies)	- grants – calls for proposals (including Twinning) - procurement of services			
7. a) DAC code(s)	15110, Public Sector Policy and Administrative Management 15130, Legal and Judicial Development			
b) Main Delivery Channel	Project Aid			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance			X
	Aid to environment	X		
	Gender equality (including Women In Development)		X	
	Trade Development		X	
	Reproductive, Maternal, New born and child health	X		
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X		
	Combat desertification	X		
	Climate change mitigation	X		
	Climate change adaptation	X		
9. Global Public Goods and Challenges (GPGC) thematic flagships	–			

SUMMARY

Complementary to, and intended to reinforce the expected results/impact of EU assistance foreseen under the SSF focal sectors education and regional/rural development, the Technical Cooperation Facility (TCF) is to provide targeted capacity development to the economic diversification reform agenda of the government of Azerbaijan in the areas of financial, economic and judicial governance. The TCF has the following specific objectives:

I. Financial Governance: to improve the efficiency of public expenditures and revenue collection;

II. Economic Governance: to strengthen the competitiveness and export performance of Small and Medium-sized Enterprises (SMEs);

III. Judicial governance: to strengthen access to justice to all citizens and businesses, especially to vulnerable groups and women victims of domestic violence.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

Azerbaijan has made rapid economic progress over the last decade and has become a middle income country with Gross National Income (GNI) per capita of USD 7 590, and USD 16 910 at Purchasing Power Parity (PPP), in 2014. Economic growth has to a large extent been dependent on the hydrocarbon resources. Besides income, all other social indicators have improved over the past 10 years. As a result of strong growth and targeted social assistance programs, the poverty rate dropped from around 50% in 2000 to 5% in 2014 according to official statistics. However, the economy remains insufficiently diversified and is dependent on extraction and export of oil resources (39% of GDP in 2014), as shown recently by the change in the country's macroeconomic outlook following the substantial drop in global oil prices since end 2014.

In this context, the importance of the diversification of Azerbaijan's economy, as emphasised in the development Concept "*AZERBAIJAN – 2020: The Vision of the Future*" has become more pronounced. The *Vision 2020* provides the overall priority-setting and development framework of the country.

The primary task on the agenda for Azerbaijan is to speed up economic diversification, maintain rapid non-oil sector growth regardless of the level of oil revenues, increase competitiveness and expand export opportunities.

The Concept "Azerbaijan 2020" highlights:

- In the area of **financial governance**: the need to i) strengthen coordination of macro economic policy and to establish an optimal macro economic framework, ii) improve budget preparation, fiscal discipline, and efficiency of expenditures, iii) reform tax policy and tax collection to create a more favourable business climate;
- In the area of **economic governance**: the need to i) increase the country's competitiveness, ii) enhance non-oil export performance of SMEs, iii) improve anticipation of skills needs;
- In the area of **judicial governance**: the need to increase citizens' access to justice as well as awareness of its rights, particularly for citizens in the regions.

Overall EU-Azerbaijan relations are guided by the Partnership and Cooperation Agreement (PCA) which entered into force in 1999 and which serves as a political and legal framework for cooperation between the EU and Azerbaijan. Azerbaijan is part of the European Neighbourhood Policy (ENP) and the EU-Azerbaijan 2006 ENP Action Plan is a central element of the ENP bilateral cooperation with Azerbaijan. In the ENP Action Plan, support to financial, economic and judicial governance is one of the listed key priorities.

The ENP Review of 18 November 2015 highlights that "*enhancing economic governance, strengthening fiscal stability and supporting structural reforms for improved competitiveness and inclusive growth and social development are keys to developing a country's economic resilience*". In the same vein, it states that: "*the EU will support partners to modernise their economies for smart and sustainable growth (...). It will promote a better business environment and reforms that allow greater investment, and more and better jobs. It will also focus on supporting the small and medium enterprises (SMEs) sector which is a primary creator of employment*". Finally, it indicates that "*ensuring the rule of law and independent and effective justice systems will remain priorities for the EU, as they are crucial to social and economic stability, to create trust in state institutions and to provide legal certainty*".

The focus of EU assistance to Azerbaijan for the period 2014-2017 is outlined in the Single Support Framework (SSF), adopted by Commission Decision on 25 July 2014. The SSF includes support to three focal sectors: education, regional/rural development and justice, as well as complementary capacity development and institution building that is not covered by the three sectors of concentration.

Economic diversification is an overriding government priority for Azerbaijan and it is also highlighted as a key area to ensure economic resilience in the neighbourhood by the ENP review. It is likely to remain supported by the EU under the next multiannual period.

1.1.2. Stakeholder analysis

The main stakeholders of the programme are:

- In the area of **financial governance**: the Ministry of Finance, the Ministry of Taxes, the Ministry of Economy, the Chamber of Accounts. More in general the citizens of Azerbaijan, as well as relevant non-government stakeholders working in the broad area of public revenue transparency and public expenditure management are to benefit directly and/or indirectly from the action.
- In the area of **economic governance**: the Ministry of Economy, AZPROMO, the Ministry of Labour and Social Protection of the Population, the Standardisation Committee, the State Statistics Committee, business associations and export federations. More in general, SMEs and related associations and cooperatives are to benefit directly and/or indirectly from the action.
- In the area of **judicial governance**: the Ministry of Justice, the State Committee for Family, Women and Children Affairs, Courts, business community (as well as relevant intermediary organisations such as associations/industry federations, etc.), civil society organisations working in the areas targeted by the programme. More in general, the citizens of Azerbaijan and particularly the most vulnerable groups, including women and Internally Displaced Persons (IDPs) are to benefit directly and/or indirectly from the action.

1.1.3. Priority areas for support/problem analysis

Economic diversification is the top priority for the government of Azerbaijan, and the importance of diversification has been further reinvigorated in light of the recent downturn in international oil prices that has negatively affected the Azerbaijani economy. The government is currently discussing a series of structural reforms in order to tap into new sources of (private-led) growth and employment generation.

In this reform context, the TCF has been designed as a demand driven instrument capable to accommodate relevant government requests to support its reform agenda through targeted assistance in the areas of financial, economic and judicial governance.

It should further be noted that the TCF prioritises those actions that are complementary to, and would allow to enhance impact and results foreseen of, the focal sectors education and regional/rural development.

The importance of **improved financial governance** is crucial to the overall economic diversification agenda. Key for economic diversification to succeed is not only the development of the non-oil economy but equally to preserve the country's long term fiscal sustainability. In this regard, major efforts will be needed to reduce expenditures and increase tax revenues. Tax policy can also be used as a lever to strengthen the business enabling environment. This has to be supported by a credible and comprehensive medium term budget policy framework, thus by an improved the PFM (public financial management) framework.

The government has already made substantial progress in this domain, as demonstrated by the Public Finance Expenditure Accountability PEFA assessment published in December 2014. Over the last years, major improvements have been made on comprehensiveness and transparency of the budget, predictability and control of budget execution. Progress in budget transparency is reflected in the country's improvement in the Open Budget Index in 2015. However, certain challenges remain, such as the need for policy-based budgeting and improved internal and external audit. Based on the weaknesses identified in the PEFA, a PFM Action Plan 2015-2017 has been prepared and is currently being implemented with support from the EU and the World Bank. EU support is also being provided to the Chamber of Accounts and the Ministry of Taxes, which both have a strategic document underpinning this support. The TCF is to build on and further consolidate on the current EU support being provided to these key financial governance institutions.

In the area of economic governance, the government has made a top priority the strengthening the country's competitiveness, the growth of non-oil exports and more generally the development of the non-oil sector. Recently the government has emphasised more the importance of private sector-led growth also putting a stronger focus on the need to facilitate the development of the SME sector which especially in the rural areas have a large untapped potential.

The **development of the SME sector** is key to achieve the 2020 Vision target of increasing non-oil sector export turnover to USD 1000 per person by 2020. While SMEs accounted for 83% of all companies in 2013, their contribution to GDP was only 3% (up from 1.7% in

2010) and 7.9% of total employment (up from 5.9% in 2010). Unleashing the potential for SMEs will be of key importance to strengthening the country's competitiveness, its export performance, non-oil GDP growth and job creation. The SME sector could also be an important entry point to increase the possibilities of women for gaining decent employment, particularly in rural areas.

The recent Eastern Partnership (EaP) SME Policy Index (2016) suggests that Azerbaijan has made good progress in tackling some of the constraints for the creation and growth of small businesses since 2012, when the first SME Policy Index was published. It notably has made improvements in the business environment in which SMEs operate, including through the establishment of a best practice e-government portal. Further progress could be achieved by: i) *strengthening the institutional, regulatory and operational environment for SMEs*, including through further enhancing institutional support to SMEs, improving inter-agency coordination and intensifying public-private dialogue, ii) *promoting skills and entrepreneurship development*, including for women entrepreneurs, as well as to ensure a better match between the skills and knowledge of students entering the labour market and the demands of the labour market, iii) *facilitate SME access to finance*, including through support to the National Entrepreneurship Fund as foreseen under AAP 2015, iv) *enhance SME competitiveness*: including through strengthening of SME support services, v) *support SME internationalisation*: including through export promotion and support in the implementation of Azerbaijan's transition from a system of compulsory standards setting into technical regulations and voluntary standards setting by the private sector in coherence with the World Trade Organisation (WTO) Technical Barriers to Trade (TBT) agreement.

To address remaining challenges the government is in the process of preparing a state programme on economic development in which SME development is one of the priorities. In line with recommendations from the EaP SME policy Index the government also considers the development of an SME strategy and associated action plan with short, medium and long term priorities, while work is on-going to establish a public private dialogue to better understand – and ultimately address – key bottlenecks in the business environment. Several measures have recently been adopted in view of expanding investment activities and improving the enabling environment for businesses, e.g. through measures in the area of licensing, taxation, and customs. The government recognises, in this regard, the importance of having timely and quality enterprise and SME statistics to guide its policies and evaluate their effectiveness and has asked for EU support. The Central Statistics Committee has set up a new dedicated sector for enterprise statistics in 2016 in order to strengthen the collection and dissemination of enterprise statistics and demography.

In the same vein, a draft export promotion strategy suggests various measures to strengthen (SME) competitiveness and enhance exports through e.g. simplifying export procedures, improve information on potential export markets as well as import/export rules, provide adequate financial support schemes, promote export associations and work towards the implementation of voluntary standards setting by businesses. It should be highlighted that in enhancing its non-oil export performance, Azerbaijan targets in the first instance the markets of Central Asia, Russia, Iran and the Middle East.

In the overall area of **judicial governance** the main issue for the medium and long-term once the conditions will be ripe in terms of reform commitment is to strengthen the independence and accountability of judges in order to increase public trust.

In the short-term, on justice efficiency and/ **access to justice**, where this action will focus on it is to note that although financial and human resources allocated to the justice sector have increased since 2000, there are still shortfalls in capacity, reflected in the fact that Azerbaijan has and around 6 judges per 100,000 inhabitants, and 1.13 first instance courts, compared to Council of Europe (CoE) averages of 20 judges and 2.3 courts per 100,000 inhabitants respectively.⁷

Indeed, despite the doubling of judges between 2004 and 2012, the caseload per judge has gone up because of an even higher growth in the number of civil and economic cases. According to official data, in 2007, first-instance courts in Azerbaijan delivered 45,675 judgments on civil and economic disputes; by 2012, this caseload had doubled, impacting on the average disposition times.

Currently, the government seeks to identify pragmatic solutions to alleviate courts from excessive workload and ensure speedier solutions. Alternative dispute resolution (ADR) can be successfully used to resolve disputes among businesses, employers and employees, businesses and consumers, as well as in domestic law cases, such as divorce, custody and maintenance settlements. Lack of ADR in Azerbaijan has also been captured by the *Commission européenne pour l'efficacité de la justice* (CEPEJ) 2014 overview of the European judicial systems.

As regards commercial disputes, international and domestic arbitration as a means of alternative dispute resolution is allowed under the national legislation.⁸ Since 2000, Azerbaijan has been a party to the Washington Convention of 1966, which provides an arbitration forum for settlement of investment disputes among states and nationals of other states, as well as the European Convention on International Commercial Arbitration of 1961, and the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards on November 9, 1999. Azerbaijan is also a party to the Community of Independent States (CIS) Agreement on the Mutual Execution of Decisions of Arbitration, Commercial and Economic Courts in the Territory of States being Members of the Commonwealth of 1998 and the Energy Charter Treaty of 1994 which are also linked to the area of international arbitration.

In order to contribute to an increased protection of the business environment in Azerbaijan, a Presidential decree was issued in February 2016, establishing a remedy mechanism for the restoration of violated rights and interests of businesses by different state bodies or their officials. The decree introduces an Appeal Council under the President and local Appeal Councils under local Executive authorities, as well as a mechanism in the consideration of appeals made by individuals and legal entities operating as entrepreneurs against the decisions, actions and inactions of central and local executive authorities.⁹

⁷ CEPEJ, Report on 'European judicial systems – Edition 2014 (2012 data): efficiency and quality of justice'

⁸ Azerbaijan - National Report - World Arbitration Reporter (WAR) - 2nd Edition, 2000.

⁹ The Appeal Council (AC) functions under the President as a voluntary team of 9 experts appointed by the President who have the power to receive complaints from individual entrepreneurs and commercial entities

Nonetheless, arbitration services in Azerbaijan are still underdeveloped. Mapping of existing ADR providers and reinforcing the capacity and skills of national practitioners on arbitration as a way to solve commercial disputes (e.g. real estate and construction; contracts; intellectual property; partnership and joint venture) would contribute to a more predictable and safer business environment, minimising damages to business relationships.

Mediation and reconciliation of parties involved in civil (including family) disputes allow people to reach agreements that meet everyone's interests. Such methods only exist now in an informal, custom-based manner. They can be piloted in a more structured way by specialised civil society organisations particularly in the regions, where legal aid provision is scarce, as well as through Court-based mediation and reconciliation.

Legal protection and support for women victims of domestic violence is another area of attention. The 2011 Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) requires its Member States to fully address gender-based violence in all its forms and to take measures to prevent violence against women, protect its victims and prosecute the perpetrators. While Azerbaijan has not signed nor ratified the Istanbul Convention, Azerbaijan's Constitution guarantees gender equality before the law and the country has relevant legislation and court procedures in place that address domestic violence; however, domestic violence offences are not criminalized.. The Law on Combatting Domestic Violence was adopted in 2010, but further efforts are required to ensure its effective implementation, training of justice personnel, law enforcement agencies, health workers and other stakeholders to deal with these offences, and ensuring that victims' rights are respected.

According to the 2015 World Bank evaluation on access to justice in Azerbaijan¹⁰, there is evidence of significant gender disparities. Gender-based violence remains problematic, with almost 35 percent of women reporting to experience physical and/or psychological violence during their lifetime. There is evidence of significantly higher incidences of gender-based violence in rural areas than urban areas (77 percent versus 20 percent) and among women with secondary school education than higher education (46 percent versus 25 percent).

Very few female victims report gender-based violence to police and therefore existing data regarding gender-based violence does not reflect the true situation on the ground, especially in rural areas where traditional norms are strongest.

Even when women are willing to make complaints or initiate legal proceedings, they often face additional obstacles to seeking justice in relation to gender-based violence.

In order to enforce implementation of the Law by relevant stakeholders, Domestic Violence Monitoring Groups under each local Executive Authority office have been established in 2015. Members of these groups represent state agencies and are led by Deputy ExCom, predominantly women. Although the structure exists, its operation and efficiency could still be further enhanced.

There is also a strong need for building cooperation among law-enforcement agencies and civil society that are both involved in the identification of victims. The Ministry of Labour

concerning decisions and actions/inactions of Local Appeal Councils.

¹⁰ Source: 'Azerbaijan - Improving Access to Justice - A Poverty and Social Impact Analysis Handbook for the Justice Sector', October 2015, World Bank.

and Social Protection of the Population accredited a number of Non-Governmental Organisations (NGOs) to provide assistance to victims of domestic violence. but referral of actual and potential victims from law enforcement to NGOs and vice versa needs to be enhanced.

According to the Law on Domestic Violence victims shall be provided with pro bono legal aid, but the Law on Advocates envisages free legal aid only to low income families. This in practice creates an obstacle for victims to benefit from legal support.

The State Committee for Family, Women and Children Affairs established Family and Children Support Centres in 11 regions of the country. While psychologist and social workers are mostly present in these Centres, vacancies for lawyers remain often unfilled. Additional capacity development support to these Centres and spreading awareness about its activities could attract more women to apply and benefit from the counselling assistance.

More in general, access to justice through the provision of legal aid for the wider population remains improvable. If in 2012 the average CoE Member State spent 10.65% of judicial sector budgets and EUR 8.63 per inhabitant on legal aid, Azerbaijan spent 0.43% of its judicial budget on legal aid, amounting to EUR 0.05 per inhabitant. Azerbaijan has relatively few practicing lawyers (9 lawyers per 100,000 inhabitants) compared to CoE area average of 120 lawyers per 100,000 inhabitants.

Azerbaijan law provides for legal representation of all accused persons in criminal cases and at all stages of criminal proceedings, including pre-trial investigation. The Bar Association is responsible for providing the lawyers. However, hourly rates offered for state-funded legal aid are very low and demand is also high for legal advice and assistance in civil and administrative cases. Only lawyers (members of the Bar Association) can represent clients in both criminal and civil proceedings and in all courts and stages of proceedings. Lawyers are primarily concentrated in Baku, therefore less accessible in the regions. Legal clinics providing free legal aid have been established in some universities but the overall impact is reportedly modest.

According to the World Bank 2015 Justice at a Glance report, only 65 cases per 100,000 inhabitants were granted legal aid in Azerbaijan, compared to an EU average of 1,098 and an EU-11 average of 830 per 100,000 inhabitants. This leaves 50 percent of the eligible recipients without legal assistance and representation.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
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<p>Weakening of the Government’s commitment to financial, economic and judicial governance reforms.</p>	<p>M (H for judicial governance)</p>	<p>Continued political and policy dialogue with the authorities. Raising Government’s awareness on cost-effectiveness and societal benefits of introducing innovative approaches to justice.</p>
<p>Rapidly changing circumstances may alter pace and direction of economic, financial and judicial governance reforms.</p>	<p>M</p>	<p>While economic diversification will remain the overriding government priority, TCF priority actions in the domains of financial, economic and judicial governance have been designed to allow for full alignment with Government’s evolving priorities.</p>
<p>Government restructurings may alter structure, responsibilities and names of beneficiary institutions.</p>	<p>M</p>	<p>While economic diversification will remain the overriding government priority, TCF actions within the domains of financial, economic and judicial governance have been designed to allow for full alignment with Government’s evolving priorities.</p>
<p>Inadequate coordination between different institutions and (public and private) stakeholders involved in the TCF.</p>	<p>M</p>	<p>Ensure involvement of all stakeholders in program design and implementation, encourage and support public-private/public-public dialogue</p>
<p>Unavailable budget for legal reform as regards expansion of ADR and legal aid provision.</p>	<p>M</p>	<p>Continued political and policy dialogue with the authorities and prioritisation of justice expenditure.</p>
<p>Corruption in ADR mechanisms.</p>	<p>M</p>	<p>Clear, public and transparent ADR methodologies/procedures; well-trained ADR professionals.</p>
<p>Reluctance of government to involve NGOs in AAP 2016 implementation</p>	<p>H</p>	<p>Continued policy dialogue with the Azerbaijani authorities regarding the need for openness and flexibility on registration and implementation of grants. In case the preferred modality of call for proposals for result 4 (domestic violence) is not possible, and given the service-</p>

		oriented nature of the foreseen action, service contracts could be considered
Assumptions		
Sufficient institutional capacity / maintenance of key leadership and technical staff as well as sufficient planning, implementation and coordination capacity in beneficiary institutions.		
The government continues its policy on macro-economic stability.		
The Government is interested to support innovative approaches to adjudication by exploring the possibility of introducing Alternative Dispute Resolution mechanisms.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The TCF is designed based on the lessons learnt from the implementation of the Comprehensive Institution Building (CIB) programme and previous Framework Programmes. Azerbaijan remains very interested in accessing EU expertise, specifically through twinning projects with EU Member States. The country has been successful in implementing this sort of facility with good results in terms of modernising its administration and approximating to EU standards and practices in selected sectors, as evidenced by an evaluation of the Twinning Instrument in Azerbaijan. By framing the current TCF in a more strategic approach focussed on a limited number of results and specifically targeting those interventions that would complement/reinforce results of the SSF focal sectors education and regional/rural development, its impact can be further enhanced.

More in general, the lessons learnt from the cooperation projects in Azerbaijan revealed that projects that built on the national agenda, accompanying the domestic actors in fulfilling their set priorities had a better likelihood of success, support and ownership by the beneficiaries. Policy dialogue, mutual trust and commitment to project results are key elements of development cooperation that could be further improved and maintained.

In all three areas of the TCF a policy dialogue has already been established with key institutions.

SME development requires the harmonised development of a number of enabling factors, a number of which could be targeted by the TCF, such as: evidence based SME policy development and monitoring through strengthened SME statistics (including sex – age aggregated), enhanced SME internationalisation through targeted export promotion support, capacity development for enhanced skills matching and anticipation and an effective implementation of voluntary standards setting by the private sector. In targeting macro-level support (capacity and policy development of key economic governance institutions), the TCF complements – and renders more effective - the work of other donor interventions in support of SME development, which mostly operate at the micro level (direct support to SMEs) or meso-level (support to intermediary organisations).

EU support to the justice sector in Azerbaijan has contributed to an increased knowledge and skills of legal professionals, mainly through the establishment of the Justice Academy as the national knowledge supplier for the judiciary and other legal professionals, as well as to a strengthened Judicial Legal Council. Besides an overall improvement of the institutional capacity of justice stakeholders and the approximation of their operations with European standards, the prison conditions and treatment of inmates, including medical treatment, have been improved as a result of the EU funded Justice Reform Support Programme (JRSP). The support offered to the Commissioner for Human Rights (Ombudsman) and especially to the National Preventive Mechanism contributed to a more effective oversight of the respect for the right of people held in custody.

Donors supporting access to justice have moved from an approach centred on institutions and the legal profession to a broader one involving all stakeholders, especially the users and especially the poorest.

The TCF work on legal aid can build on the results achieved under the World Bank's Justice Modernization Project (JMP). Legal Information Centers were piloted in Baku and Guba, providing free legal aid to 4,380 users and enabling the MOJ to test cost-effective approaches to legal aid for the vulnerable. However, progress in improving access to justice has trailed progress in modernisation of the judiciary. This is particularly true for vulnerable groups. For example, IDPs face difficulties in access to justice in remoter areas. Azerbaijan is also yet to enact a law on legal aid. Provision of legal aid is concentrated in Baku and other major cities and there is no provision for legal aid to eligible persons in non-criminal cases. As a result, vulnerable litigants are often not able to secure legal advice or representation in non-criminal cases.

Projects in support of alternative dispute resolution proved successful when tailored to the specificities of the judicial system (legislation, practice, attitudes) in which they were anchored and when sustainability of ADR initiatives was ensured by the Government, by the establishment of new private professions (mediators, arbitrators, negotiators) or by means of community-based NGOs.

International projects in support of women's rights and in particular those targeting domestic violence were usually confronted with insufficient availability of official data regarding the incidence of domestic violence, low rate of officially reported cases, as well as insufficient inter-institutional coordination between judiciary, law enforcement agencies and social services to properly handle domestic violence cases. While some donors aimed at reinforcing the State capacity to respond (legislation, policies and operations), others focused on providing direct support to women in need, through NGOs (shelter, as well as legal, medical, psychological assistance) or mobile courts.

3.2 Complementarity, synergy and donor coordination

There are not many donors operating in Azerbaijan in the area of **financial governance**. Apart from the World Bank and the Swiss Economic Cooperation and Development Division (SECO) within the State Secretariat for Economic Affairs, the EU is the only major donor¹¹. SECO proposed to channel funds through the EU for this component of the TCF therewith enhancing EU+ donor coordination, while enhancing leverage and sharing risks by pooling together funds while reducing transaction costs for Azerbaijan. The final approval of the

¹¹ All three donors have jointly financed the PEFA exercise in 2014.

Swiss Parliament is expected by June 2016. The EU Delegation has taken the lead in donor coordination in this area.

PFM reform has been a priority for EU cooperation with Azerbaijan in past years. Since 2011, the EU has provided Twinning support to the State Financial Control Agency, the Ministry of Taxes, while a Twinning project with the Chamber of Accounts is currently being tendered. The EU also provides expert advice to the Ministry of Finance in the implementation of its PFM Action Plan 2015-2017. The TCF will be complementary to this existing and planned EU assistance. It is, and will continue to closely coordinate its assistance with the World Bank (which is also providing support to implementation of the PFM Action Plan).

The support foreseen under **economic governance** will be complementing the work done and foreseen under the SSF focal sectors education and regional/rural development. In the area of regional/rural development, the TCF will complement and facilitate the foreseen support under AAP 2015 to SMEs and government institutions in the agri-food sector. As regards education, the TCF will complement and reinforce the results of the EU "Education Support Programme in Azerbaijan" (AAP 2014) which aims (amongst others) to modernise the country's vocational and educational system. A functional skills anticipation mechanism to be supported through the TCF is crucial to the development of policies and programs for Vocational Education and Training (VET) foreseen under AAP 2014.

The TCF will also complement and build on the support foreseen under Institutional Reform Plan (IRP) 1 (AAP 2013) "working towards further deepening of bilateral economic and trade relations with the EU" under the CIB program in terms of capacity building of the beneficiary institutions and legal approximation to the EU". Under IRP1, the EU is currently preparing a short term program to support the Ministry of Economy to address some of the constraints highlighted by the EaP SME Policy Index (notably in the area of SME internationalisation, support services for start-ups, access to finance and reviewing options to allow SMEs better access to public procurement markets). The TCF can build and further consolidate on this ground work to further support key policy interventions that could strengthen SME export performance and competitiveness.

The TCF which aims to support capacity development and policy initiatives of key economic governance institutions also complements the regionally funded EU SME Flagship Initiative which often works at meso- and micro-level, such as East Invest (which focusses support mainly at the level of intermediary organisations), the European Bank for Reconstruction and Development (EBRD)-implemented Small Business Support programme (supporting SMEs with consultancy support) and Women in Business Program (providing technical assistance to banks, training women entrepreneurs). The TCF also complements EaP-GREEN (supporting green transformation of pilot SMEs), Through the provision of improved enterprise/SMEs statistics, the TCF, in turn, will facilitate a better monitoring of the efficiency and effectiveness of these regional programs.

Finally, actions planned under the TCF in the area of economic governance will be complementary to activities currently being implemented or planned by other donors active in this domain, e.g. the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) (supporting pilot SMEs to enhance their export potential), USAID (supporting selected agribusiness SMEs through enhanced access to finance and capacity development support) and the International Finance Corporation (IFC - access to finance, streamlining of business procedures).

Supporting **access to justice** would follow up on past EU interventions, most notably within the Comprehensive Institution Building CIB programme, which identified and is addressing key gaps in institutional capacity (e.g.: the Judicial Legal Council, the Ministry of Justice, the Ombudsman and the Commission on Combatting Corruption), and the EU JRSP. The proposed programme aims to consolidate gains and ensure continuity of policy dialogue, while at the same time introducing new areas of focus (legal aid, public awareness on human rights and rule of law, domestic violence) that have been identified as the most pressing.

In the area of legal aid, the World Bank has funded two pilots (one through a NGO, one through the Bar Association) under its previous Justice Modernization Project. The World Bank will continue supporting legal aid under its current Justice Project (which ends in 2018), aiming at the provision of free legal aid and representation to 10,000 people identified as vulnerable. EU support will thus build on the results achieved in the current and previous World Bank projects.

Complementarity with the Council of Europe (and notably the Eastern Partnership Programmatic Cooperation Framework -EaP PCF- program) will equally be ensured through existing coordination mechanisms set up between the EU and the Council of Europe.

In the field of domestic violence, the main stakeholders are the United Nations Development Programme (UNDP), (the United Nations Population Fund (UNFPA) and USAID. While two resource centres have been established by these organisations in the regions for victims of domestic violence, the overall awareness of the general public remains limited and inter-institutional mechanisms for handling cases of domestic violence require further strengthening.

Other donors active in the field, but in limited scope are the United Nations Children's Emergency Fund (UNICEF), GIZ, USAID and the Office of the High Commissioner for Human Rights (OHCHR). These organisations predominantly target the areas of juvenile justice, advice on civil and administrative legislation, training of judges in civil-administrative law, legal aid and legal training.

3.3 Cross-cutting issues

All activities will be designed and implemented in accordance with principles of good governance and human rights, gender equality and environmental sustainability and the inclusion of socially or economically deprived groups wherever these issues are of particular relevance to the institutions to be assisted. Gender equality is particularly embedded in the economic and judicial governance component (e.g. targeting women entrepreneurship and allowing for gender disaggregated SME data, the provision of targeted support to combat domestic violence, the provision of legal aid to vulnerable groups, including IDPs and women). This is fully in line with objective 7 of the Gender Action Plan 2016-2020 (Physical and Psychological Integrity Priority Area).

Particular attention will also be given to mainstreaming environmental aspects into the economic governance component (e.g. increase regulatory incentives for SMEs to adopt green practices).

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of the Sustainable Development Goals (SDG) targets: 8) decent work and economic growth and 16) peace, justice and strong institutions, but also promotes progress towards Goals 5) gender equality and 10) reduced inequalities. This does not imply a commitment by the country benefiting from this programme.

The overall objective of the TCF is to support the government of Azerbaijan in the diversification of its economy while promoting a balanced and inclusive growth.

It has the following specific objectives:

- To improve efficiency of public expenditures and revenue collection;
- To improve the competitiveness and export performance of SMEs;
- To improve access to justice for citizens and business.

The following main results are expected:

In the area of financial governance:

Result 1: Strengthened institutional and administrative capacity of key financial governance institutions such as the Ministry of Finance, Ministry of Economy, Taxes and Chamber of Accounts, in line with internationally accepted and EU best practices

In the area of economic governance:

Result 2: Strengthened institutional and administrative capacity of key economic governance institutions, such as the Ministry of Economy and relevant departments and agencies (AZPROMO, Entrepreneurship Department), the Ministry of Labour and Social Protection of the Population, the Standardisation Committee, the Central Statistics Committee and other relevant bodies and agencies in line with EU standards and best practices with a particular focus on vulnerable segments of the population, including IDPs.

In the area of judicial governance / access to justice:

Result 3: Strengthened capacity of the Ministry of Justice in introducing Alternative Dispute Resolution mechanisms in Azerbaijan, in order to contribute to a faster and more satisfactory justice delivery for citizens and businesses;

Result 4: Increased legal protection and support for women, victims of domestic violence, through an increased capacity of the State Committee for Family, Women and Children's Affairs and civil society organisations to deliver services, as well as an increased awareness and empowerment of women regarding their rights and available remedies;

Result 5: Better legal aid services for population, through a reinforced capacity of the supply side (Ministry of Justice and civil society organisations) and the legal empowerment, awareness and access to services of the demand side (the people, especially vulnerable groups from rural areas, including IDPs).

4.2 Main activities

In the area of **financial governance (result 1)**, support will be provided to key financial governance institutions, including:

1.1 Support to the Ministry of Finance in the implementation of its future PFM Action following up on the current plan (2015-2017), to conduct a repeat PEFA and to develop a follow-up action plan.

1.2 Support to the Ministry of Taxes to implement the Strategic Plan for the Tax System 2013-2020.

1.3 Support to the Chamber of Accounts to implement its future strategic development plan, following up on the current plan (2015-2017) and planned Twinning project (2016-2018).¹².

In the area of **economic governance (result 2)**, support will be provided to key economic governance institutions, including:

2.1 Support in the provision of targeted export promotion measures.

2.2 Support to the Ministry of Economy in the design and/or implementation of priority policy interventions to create a more enabling SMEs environment.

2.3 Support in further modernising its standards system in line with EU principles and WTO regulations through the completion of secondary legislation on voluntary standards setting with consumer protection provisions and through support of the committee's advisory function and awareness raising role towards other government bodies and SMEs.

2.4 Support to the Ministry of Labour and Social Protection of the Population to strengthen capacity to skills anticipation and workforce planning and provide training and skills development to meet human resource needs of SMEs and other actors in the labour market.

2.5 Support to the State Statistics Committee in the collection and dissemination of enterprise/SME statistics (including sex-age disaggregated), including enterprise demography, short term statistics and structural information on enterprises.

2.6 Support to the design and implementation of economic diversification strategies and policies that may be included in the future country development strategy.

In the area of **access to justice (results 3-5)** support will be provided to key judicial governance institutions, including:

For result 3 (Alternative Dispute Resolutions):

3.1. Mapping of existing ADR practices and providers in Azerbaijan regarding all forms of disputes.

3.2. Contribution to the development of a policy framework on ADR, in accordance with existing national legislation and European best practices.

3.3. Establish and train a pool of ADR national practitioners.

¹² Such Twinning is not funded under the present Action.

3.4. Support the provision of ADR in all forms of disputes in the regions, including through Court piloting.

3.5. Educate the justice stakeholders, business owners and the general public on the merits of alternative dispute resolution mechanisms over the court process.

3.6. Conduct a legal research on adjudication of small claims and repetitive cases in accordance with the EU best practices, as well as on the type of Court non-judicial tasks that could be transferred to other professions.

For result 4 (domestic violence):

4.1. Provide European know-how and experience for a full and proper implementation of the Law on Combatting Domestic Violence, as well as for the elaboration of by-laws, if necessary, with a view to also ensure effective cooperation mechanisms with responsible judicial entities, law enforcement agencies and NGOs.

4.2. Conduct assessment of consequences and required measures to be taken in case of criminalisation of domestic violence.

4.3. Assist in developing legislative proposals for the criminalisation of domestic violence.

4.4. Support the provision of legal and psychological assistance of women victims of domestic violence through Family and Children Support Centres and civil society organisations in the regions (especially women's organisations).

4.5. Organize trainings of legal professionals on women's rights and the treatment of domestic violence cases according to national law and European standards.

4.6. Conduct awareness campaigns of the general public, with a focus on the regions where the occurrence of domestic violence is high, in order to change attitudes, gender roles and stereotypes.

For result 5 (legal aid):

5.1. Assist the elaboration of a legal aid policy with the Ministry of Justice, aimed at increasing the value of state budget allocated to the legal aid system, through the expansion of legal aid provision, the increased number of qualified lawyers in the regions, the setting up of a referral mechanism and coordination structure.

5.2. Support the provision of legal aid to people in regions through civil society organisations.

5.3. Organize advocacy and legal awareness campaigns in the regions, in order to empower vulnerable groups, including women and IDPs to access justice and legal services.

4.3 Intervention logic

Priority will be given to those interventions in the area of economic, financial and judicial governance that are complementary to and further strengthen intended results of the SSF focal sectors education and regional/rural development, while supporting the overall economic diversification agenda of the government.

In the area of financial governance, the programme builds on past and ongoing cooperation with the stakeholders involved (Ministry of Finance, Ministry of Taxes and Chamber of Accounts) and continues the successful cooperation activities that aim at improving efficiency and transparency of public expenditures and revenue collection, including with a view to strengthen the business climate and stimulate investment.

In the area of economic governance, this programme will focus on providing macro level support in the broad realm of SME development to complement and facilitate work and expected results of other donors supporting SME development on micro- and meso-level.

The TCF aims to support economic diversification by allowing for more evidence based SME policy making, support in the creation of a more enabling environment and through targeted capacity development support to key economic governance institutions.

As regards access to justice the TCF programme supports economic diversification by addressing the need to increase access to justice for businesses and citizens as well as awareness of their rights (particularly for vulnerable groups in the regions), to find pragmatic solutions to alleviate the current excessive courts' workload by exploring innovative justice delivery mechanisms and to support the Government in the implementation of the 2010 Law on Combatting Domestic Violence, with a view to fully respect, protect and restore the rights of women and children.

Starting from the national legal framework that allows for the development of alternative dispute resolution mechanisms, the project intends to map existing practices and providers in Azerbaijan, in order to inform the Ministry of Justice on possible feasible options that could be considered for the introduction of ADR in Azerbaijan. European expertise and knowledge sharing on the resolution of disputes in civil (including family), commercial and criminal matters, together with the establishment of several ADR pilots in regions would generate awareness and Governmental buy-in, once there is understanding of the cost-effectiveness and societal benefits that ADR brings.

Last, the social, legal and psychological protection of women victims of domestic violence would be better ensured by means of the programme, as the national authorities will be provided with the necessary support for a full and proper implementation of the Law on Combatting Domestic Violence, the public will be more sensitive as regards women's rights and the practitioners will have the necessary skills, knowledge and develop procedures to prevent and combat domestic violence.

The programme will indirectly aim to trigger considerations around a possible legislative reform on legal aid, ADR, or on the criminalisation of domestic violence, once the authorities become familiar with EU practices and the programme produces results. Analysis reveal that immediate criminalisation of domestic violence, without capacity building of the stakeholders, better implementation of existing law, learning of best practices, assessment of consequences of possible criminalization would not bring tangible results.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Grants: indicatively 4 calls for proposals in a framework of Twinning program (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The Twinning calls for proposals modality will be used to achieve part of the specific objectives and results of this action, *inter alia*:

- to support the Ministry of Taxes in implementation of its strategic plan (result 1 under the financial governance component);
- to support the State Statistics Committee to strengthen enterprise / SME statistics, including enterprise demography and structural information on enterprises (result 2 under the economic governance component);
- to support the State Committee for Standardisation, Metrology and Patents to develop secondary legislation on technical regulation and voluntary standards setting in line with EU principles and WTO regulations and through support of its advisory function towards other government bodies and SMEs (result 2 under the economic governance component);
- to support the State Committee for Family, Women and Children Affairs in combatting domestic violence (result 4 under the judicial governance / access to justice component).

(b) Eligibility conditions

In line with Article 4(10)(b) of Regulation (EU) No 236/2014, participation in Twinning calls for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies entrusted with a public service mission under their control provided they act for the account and under the responsibility of that Member State.

(c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant.

The essential award criteria are the technical expertise of the applicant and the relevance, methodology and sustainability of the proposed action.

(d) Maximum rate of co-financing

The rate of co-financing for twinning grant contracts is 100%¹³.

(e) Indicative timing to launch the call

Q1 2018

(f) Use of lump sums/flat rates/unit costs

Twinning contracts include a system of unit costs and flat rate financing, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. The use of this system of unit costs and flat rate financing, which exceeds the amount of EUR 60 000 per beneficiary of a Twinning contract, is subject to the adoption of a separate, horizontal Commission decision.

5.3.2. Grants: call for proposal to combat domestic violence (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

Objective of the call for proposal under result 4 will be to reinforce the capacity of civil society to provide assistance to women victims of domestic violence as well as advocacy and awareness campaigns on women's rights.

(b) Eligibility conditions

The call will be opened to NGOs, international organisations, Member States agencies, local authorities and education institutions.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 100 000-150 000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 24 months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

Second trimester of 2018

¹³ As provided for in the Twinning Manual

5.3.3 Procurement (direct management)

Subject in generic terms	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Financial Governance	Services	2	T1 2018
Economic Governance	Services	3	T1 2018
Judicial Governance / Access to Justice	Services	2	T1 2018
Evaluation / Audit	Services	2	2021-2022
Communication and visibility	Services	1	T4 2018

5.4 Scope of geographical eligibility for procurement and grants (to be completed during formulation)

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in in EUR)
Financial governance (result 1)	4 200 000	
Economic Governance (result 2)	6 000 000	

Judicial Governance / Access to Justice (results 3-5)	2 900 000	62 500
Evaluation and Audit	300 000	N.A.
Communication and visibility	100 000	N.A.
Total:	13 500 000	62 500

5.6 Organisational set-up and responsibilities

Oversight of the program will be entrusted to two Steering Committees co-chaired by the government's dedicated body and the EU Delegation. Its members will include representatives of the sector's stakeholder institutions. The steering committees (one for financial and economic governance and one for judicial governance/access to justice) will meet at least once a year to assess progress of the TCF implementation. Where appropriate due to external factors or a change of circumstances, the Steering Committees may propose modifications to the implementation of the program for consideration by the European Union.

In addition to the two TCF steering committees to provide strategic guidance and oversight of the TCF program (one for the economic and financial governance and one for the judicial governance/access to justice components), separate project steering committees for each Twinning and service contract under the TCF program may also be established.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes also measuring the impact of the actions on women) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the action addresses a variety of

innovative interventions based on smart specialization concept of a selected area/sector of regional development.

The Commission shall inform the implementing partner at least one month in advance in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in the 4th trimester of 2022.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in the 3rd trimester of 2021.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results Chain	Indicators	Baselines	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	The overall objective of the program is to support the government of Azerbaijan in the diversification of its economy while promoting a balanced and inclusive growth	Non-oil sector contribution to GDP	61.5% (2014)	75% (2020)	Government of Azerbaijan (GoAZ) statistical records	Continued AZ commitment to economic diversification.
		Non-oil sector contribution to exports	14% (2014)	25% (2020)		
		Efficiency of legal framework in settling disputes.	3.8 (value) (2013-2014)	4.5 (value) (2020)	Global Competitiveness Index	The Government is interested to support innovative approaches to adjudication by exploring the possibility of introducing Alternative Dispute Resolution mechanisms.

						Sufficient institutional capacity / maintenance of key leadership and technical staff as well as sufficient planning, implementation and coordination capacity in beneficiary institutions.
Specific objectives: Outcomes	The specific objectives are: 1.To improve efficiency of public expenditures and revenue collection	<p>1.1. Ministry of Finance (MoF): PEFA indicators C.i (policy-based budgeting); C.ii (budget control); C.iii (accounting)</p> <p>1.2. Ministry of Taxes (MoT): Paying Taxes indicator of Doing Business</p> <p>1.3. Chamber of Accounts (CoA): PEFA indicator “scope and nature of audit”</p> <p>2.1 Percentage of SME contribution to GDP</p> <p>2.2. Percentage of SMEs exporting directly or indirectly</p>	<p>PEFA 2014: - A score: 5 x - B score: 5 x - C score: 5 x</p> <p>2016: score 83.77</p> <p>PEFA 2014: - PI.26: score D+</p> <p>3% (2013)</p>	<p>PEFA 2020: Improvement of at least 3 of the B and C scores</p> <p>2020: score 87</p> <p>PEFA 2020: - PI.26: score C</p> <p>8% (2020)</p>	<p>PEFA 2020</p> <p>WB Doing Business Reports</p> <p>PEFA 2020</p> <p>GoAZ statistical records</p> <p>GoAZ statistical records</p>	

	<p>2. To improve the competitiveness and export performance of SMEs</p> <p>3. To improve access to justice for business and citizens</p>	<p>3.1 Use of Judicial Mediation and Alternative Dispute Resolution (ADR)</p> <p>3.2 Number of people receiving free legal aid</p> <p>3.3 Percentage/(number) of women victims of domestic violence receiving free legal and psychological assistance (by region, age, including IDPs)</p>	<p>3.1% (2014)</p> <p>0 (2015)</p> <p>5397 (2012)</p> <p>NA</p>	<p>8% (2020)</p> <p>At least 2 ADR pilots (2020)</p> <p>10,000 (2020)</p> <p>At least 3% out of reported domestic violence cases (2020) OR</p> <p>At least 500 assisted persons</p>	<p>Programme reports</p> <p>MoJ statistics</p> <p>Programme reports</p>	
<p>Outputs</p>	<p>1. Strengthened institutional and administrative capacity of key financial governance institutions</p> <p>2 Strengthened institutional and administrative capacity of key economic governance institutions</p>	<p>To be completed at a later stage for each individual action financed under this Technical Cooperation Facility.</p>				

	<p>3 Strengthened capacity of the Ministry of Justice in of introducing Alternative Dispute Resolution mechanisms in Azerbaijan</p> <p>4 Increased legal protection and support for women, victims of domestic violence, through an increased capacity of the State Committee for Family, Women and Children's Affairs and civil society organisations to deliver services, as well as an increased awareness and empowerment of women regarding their rights and available remedies</p> <p>5 Better legal aid services for population, through a reinforced capacity of the supply side (Ministry of Justice and civil society organisations) and the legal empowerment, awareness and access to services of the demand side (the people, especially vulnerable groups from rural areas).</p>		
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