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ANNEX

to the Commission Implementing Decision on the Annual Action Plan
in favour of Azerbaijan for 2023

Action Document for Support to Socio-Economic Development of Azerbaijan

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title OPSYS Basic Act	Support to Socio-Economic Development of Azerbaijan Annual action plan in favour of Azerbaijan for the year 2023 OPSYS business reference: NDICI-GEO-NEAR/2023/ACT-61915 ABAC Commitment level 1 number: JAD.1210914 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Economic and Investment Plan (EIP)	Yes; Energy & Thematic priority II (energy), V (economic development)
EIP Flagship	No
3. Team Europe Initiative	No
4. Beneficiary of the action	The action shall be carried out in of Azerbaijan
5. Programming document	Multi-annual Indicative Programming Document (MIP) 2021-2027 for Azerbaijan ¹
6. Link with relevant MIP(s) objectives/expected results	MIP priority area 1: Resilient, sustainable and integrated economies Specific objective 2: To support economic reforms to improve business and investment climate in order to promote private sector and micro, small and medium-sized enterprises development, create decent green jobs, further diversify and formalise the economy and make it more environmentally sustainable / Expected result: (a) Business and investment climate improved to strengthen competitiveness of private sector and micro, small and medium-sized enterprises; (b) green businesses supported: green/less

¹ Commission Implementing Decision adopting a multiannual indicative programme for Azerbaijan for the period 2021-2027 [C(2022)450]

	<p>carbon intensive and resource efficient, high quality green jobs, circularity of production and consumption promoted.</p> <p>MIP priority area 2: Accountable institutions, the rule of law, and security</p> <p>Specific objective 2: To support independence, efficiency and quality of justice system through improved legislative safeguards (in line with European standards) and strengthened case management procedures, enhanced management practices, promoting awareness of legal aid and use of the alternative dispute resolution mechanism / Expected result (a): Independence, efficiency of the judiciary and quality of justice enhanced in line with European standards.</p> <p>MIP priority area 3: Environmental and climate resilience</p> <p>Specific objective 1: To promote transition to a climate neutral economy by enhancing energy efficiency and improving environmental sector governance with focus on renewable energy, circular economy, industrial pollution, chemical accidents, waste, water and air/ Expected result (a): Energy efficiency in buildings (residential and public) and in industrial processes improved.</p>
PRIORITY AREAS AND SECTOR INFORMATION	
7. Priority Area(s), sectors	<p>DAC 151 - Government & Civil Society-general</p> <p>DAC 231 - Energy Policy</p> <p>DAC 232 - Energy generation, renewable sources</p> <p>DAC 998 – Unallocated / Unspecified</p>
8. Sustainable Development Goals (SDGs)	<p>Main SDG:</p> <p>SDG 8 – Promote sustained, inclusive and sustainable economic growth</p> <p>Other significant SDGs and where appropriate, targets:</p> <p>SDG 5 – Achieve gender equality and empower all women and girls</p> <p>SDG 7 – Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>SDG 13 - Take urgent action to combat climate change and its impacts</p> <p>SDG 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>
9. DAC code(s)	<p>DAC 151 – Government & Civil Society-general (20%)</p> <p style="padding-left: 40px;">15130 – Legal and judicial development</p> <p>DAC 231 – Energy policy (30%)</p> <p style="padding-left: 40px;">23112 – Energy regulation</p> <p style="padding-left: 40px;">23181 – Energy education/training</p> <p style="padding-left: 40px;">23182 – Energy research</p> <p style="padding-left: 40px;">23183 – Energy conservation and demand-side efficiency</p> <p>DAC 232 - Energy generation, renewable sources (30%)</p> <p style="padding-left: 40px;">23210 – Energy generation, renewable sources - multiple technologies</p> <p>DAC 998 – Unallocated / Unspecified (20%)</p> <p style="padding-left: 40px;">99810 - Sectors not specified</p>
10. Main Delivery Channel	<p>Multilateral Organisations (International Organisations and/or Member State Donor Agencies) – 40000</p>

	Non-Governmental Organisations (NGOs) and Civil Society – 20000			
11. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
12. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	13. Internal markers and Tags	Policy objectives	Not targeted	Significant objective
EIP		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EIP Flagship		YES <input type="checkbox"/>		NO <input checked="" type="checkbox"/>
Tags		YES		NO
transport		<input type="checkbox"/>		<input checked="" type="checkbox"/>
energy		<input checked="" type="checkbox"/>		<input type="checkbox"/>
environment, climate resilience	<input checked="" type="checkbox"/>		<input type="checkbox"/>	
digital	<input type="checkbox"/>		<input checked="" type="checkbox"/>	

economic development (incl. private sector, trade and macroeconomic support)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
human development (incl. human capital and youth)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
health resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
migration and mobility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
agriculture, food security and rural development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
rule of law, governance and public administration reform	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
other	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	
digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BUDGET INFORMATION

14. Amounts concerned	Budget line(s) (article, item): 14.020111 – Eastern Neighbourhood Total estimated cost: EUR 13 500 000 Total amount of EU budget contribution: EUR 13 500 000
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MANAGEMENT AND IMPLEMENTATION

15. Implementation modalities (management mode and delivery methods)	Direct management through: - Grants - Twinning grants - Procurement Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.3
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1.2. Summary of the Action

The action seeks to reinforce the EU's role as a reform partner in Azerbaijan and support a broad range of reforms reinforcing socio-economic development of the country. First, the action acknowledges the need to scale up the use of renewable energy (RE) and adoption of energy efficiency (EE) solutions. It builds on the results of the past and ongoing regional programmes and technical assistance, and on opportunities arising from the Memorandum of Understanding (MoU) on a strategic partnership in the field of energy signed between the EU and Azerbaijan in July 2022. The action contributes to the development of conditions and a comprehensive regulatory framework for the transition towards a functioning RE market and application of EE solutions in Azerbaijan, increasing a share of renewables in the energy mix and creating various incentives for private investors and users and raising awareness. The action underpins a stronger methane ambition by Azerbaijan via targeted support to draw up a methane roadmap or strategy leading to concrete policy action at domestic and international level. In addition, RE and EE technologies offer the most prominent carbon-neutral solution to meeting Azerbaijan's climate targets. It contributes to building an effective circular economy in the country, which demands a comprehensive approach to resource efficiency and the use of raw materials and available energy resources.

Second, the action seeks to support the ongoing process of reform in Azerbaijan's criminal justice system, in line with European and international standards and based on the principles of humanisation, resocialisation and restorative justice. More can be done to increase criminal justice stakeholders' knowledge and skills to effectively implement and further enhance reforms in the sector. To maximise the impact, the action supports cooperation and coordination between the probation service and social services, promotes restorative justice, as well as better treatment and resocialisation of inmates, including women and children, by improving the regulatory and policy framework as well as the capacity of the relevant staff for implementing gender sensitive and juvenile justice interventions.

Moreover, the action foresees continued support to Azerbaijan's efforts to diversify its economy, enhance climate neutrality and strengthen non-oil sectors. The Economic and Investment Plan (EIP)² can play a key role in supporting these efforts. Improving legal certainty, judicial transparency and establishing functioning integrity systems will help European businesses to effectively operate and invest in Azerbaijan³ and will contribute to creating a business environment necessary for further stepping up the implementation of the EIP. These measures also contribute to improving the country's overall competitiveness and address the unequal distribution of economic wealth among the society. The action supports progress on the structural reforms necessary for creating a diversified and competitive private sector.

Overall, the action is fully in line with the priorities of the Multi-annual Indicative Programme (MIP) 2021-2027 for Azerbaijan and will contribute to the achievement of Sustainable Development Goal (SDG) 8 – decent work and economic growth, as well as SDG 5 – gender equality, SDG 7 – affordable and clean energy, SDG 13 - climate action and SDG 16 – peace, justice and strong institutions.

1.3. Beneficiary of the action

The Action shall be carried out in Azerbaijan, which is included in the list of ODA recipients.

² [Joint Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions 'Eastern Partnership policy beyond 2020 Reinforcing Resilience - an Eastern Partnership that delivers for all' \[JOIN\(2020\) 7\]](#)

³ [EU Business Climate report for Azerbaijan \(2021\)](#)

2. RATIONALE

2.1. Context

The framework for European Union (EU)-Azerbaijan relations is embodied in the Partnership and Cooperation Agreement (PCA)⁴ in force since 1999. The EU-Azerbaijan Partnership Priorities⁵, extended for the period of 2021-2024, provide strategic guidance to the bilateral cooperation while negotiations of a new comprehensive PCA are ongoing. In addition, the EU's assistance in Azerbaijan is underpinned by the priorities of the European Commission and those of the post-2020 Eastern Partnership (EaP) policy as presented in the March 2020 Joint Communication⁶ and July 2021 Joint Staff Working Document⁷. This is also in line with the Economic and Investment Plan⁸ for the EaP. The EIP is the investment pillar of the EaP, complemented by a governance pillar to strengthen democratic institutions. The two pillars work in conjunction to deliver tangible benefits to people by creating a stable business environment and bringing economic investments. The EIP also supports the EU's Global Gateway⁹ strategy in building sustainable and trusted digital, energy and transport connections around the world. The principles of the European Green Deal¹⁰ strategy are fully considered. In 2022, several investment projects have been rolled out in line with the EIP, some of which will be complementary to the action.

The long-term key challenge for Azerbaijan is to promote the diversification and formalisation of the economy to enhance its resilience as well as to ensure inclusive and sustainable growth. The country is faced with persisting significant governance challenges related to safeguarding checks and balances in the political system, strengthening democracy and the rule of law, ensuring respect for human rights and fundamental freedoms, as well as preserving space for civil society and independent media. In February 2021, the government of Azerbaijan outlined its strategic development agenda of "Azerbaijan 2030: National Priorities for Socio-economic Development"¹¹ to achieve sustainable economic growth and higher social welfare.

In this regard, in Azerbaijan, the EU promotes and supports a wide range of reforms, notably on good governance and the rule of law, social development and inclusiveness as well as economic diversification, inclusive and sustainable growth, green and digital transition. The EU remains the largest donor to the civil society in Azerbaijan and continues channelling support through the regional Civil Society Facility programme. In addition, the EU is the leading donor in assistance on mine action in the country. Demining, in this regard, is among the top policy and budgetary priorities of the government of Azerbaijan in view of safe resettlement of internally displaced persons (IDPs) across the country. Supporting Azerbaijan's transformation into a more resilient, sustainable and integrated economy, with an attractive business environment and a strong and competitive private sector will remain a key priority of the EU, as also embedded in the priorities of the MIP 2021-2027.

In July 2022, the EU and Azerbaijan signed a MoU on a strategic partnership in the field of energy¹². In line with the REPowerEU strategy, the MoU will allow for enhanced strategic cooperation in the energy field, notably working jointly to increase deliveries of Azerbaijani natural gas to the EU, but also accelerating the deployment of renewables and addressing methane emissions via increased methane ambition and tangible

⁴ [Official Journal L 246, 17/09/1999 P. 0003 - 0051](#)

⁵ [Recommendation no 1/2018 of the EU-Azerbaijan Cooperation Council of 28 September 2018 on the EU-Azerbaijan Partnership Priorities \[2018/1598\]](#)

⁶ [Joint Declaration of the Eastern Partnership Summit \(Brussels, 15 December 2021\) \[14964/21\]](#)

⁷ [Joint Staff Working Document 'Recovery, resilience and reform: post 2020 Eastern Partnership priorities' \[SWD\(2021\) 186\]](#)

⁸ [Annex 1 to the Joint Staff Working Document 'Recovery, resilience and reform: post 2020 Eastern Partnership priorities' \[SWD\(2021\) 186\]](#)

⁹ [Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank The Global Gateway \[JOIN\(2021\) 30 final\]](#)

¹⁰ [Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions 'The European Green Deal' \[COM\(2019\) 640\]](#)

¹¹ [Order of the President of the Republic of Azerbaijan on approval of 'Azerbaijan 2030: National Priorities for Socio-Economic Development'](#)

¹² [European Commission - Press Release 'EU and Azerbaijan enhance bilateral relations, including energy cooperation' \(18 July 2022\)](#)

methane policy action. Azerbaijan understands the crucial role of a greener and more resilient economy to overcome the limits of its current fossil fuel-dependent growth model. The political backing of a policy shift towards renewable energy sources and energy efficiency is a positive step.

Much remains to be done, namely in terms of thorough implementation of RE/EE legislative developments adopted with support from EU-funded programmes, the further development of comprehensive, stable and predictable energy regulatory framework and standards for areas such as energy audits, energy efficiency services, energy management systems, the production of electricity from renewable sources, including via increased private and community-level renewable energy generation amongst others, support for structural reforms to underpin more competitive energy markets, spurring private investment and leading to increased energy diversification, and support for skills development to support economic diversification and employment creation in RE/EE sectors. Public awareness among citizens, local authorities, private sector, and policy makers is also fundamental to achieve progress. In December 2022, the Agreement on Strategic Partnership in the field of development and transfer of green energy between the Governments of Azerbaijan, Georgia, Romania and Hungary was signed. It aims to establish a Black Sea underwater electricity cable (a Flagship project under the Economic and Investment Plan) with the objective to reinforce security of supply by bringing electricity from renewable sources in the South Caucasus to the EU. This agreement can open further possibilities to deepen energy cooperation between the EaP countries and the EU Member States as well as incentivise sufficient attention to improving their regulatory framework and strengthening the capacity of the national electricity grid.

Good governance and democratic institutions, gender equality, the rule of law, effective anti-corruption frameworks, and fight against organised crime are preconditions for a functioning market economy and for sustainable growth, and a key factor in ensuring effective business climate and attracting foreign investment. A fair and efficient criminal justice system is a prerequisite for any democratic society based on the rule of law. Over recent years, Azerbaijan has taken steps to bring its criminal justice system in line with European and international standards. The action will build on the results of the past and ongoing projects and seek to continue transforming the criminal justice system, focusing on humanisation, resocialisation and restorative justice. The EU supported Azerbaijan in the implementation of the State Programme on Justice Development 2019-2023, supporting reforms in areas such as efficiency of the judiciary, development of alternative dispute resolution, economic empowerment of ex-convicts, capacity building in asset recovery and anti-money laundering measures. Regional and bilateral support has been complemented by the Regional EU-Council of Europe "Partnership for Good Governance (PGG)" programme.

On the justice reform, the efficiency and quality of the courts were improved through the dissemination of the European Commission for the Efficiency of Justice (CEPEJ) tools, building on the results of the work with pilot courts.

In order to help adapt to a fast-changing context, and particularly anticipating the eventual conclusion of the negotiations on a new bilateral agreement between the EU and Azerbaijan, this action foresees a flexible facility to provide a tool to respond to emerging reform needs in the coming years. This facility should be aligned with the EU's strategic priorities, complement work foreseen under the two other axes of this action and further stepping up the implementation of the EIP.

The complementarity with other ongoing and planned regional and bilateral interventions in the policy areas covered by this action will be consistently ensured at the activity level to explore possible synergies between the assistance provided by the EU and other international donors. Funding by other donors in the thematic areas of this action, notably as regards capacity building in RE, EE and criminal justice sectors remains limited.

2.2. Problem Analysis

Axis 1 – Boost for renewables & energy efficiency

Short problem analysis

Azerbaijan is committed to contributing to global climate change initiatives and has set climate targets under the Paris Agreement (35% reduction in greenhouse gas emissions by 2030)¹³ and during the United Nations Climate Change Conference held in Glasgow in 2021¹⁴, when it announced the intention to reduce greenhouse gas emissions to 40% by 2050. However, Azerbaijan's updated Nationally Determined Contribution (NDC) has not yet been shared with the UNFCCC nor does it yet include any climate neutrality commitment by mid-century. Furthermore, a number of recent ambitious agreements (MoU on strategic partnership in the field of energy between EU and Azerbaijan signed in July 2022; agreement between Azerbaijan, Georgia, Hungary and Romania signed on a strategic partnership in the field of green energy development and transmission signed in December 2022) and high-level meetings¹⁵ on the field of energy have fuelled the debate on energy efficiency and on the need to progress on renewables in the country¹⁶.

However, despite these developments, and although the government clearly declares its political will to scale up the EE and RE development, so far, the progress on improving technical capacity, regulatory and legal frameworks has been limited. A lack of a clear vision with long-term goals underpinning climate ambition, implemented through Long Term Low Emissions Development Strategy and Climate Law, , and/or strategy at the national level which would pave the way towards climate neutrality result in decisions taken on an ad-hoc and short-term basis despite the assistance provided by the EU through different programmes, in particular the EU4Energy and EU4Climate programme.

Azerbaijan has one of the highest indicators of energy self-sufficiency, as its energy production is four times higher than the domestic demand¹⁷ (the latter is however considered much higher as even basic EE standards are often not adhered to). The country's strategic goal is to diversify its economy and gradually turn from a fossil energy supplier into a renewable energy supplier capable of exporting renewable electricity and renewable hydrogen¹⁸ to the EU, as the EU's energy systems transition out of fossil fuel consumption. However, the available resources are not used efficiently, and the practical deployment of renewable energy sources has been limited¹⁹. The development of energy regulatory normative acts and standards for areas such as energy audits, energy efficiency services, energy management systems are fundamental in the short/medium term, particularly taking into consideration that public financing will not be enough to meet investment needs in the sectors²⁰. There is still large untapped potential for Azerbaijan to build on the legislative work done so

¹³ [Information from the United Nations Framework Convention on Climate Change \(UNFCCC\) on the Intended Nationally Determined Contribution \(INDC\) of the Republic of Azerbaijan](#)

¹⁴ [Azerbaijan - High-level Segment Statement COP 26](#)

¹⁵ The first Green Energy Advisory Council Ministerial Meeting took place on 3 February 2023, in Baku.

¹⁶ In 2016, the amount of GHG emissions in the Republic of Azerbaijan was estimated at 61.257 Mt of CO₂ equivalent, and net emissions, taking into account the removals, were estimated at 54.033 Mt of CO₂ equivalent, which is only 0.15% of the estimated emissions worldwide in 2016. According to the GHG inventory for 1990-2016, in 2016 Azerbaijan achieved a 31.6% reduction in emissions compared to the base year (1990), UN FCCC 2021 (Source: <https://unfccc.int/documents/299472>)

¹⁷ Source: [Azerbaijan Energy Profile, International Energy Agency \(June 2021\)](#)

¹⁸ The potential of renewable energy sources that are economically viable and technically feasible is estimated at 27,000 MW, including 3,000 MW of wind, 23,000 MW of solar, 380 MW of bioenergy, 520 MW of mountain rivers (EU4Energy, phase II, Council of European Energy Regulators).

¹⁹ Steps have been taken in Azerbaijan to accelerate the progress on renewables. This could be evidenced by a number of investment projects agreed and signed on ad-hoc basis with international private companies (e.g. ACWA Power from Saudi Arabia, Masdar from the United Arab Emirates, BP, Australia's Fortescue Future Industries, Spanish "Elecnor" company).

²⁰ The EBRD project "Support for renewable energy auctions in Azerbaijan" submitted relevant rules to the government of Azerbaijan on conditions for holding auctions. After their adoption, the first renewable energy auctions will be held. It is expected that this will stimulate the use of renewables and encourage foreign investment in this area.

far and further improve its RE/EE regulatory framework as a building block towards an integrated long-term energy strategy beyond 2030, which would bring together all the various strands of work on energy and climate change and underpin stronger climate ambition with a net-zero target by around mid-century. Whereas the gas sector represents an important economic activity, both the government of Azerbaijan and state-owned oil and gas company, SOCAR, have so far refrained from undertaking methane emission reduction action. A methane roadmap or strategy integrating the goal of joining the Global Methane Pledge as soon as possible would also be a critical component of an integrated long-term energy strategy.

An energy policy that reflects the current and future energy needs of the country - combining the best energy sources to conform to its energy mix, including renewables – is a key factor in the economic development. Azerbaijan could also benefit from strong RE potential, which should be untapped through an enabling regulatory framework ensuring more transparency and competitive energy markets spurring further liberalisation, private participation and investment and employment creation, which would contribute to economic diversification and support a gradual shift away from fossil energy sources. The EU in the past has supported the government in the development of a National Energy Efficiency Action Plan (NEEAP), which, unfortunately, has not been adopted and is now partly outdated. However, some elements of NEEAP were used in the national strategy of socio-economic development 2022-2026, as well in the drafting of secondary legislative acts such as energy labelling and eco-design requirements. The work towards the drafting of a new NEEAP (or any other complementary and comprehensive type of strategy) as part of a long-term integrated energy and climate strategy should be prioritised – such a document is crucial to address fundamental issues such as protection of consumers' rights, enhancing transparency in energy efficiency services and, consequently, to boost the interest of potential investors and stimulate the use of renewable energy sources in the country.

Limited awareness among citizens, local authorities, private sector and policymakers on EE/RE measures is also a major shortcoming and needs to be addressed to stimulate energy transition and decarbonisation of Azerbaijan's energy system. Finally, there are still a limited number of EE/RE specialists in the country and the capacity/knowledge of policy makers in these sectors needs to be strengthened. Efforts should also be made to increase the number of women specialists and policy makers. The action aims to position the EU position as a strategic partner of Azerbaijan in EE/RE and will provide avenues to channel financial, technical and capacity building support, in line with the EU standards and best practices.

Axis 2 – Promoting reforms in the criminal justice system

Short problem analysis

The EU has been a strong supporter of Azerbaijan's justice reforms over the years and this action will capitalise on the results of the past and ongoing programmes, while focusing on reform of the criminal justice system in line with European and international standards. It will address the specific challenges of such a process by providing support in the form of legislative expertise, development of regulatory frameworks, development of reform strategies and institutional capacity building.

Several steps have been taken by Azerbaijan in the process to reform its criminal justice system in recent years, including relevant changes to the Criminal Code²¹ and the establishment of the probation service in 2017²². Significant work has been done towards the humanisation of the punishment system, particularly in areas such as the application of alternative punishments, individualised approach in the work with offenders, promotion of restorative justice and other measures.

Overall, such changes have led to a significant increase in the workload of the probation service and uncovered the need for further improvement of the legislative and institutional framework of the service, as well as the

²¹ Law “On Amendments to the Criminal Code of the Republic of Azerbaijan” issued on 20 October 2017.

²² [Decree of the President of the Azerbaijan Republic “Advancement of activities in the penitentiary area, promoting humanism in the penal policy and enhancing the application of alternative sanctions and procedural restraint measures not involving isolation of offenders from the society”, issued on 10 February 2017.](#)

professional capacity of the law enforcement institutions. Further challenges are related to the lack of rehabilitation mechanisms for convicts under probation supervision, a poor cooperation and coordination between institutions providing social services, and the lack of professional capacity for effective application of alternative punishments.

In addition, Azerbaijan has taken steps towards the introduction of restorative justice²³. Support is currently needed to develop the legal and institutional framework for a restorative justice system that functions properly at any stage of the criminal justice process as well as to build the professional capacity of the Ministry of Justice.

Finally, prison reforms towards a more humane penitentiary system are also prioritised, especially towards its most vulnerable segment - women and children. Following recommendations of the international organisations²⁴, in March 2022, newly built modern prisons for women and juvenile convicts were opened. However, despite infrastructural improvements, challenges such as low professional knowledge and skills of the prison officers, a lack of individual gender and age specific approach to prisoners, insufficient work related to social reintegration of inmates and limited access to justice are significant and should be addressed.

Reconciliation methods are frequently practiced in Azerbaijan to resolve domestic and gender-based violence complaints which, in turn, weakens the legal and judicial protection of women's rights. The UN therefore recommends that legislation should explicitly prohibit mediation in all cases of violence against women, both before and during legal proceeding.

Axis 3 – Flexible facility a for stronger economy & improved investment climate

Short problem analysis

Azerbaijan's strategy for economic diversification needs to be backed by relevant structural reforms to lead to a sustainable and long-term socio-economic development. Such reforms require strong political will to improve the country's business climate, enhance competitiveness, and increase private sector participation as well as promote development of a climate neutral economy. Relevant technical capacity is also needed at various stages of the reform process - while developing and assessing reform options, but also after a reform process becomes operational. The EU's experience in supporting reforms in the EaP region shows that a continuous assistance is fundamental for achieving sustained and effective progress, as national technical capacity is often limited and can take time to develop.

Over the years, the EU has positioned itself as a long-term key strategic partner supporting several and significant sector-specific reforms in Azerbaijan. The EU remains committed to support Azerbaijan on its reform path and on the advancement of its socio-economic development agenda, in line with its established national priorities. The EIP also plays a key role in these efforts. The new bilateral agreement being negotiated between the EU and Azerbaijan aims at opening further opportunities for a deepened cooperation and various instruments to deliver necessary support for its swift implementation have to be anticipated. A flexible facility, as foreseen in the action, paves the way to channel such support.

The facility can also be used to strengthen the assistance provided in the areas covered by the other axes of the action or any sector in which the EU should reinforce its role as a strategic reform partner of Azerbaijan. It aims not only to complement the EU's ongoing support to Azerbaijan but also to be a tool that allows a quick response to developing and changing priorities and emerging needs.

²³ The Venice Declaration on the Role of Restorative Justice in Criminal Cases, calls for developing national action plans for the implementation of CoE Recommendation No. 8 of 2018 on restorative justice, the right of access to appropriate restorative justice for all interested parties, and the promotion of the wide application of restorative justice for minors. The Declaration also includes provisions for conducting training for relevant officials on restorative justice, incorporating this issue in educational programs, implementing legal awareness measures and communicating the role and benefits of restorative justice to the general public.

²⁴ The European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) in its last published report in 2018 recommended to increase the number of female custodial staff; better engage prisoners in purposeful activities of a varied nature (work, education, sport, etc.) tailored to the needs of each category of prisoner, including female prisoners and juveniles.

The action will be implemented in close cooperation and coordination with the government and local public authorities. Private actors and relevant non-state actors will be covered by this action.

Considering the context in the country, a complete overview of how the activities under this action will address directly and/or indirectly the listed state and non-state stakeholders, including the issues related to their institutional and organisational capacity as well as their roles, will be outlined at the project design phase.

The main stakeholders in the public sector include, but are not limited to:

Axis 1 – Boost for renewables & energy efficiency

The *Ministry of Energy* is a central executive body responsible for implementation of state policy and regulation in the fuel and energy sector. Coordination with other agencies and bodies under the Ministry, such as the *Energy Regulatory Agency*, *Azerbaijan Renewable Energy Agency* and the *Climate Change and Ozone Centre* will be ensured.

The *Ministry of Ecology and Natural Resources* is the central executive body implementing state policy on the preservation of the environment and the efficient use of natural resources.

The *State Committee of Urban Planning and Architecture* is the central executive body responsible for elaboration and implementation of state policy, as well regulation, in urban development. It is responsible for adopting standards related to EE in buildings and the implementation of the Urban Planning and Construction Code.

The *State Statistical Committee* is responsible for official energy statistics and balances in Azerbaijan.

The *State Service for Antimonopoly and Consumer Market Control* under the *Ministry of Economy* implements state policy on technical regulations, standardisation, metrology, conformity assessment, accreditation, and quality management and is also in charge of developing EE standards.

The *Azerbaijan Energy Regulatory Agency* (AERA) regulates and inspects issues related to electricity, gas and heat supply.

Axis 2 – Promoting reforms in the criminal justice system

The *Ministry of Justice* is a central executive body in charge of regulation of the justice system, overseeing the public prosecutor, maintaining the legal system and public order and instituting law reforms.

The *Prosecutor General's Office* is an independent constitutional agency responsible for managing the criminal investigation and public prosecution.

The *State Committee for Family, Women and Children's Issues* is a central executive body implementing and regulating the state policy on family, women, and children's issues.

Axis 3 – Flexible facility for a stronger economy & improved investment climate

The *Ministry of Economy* is the central executive body responsible for creating a favourable environment for economic development and growth, encouraging investment activity, developing entrepreneurship and industry, management of government assets and privatisation. The Ministry is also the national coordinator for the EU assistance.

The action and its three axes also foresee work with non-state stakeholders, notably the private sector on EE/RE and civil society organisations and youth, particularly women organisations, in the fields of rehabilitation of convicts, restorative justice and access to justice of vulnerable groups. Cooperation and

coordination with *local authorities is crucial in view of the local Sustainable Energy and Climate Action Plans adopted within the Covenant of Mayors initiative.*

2.3. Lessons Learned

Axis 1 – Boost for renewables & energy efficiency

The activities under this axis are designed based on the lessons learnt from implementation of actions in the past, supported by the EU or other international donors in the areas of EE, RE and environmental protection.

- Multi-stakeholder coordination is essential for effective implementation of the institutional framework for energy efficiency-related activities in industry, buildings, and transport sectors.
- Following an EU supported energy audit of a Soviet-era nine-floor residential building in Baku, it is estimated that a technical energy-saving potential around 50% is feasible. Efforts should be focused on developing appropriate compliance and enforcement procedures and capacities within the Government of Azerbaijan, improving the quality infrastructure on EE/RE.
- The Action in this field should build on the previous regional initiatives, including the Caucasus Sustainable Energy Finance Facility (final report and conclusions to be available in May 2023) and Sustainable Urban Demonstration Projects. The latter was not implemented in Azerbaijan, however some lessons can be learnt from the implementation in the other countries of the region.
- Based on conclusions from the past EU projects, the development - in line with the international best practices - of a detailed national calculation methodology (including approved calculation software), of an Energy Efficiency Certificate Database and an Energy Efficiency Building Code (EEBC) is essential and should be supported.
- The National Energy Efficiency Action Plan (NEEAP) was developed by the regional EU4Energy programme. Although the Plan was not formally adopted, the government used it as a basis for designing the national programme 2022-2026²⁵.
- Experience shows there is limited awareness, particularly in rural areas among citizens, local authorities, private sector on EE/RE and awareness raising should be prioritised.
- The Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA) has so far not been systematically applied in the country. Also, it is important to consider relevant climate change risks (such as changes in the wind/precipitation patterns, extreme weather events, etc.) in planning of the RE development.
- Several steps have been made to assist the country in its transition from a linear to a circular economy, notably with the EU-supported investments in waste management and local businesses, but also through regional EU4Environment programmes. Continuous support is needed to implement effective policies to incentivise and strengthen circular business models as well as regulatory and legal frameworks.

Axis 2 – Promoting reforms in the criminal justice system

The activities under this axis are designed based on the lessons learnt from implementation of similar actions in the past, supported by the EU or other international donors in the areas of justice, rule of law and human rights, in particular, rights of vulnerable groups:

- Experience shows that aligning support with existing government reform commitments is key to ensure the sustainability of results. Policy dialogue, mutual trust and commitment from both sides are key elements for achieving sustainable results.

²⁵ Action Plan “Strategy of socio-economic development 2022-2026”, chapter on national priority 5. Clean environment and country of green growth, approved by the Decree of President, 22 July 2022.

- While improvements in the justice and law enforcement sectors were reported as a result of past assistance, institutional weaknesses prevail. More work is needed towards reform of the justice sector which should aim at removing existing institutional/structural barriers.
- National ownership is fundamental for the success of interventions aimed at improving the legal and institutional frameworks and strengthening operational capacity.
- Experience has proven that the complex and collaborative approach of various stakeholders is beneficial in addressing challenges in efficient protection of human rights, in particular, rights of vulnerable groups such as people with disabilities, women and children. Multi-stakeholder consultations that require close coordination and cooperation positively contribute to the establishment of robust problem-solving mechanisms.

Axis 3 – Flexible facility for stronger economy & structural reforms

The activities under this axis are designed based on the lessons learnt from the past implementation of financing instruments and can be summarised as following:

- A flexible facility is currently being implemented under the multi-annual action programme 2019-2020 to support the government in the implementation of the Partnership Priorities. Within the scope of jointly identified strategic interests, the facility proved to be a flexible instrument for the EU to provide cross-sector support and to respond to needs emerging from the time the action document was drafted and the moment that implementation started.
- Whereas multi-stakeholder coordination is essential to better narrow down priorities and identify potential areas for support, it is fundamental to identify a lead counterpart within the government to speed-up processes of approvals/implementation of projects which can be slow in a highly centralised country-context like Azerbaijan.
- Coordination among donors is fundamental to avoid duplication and/or fragmentation.
- To ensure engagement and commitment from the authorities, the EU support should be aligned with Azerbaijan national priorities and agenda. Ensuring buy-in and ownership from the government is smoother if projects build-in on pre-existing locally-owned reform processes for which there is already consensus among influential local stakeholders and, hence, political ‘traction’ and support.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to reinforce reforms targeting the socio-economic development of Azerbaijan.

The Specific Objectives (Outcomes) of this action are:

1. Energy efficiency and renewable energy measures are piloted at operational level within consolidated and inter-related actions for decarbonisation of the energy system;
2. The criminal justice system acts more effectively, based on the principles of humanisation, resocialisation and restorative justice;
3. Socio-economic development reform policies and strategies, including on business environment and investment climate, initiated.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Contributing to Outcome 1 (or Specific Objective 1):

- 1.1. Legal and regulatory framework for RE and EE are developed;
- 1.2. Conditions and capacities to ensure quality infrastructure are put in place;
- 1.3. State and non-state stakeholder awareness, professional skills and institutional cooperation in EE and RE are enhanced;
- 1.4. Public and private actions at local level that integrate and apply EE and renewable measures supported and their results/lessons disseminated.

Contributing to Outcome 2 (or Specific Objective 2):

- 2.1. Reinforced state institutions' capacity for implementation of fundamental justice reforms in humanisation;
- 2.2. CSOs are engaged to be involved in rehabilitation of convicts, raising awareness on restorative justice and increasing access to justice of vulnerable groups.

Contributing to Outcome 3 (or Specific Objective 3):

- 3.1. Enhanced operational capacity of national authorities to formulate, develop and implement reform policies and strategies;
- 3.2. Reforms agenda aligned with the priorities of the EU-Azerbaijan cooperation;
- 3.3. Better business environment and investment climate regulations drafted.

3.2. Indicative Activities

Activities related to Output 1.1:

- Conduct an overall assessment of legal, institutional and enforcement frameworks on EE and RE with recommendations for their improvement based on EU regulatory standards and best practices as well as considering results achieved through past and ongoing EU's support²⁶
- On the basis of the assessment conducted, develop necessary legal and regulatory frameworks on EE and RE.

²⁶ Such gap analysis shall take stock, *inter alia*, of results achieved via EU-funded technical assistance, including in-depth energy policy reviews carried by the IEA and CEER in the framework of the EU4Energy programme and IRENA as part of the REMAP study conducted for the region.

Activities related to Output 1.2:

- Conduct an overall assessment of legal, institutional and enforcement frameworks on quality infrastructure on EE and RE with recommendations for their improvement based on EU regulatory standards and best practices.
- Based on the assessment conducted, develop necessary legal framework on quality infrastructure on EE and RE (normative acts, technical regulations, standards on certain prioritized areas etc.).
- Build capacity of the main stakeholders enhancing quality infrastructure in EE and RE.
- Provide further support to the implementation of EE and RE actions in complementarity with relevant national strategies and plans (e.g. on decarbonisation, green export etc.)

Activities related to Output 1.3:

- Develop and implement skill development, educational and training programmes (e.g. curricula and, when possible, involving the private sector) to increase overall expertise and employment in the country in the area of EE and RE.
- Build an effective and strong proactive partnership between academia, industry and government to promote green energy.
- Develop public awareness raising programmes for citizens, central government and local authorities' employees, media to promote advantages of EE and RE.

Activities related to Output 1.4:

- Design and implement a grant mechanism for EE and RE actors (including granting, tendering, contracting, project monitoring)
- Support development and implementation of pilot projects to stimulate most economically viable options in energy savings in targeted rural areas across the country in synergy with EU regional programmes.

Activities related to Output 2.1:

- Produce gender and age sensitive studies and analysis on socio-economic development perspectives of alternative punishments;
- Provide technical assistance to improve legal, institutional and human capacities of institutions providing probation services;
- Support development and facilitate implementation of rehabilitation mechanisms for convicts under probation supervision;
- Assist further application of effective alternative punishments i.e. early release from punishment, suspension of sentence execution, conditional sentencing, fine, restraint of freedom, promotion of open-type penitentiary institutions to foster rehabilitation in offenders;
- Assist development of legal and institutional framework as well as build human capacity of relevant institutions involved to establishment and application of restorative justice at any stage of criminal justice;
- Promote cooperation between European Forum for Restorative Justice (EFRJ) and relevant governmental and non-governmental organisations;
- Improve capacity of relevant institutions to conduct a study for identification of the economic effects of restorative justice and develop economic model of restorative justice.

Activities related to Output 2.2:

- Design and implement a tailored rehabilitation programme for convicts, including people with disabilities, women and children;
- Prepare and implement an awareness raising campaign on restorative justice;
- Increase access of vulnerable groups to justice via free legal aid.

Activities related to Output 3.1:

- Training on how to formulate, develop and implement relevant sectorial reforms;
- Technical assistance on formulation, development and implementation of relevant sectorial reforms.

Activities related to Output 3.2:

- Trainings to the sectors on EU best practices;
- Events on EU sectorial best practices.

Activities related to Output 3.3:

- Provide technical assistance to develop and/or improve business regulations in line with international best practices and the EU requirements.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

Outcomes of the Strategic Environmental Assessment (SEA) screening: The SEA screening concluded that no further action was required.

Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project). The EIA screening classified the action as Category C (no need for further assessment).

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project). The CRA screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G2. This implies that gender equality is a principal objective of this action. Activities foreseen under output 2.1 are directly focused on and aimed at ensuring the rights of women and children in conflict with the law. The action will take into account the EU Action Plan on Gender Equality and Women's Empowerment in EU External Action 2020–2025 (GAP III).

Human Rights

The action adopts, to the extent possible, a human rights-based approach and its working principles. Activities included in the action will be designed and implemented in accordance with the principles of a rights-based approach, good governance, human rights, gender equality, environmental sustainability and protection. Deliverables will be measured against gender, equity and human rights where possible. Some of the activities foreseen under output 2.1 are directly focused on and aimed at ensuring the rights of women and children in conflict with the law.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that disability is a significant objective. Activities foreseen under output 2.1 will target people with disabilities.

Democracy

The action will enhance civic participation and engagement at community level and accountability at local and national levels, across all axes.

Conflict sensitivity, peace and resilience

The 'do no harm' principle and conflict-sensitivity are embedded in the action. The action will contribute to concrete "benefits of peace" for the broader society, which are important to support more comprehensive conflict transformation and longer-term socio-economic development and resilience.

Disaster Risk Reduction

Although Disaster Risk Reduction is not a direct objective of the action, when relevant it will be mainstreamed. For instance, accessibility to buildings and enhancing seismic resilience will be considered during implementation of pilot projects on energy savings.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium / Low)	Mitigating measures
1 - External environment	Lack of political will to undergo relevant socio-economic reforms	Medium	High	Advocacy, continuous policy dialogue and consultations with the concerned country stakeholders.
1 - External environment	Low interest/awareness of EE/RE	High	Medium	Dissemination of targeted information and intensive awareness raising activities.
1 - External environment	Risks related to RE development potentially causing negative environmental impacts as well as likely consequences of climate change on the roll-out of RE	Medium	High	Systematic application of SEA and EIA following a good international practice (and/or the EU standards). Climate change factors to be considered in the RE planning and design of specific projects (as a mitigation measure).
3 - People and the Organisation	Low capacity and high turnover of national staff in sector-specific reform areas impacts implementation and sustainability of results	High	Medium	Conducting intensive capacity building activities in sectors covered by the action to develop national capacities in the long-term.
3 - People and the Organisation	Technical risks related to the delivery of expected energy savings, and other expected improvements	Medium	Medium	Use of international expertise to design standardised solutions, templates and best-practice energy efficiency improvement measures.
3 - People and the Organisation	Behavioural risks related to poor building energy management practices in retrofitted buildings	Medium	Medium	Buildings' energy management guidelines and information materials will be developed, combined with carrying out a wide-scale outreach. Training the maintenance personnel, monitoring and controlling of building energy end-use.
3 – People and the Organisation	Lack of cooperation among the law enforcement institutions and institutions providing social services	Medium	Medium	Providing awareness raising and capacity building activities for the law enforcement institutions and institutions providing social services to constructive interaction and promotion is one of the key priorities of this action.

External Assumptions

- There is a strong political will to continue the ongoing reform process in the energy sector, including EE/RE, and commitment to achieve the agreed targets in greenhouse gas emissions taken in the framework of international agreements.
- The government prioritises transformation of the criminal justice system, in line with European and international standards, and remains committed to allocate sufficient resources to improve probation, alternative punishment systems and restorative justice in Azerbaijan.
- There is willingness to partner with the EU on socio-economic reforms required for creating a diversified and competitive private sector and improved investment climate.

3.5. Intervention Logic

The underlying intervention logic for this action is to contribute and support reforms reinforcing socio-economic development of Azerbaijan through targeted interventions in the areas of EE/RE (axis 1), the criminal justice system (axis 2) and aimed at boosting the economy's competitiveness and improving investment climate (axis 3).

This action builds on an evidence-based analysis and will focus on needs identified in cooperation with key authorities and relevant non-state stakeholders. It will be implemented based on lessons learned, not only in Azerbaijan but also more broadly at regional (South Caucasus and the Eastern Partnership) level. The Action will seek to create synergies with other initiatives in Azerbaijan and regionally, such as the Covenant of Mayors East, Mayors for Economic Growth, EU4Energy, EU4Climate, EU4Business, EU4Environment, Eastern Europe Energy Efficiency and Environment Partnership (E5P), Partnership for Good Governance (PGG) III and EU4Gender Equality.

In addition, the action will be implemented through a mix of interventions ranging from policy guidance, development and dialogue to technical assistance, capacity-building and service delivery. Activities will be implemented in close cooperation with national and local authorities ensuring a complete alignment with national priorities and a strong ownership of the target groups in line with the objectives of this action.

The action further builds on the assumption that the government remains committed to jointly engage in the areas identified herewith and that there is strong political will to undertake the necessary reforms. The ownership of the action by authorities and their commitment to implement the recommendations issued in the context of the action are assumptions for its success.

Planned activities under axis 1 will include support to relevant governmental agencies in fostering effective energy transition towards a sustainable energy model adapted to national specificities and climate goals. Contribution to the national and sectoral development of RE and EE and supporting the structural transformations will be also key. Attracting European know-how, as an accompanying modality to investments, will be also key. The action is also based on the assumption that support to processes and activities related to mine action, in line with international standards, is necessary to enable conditions for rolling out investments in clean energy and EE needs.

Under axis 2, the focus is on the humanisation of the criminal justice system through the increased use of internationally recognised instruments alternative to imposing a jail sentence, improving supervision of the execution of non-custodial sentences and rehabilitation mechanism under the probation service, introducing restorative justice as one of the forms of alternative punishment, ensuring rights of vulnerable groups, such as women and children in conflict with law.

Axis 3 foresees a flexible facility that will contribute to enhanced cooperation in a wide range of areas, such as economic diversification, investments and trade. Measures under the facility will support Azerbaijan's efforts to improve the business climate and to promote the transparency and accountability of the public sector. It aims at achieving enhanced capacity of national authorities to formulate, develop and implement reform policies and strategies and in pursuing an integrated approach ensuring consistency between goals and means across sectors.

3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact 1	To reinforce reforms targeting the socio-economic development of Azerbaijan.	1 Greenhouse gas (GHG) emissions avoided with EU support (tonnes CO ₂ eq) [OPSYS-17178] 2 Country score according to the Global Competitiveness Report	1 38.4 mln. tonnes (AZ annual CO ₂ emissions 2021) 2 62.72 points out of 100 (2019)	1 28 mln. tonnes (by 2030) 2 65 (by 2030)	1 Azerbaijan CO ₂ country profile: GHG emissions 2 Global Competitiveness Report	<i>Not applicable</i>
Outcome 1	1 Energy efficiency and renewable energy measures are piloted at operational level within consolidated and inter-related actions for decarbonisation of the energy system.	1.1 GERF ²⁷ 2.4: Renewable energy generation capacity installed (kW) with EU support 1.2 Energy savings as a result of energy efficiency measures	1.1 0 (2023) 1.2 0 (2023)	1.1 250 kW (2030) 1.2 10 (2030)	Project monitoring and reporting system	There is a strong political will to continue ongoing reform process in the energy sector, incl. EE/RE, and commitment to achieve agreed targets in greenhouse gas emissions in line with international agreements.
Outcome 2	2 The criminal justice system acts more effectively, based on the principles of humanisation, resocialisation and restorative justice.	2.1 Number of prison population 2.2 Number of offenders in non-custodial programmes	2.1 21 813 (2021) 2.2 12 350 (2021)	2.1 20,500 (2028) 2.2 13,500 (2028)	2.1 CoE SPACE I reports 2.2 CoE SPACE II reports	Government prioritises reforms in the criminal justice system, in line with European and international standards, and is committed to allocate sufficient resources to improve probation, alternative

²⁷ [Commission Staff Working Document - Launching the Global Europe Performance Monitoring System containing a Revised Global Europe Results Framework \[5697/22\]](#)

						punishment systems and restorative justice.
Outcome 3	3 Socio-economic development reform policies and strategies, including on business environment and investment climate, initiated.	3.1 Number of actions developed based on key socio-economic reforms 3.2 Proportion of relevant national authorities with improved policymaking for a better business environment and investment climate	3.1 0 (2023) 3.2 0 (2023)	3.1 5 (2028) 3.2 40% (2028)	3.1 EU Delegation analysis 3.2 Projects Monitoring & reporting system	There is willingness to partner with the EU on socio-economic reforms required for creating a diversified and competitive private sector and improved investment climate.
Output 1 related to Outcome 1	1.1 Legal and regulatory framework for RE and EE are developed.	1.1.1 Number of legal acts and technical regulations on RE and EE revised or drafted consistent with international standards	1.1.1 5 (2023)	1.1.1 10 (2030)	1.1.1 Project monitoring and reporting system	<i>Same as for Outcome 1</i>
Output 2 related to Outcome 1	1.2 Conditions and capacities to ensure quality infrastructure are put in place.	1.1.2 Number of public servants involved in process of development of legal acts and regulations having acquired competence to fulfil their tasks	1.1.2 0	1.1.2 50	1.1.2 Project monitoring and reporting system	
Output 3 related to Outcome 1	1.3 State and non-state stakeholder awareness, professional skills and institutional cooperation in EE and RE are enhanced.	1.3.1 Number of professionals having acquired required capacity in RE or EE <i>[dis: according to RE/EE, professional profile, M/F)</i> 1.3.2 Extent to which a cooperation mechanism is operational <i>[No mechanism, mechanism under establishment, established, operational]</i>	1.3.1 0 (2023) 1.3.2 No mechanism (2023) 1.3.3 20 (2023)	1.3.1 50 (2030) 1.3.2 Mechanism operational (2028) 1.3.3 400 (2030)	1.3.1 Project monitoring and reporting system 1.3.2 Project monitoring and reporting system 1.3.3 Project monitoring and reporting system	

		1.3.3 Number of persons having acquired awareness in project awareness events <i>(dis: professional profile, sector, M/F)</i>				
Output 4 related to Outcome 1	1.4 Public and private actions at local level that integrate and apply EE and renewable measures supported and their results/lessons disseminated.	1.4.1 Number of projects whose design is supported by project (Dis: RE/EE, territory) 1.4.2 Number of persons enabled to design, manage, implement EE/RE projects 1.4.3 Number of projects financed (Dis: RE/EE, territory) 1.4.4 Number of case studies related to pilot projects, designed and disseminated 1.4.5 Number of persons engaged in discussion around pilot projects	1.4.1 0 (2023) 1.4.2 0 (2023) 1.4.3 0 (2023) 1.4.4 0 (2023) 1.4.5 0 (2023)	1.4.1 10 (2030) 1.4.2 30 (2030) 1.4.3 5 (2030) 1.4.4 10 (2030) 1.4.5 100 (2030)	1.4.1 Project monitoring and reporting system 1.4.2 Project monitoring and reporting system 1.4.3 Project monitoring and reporting system 1.4.4 Project monitoring and reporting system 1.4.5 Project monitoring and reporting system	
Output 1 related to Outcome 2	2.1 Reinforced state institutions' capacity for implementation of fundamental justice reforms in humanisation.	2.1.1 Status of the national probation system 2.1.2 Number of cases referred to alternative punishments' mechanisms 2.1.3 Status of the national level restorative justice system	2.1.1 No assessment of the probation system functioning (2022) 2.1.2 12 350 (2021)	2.1.1 Probation system management assessed positively (2028) 2.1.2 13,500 (2028)	2.1.1 Pre and post project assessment reports 2.1.2 CoE SPACE II reports	<i>Same as for Outcome 2</i>

			2.1.3 Restorative justice system not existing (2022)	2.1.3 Restorative justice system applied (2028)	2.1.3 Project reports; Annual reports of the Ministry of Justice	
Output 2 related to Outcome 2	2.2 CSOs are engaged to be involved in rehabilitation of convicts, raising awareness on restorative justice and increasing access to justice of vulnerable groups.	2.2.1 Number of designed and implemented tailored rehabilitation programmes 2.2.2 Number of conducted awareness raising campaigns on restorative justice 2.2.3 Number of persons benefitting from free legal aid (disaggregation)	2.2.1 0 (2023) 2.2.2 0 (2023) 2.2.3 1,450 (2022)	2.2.1 3 (2028) 2.2.2 2 (2028) 2.2.3 2,500 (2028)	2.2.1 Project reports 2.2.2 Project reports 2.2.3 Project reports	
Output 1 related to Outcome 3	3.1 Enhanced operational capacity of national authorities to formulate, develop and implement reform policies and strategies.	3.1.1 Proportion of relevant national authorities with enhanced operational capacity to formulate, develop and implement reform policies and strategies.	3.1.1 0 (2023)	3.1.1 40% (2028)	3.1.1 Project monitoring and reporting system	
Output 2 related to Outcome 3	3.2 Reforms agenda aligned with the priorities of the EU-Azerbaijan cooperation.	3.2.1 Degree to which the reforms agenda is aligned with EU-AZ cooperation priorities	3.2.1 0 (2023)	3.2.1 50% (2028)	3.2.1 Project monitoring and reporting system	<i>Same as for Outcomes 3</i>
Output 3 related to Outcome 3	3.3 Better business environment and investment climate regulations drafted.	3.3.1 Quality of the relevant business environment / investment climate regulations	3.3.1 NA (2023)	3.3.1 Very good (2028)	3.3.1 Project monitoring and reporting system	

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

4.3.1. Direct Management (Grants)

4.3.1.1. Grants

a) Purpose of the grant(s)

The grant will contribute to the achievement of the Specific Objective 2 (outcome 2), notably output 2.2.

b) Type of applicants targeted

International Organisations, Member States' agencies, specialised CSO, community-based organisations and economic operators (such as SME and small holder producers).

4.3.1.2. Twinning Grants

a) Purpose of the grant(s)

The Grants will contribute to the achievement of the Specific Objective 1 (outcome 1) notably output 1.1, 1.2, 1.3 and Specific Objective 3 (outcome 3), notably output 3.3.

b) Type of applicants targeted

Applicants must be EU Member State administrations and/or their mandated bodies.

4.3.2. Direct Management (Procurement)

The procurement will contribute to the achievement of the Specific Objective 1 (outcome 1), notably outputs 1.1, 1.2 and 1.3, the Specific Objective 2 (outcome 2), notably output 2.1 and the Specific Objective 3 (outcome 3), notably outputs 3.1 and 3.2.

4.3.3. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar-assessed entity, which will be selected by the Commission's services using the following criteria:

- Proven necessary logistical, operational and management capacity (human resources, organisational set-up, etc.);
- Proven sound knowledge of the EaP countries and Azerbaijan in particular;
- Proven strong thematic expertise in EE and RE;
- Proven expertise in implementing pilot/demonstration projects in the field of EE and RE in the EaP region.

The implementation by this entity entails the Specific Objective (outcome 1), namely to output 1.4.

4.3.4. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under indirect management as defined in section 4.3.3 cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by procurements under direct management would be used according to section 4.3.2.

If the implementation modality under direct management as defined in section 4.3.1. Direct Management (Grants) cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by indirect management with a pillar-assessed entity would be used according to section 4.3.3.

The entity will be selected by the Commission services using the following criteria:

- Proven necessary logistical, operational and management capacity (human resources, organisational set-up, etc.);
- Proven sound knowledge of the EaP countries and Azerbaijan in particular;
- Proven knowledge of the criminal justice system;
- As an added-value, proven experience working with local civil society.

4.4. Scope of geographical eligibility for procurement and grants

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 on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.3	
Grants – total envelope under section - cf. section 4.3.1	5 500 000
Procurement – total envelope under section cf. section 4.3.2	5 000 000
Indirect management with a pillar-assessed entity – cf. section 4.3.3	3 000 000
Evaluation – cf. section 5.2	N.A.
Audit – cf. section 5.3	N.A.
Strategic communication and Public diplomacy – cf. section 6	N.A.
Contingencies	N.A.
Totals	13 500 000

4.6. Organisational Set-up and Responsibilities

The Delegation of the European Union to Azerbaijan will be responsible for the management of the programme and will monitor its overall implementation. It will also be the focal point for any communication with the contractors or the beneficiary institutions. The Commission and the partner country will regularly review progress made in the overall implementation of the Action through a Programme Steering Committee (PSC) which meets once a year. Apart from steering the overall process the PSC also aggregates information about progress in implementation which will be made available to relevant stakeholders.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. 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 Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

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).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

- Baselines and targets which are not yet available will be provided at contracting level (at the latest at the end of the inception phase) by the selected implementing partners;
- Implementing partners will collect, record and track key data with particular focus on assessment against the indicators identified in the logical framework and that are disaggregated at least by sex, age, and even further when applicable indicators that are disaggregated at least by sex, age, and even further when applicable, to inform on progress towards planned results' achievement;
- At the level of the individual projects funded under this Action, specific Steering Committees (SC) will be convened by the implementing partners involving the EU Delegation and other relevant stakeholders. The SC will meet regularly to review progress on the basis of periodic reports.
- SDGs indicators and, if applicable, and jointly agreed indicators as, for instance, those from the EU Results Framework, should be taken into account.

The reports shall be laid out in such a way as to allow monitoring of the resources envisaged and employed and of the budget details of the Action.

5.2. Evaluation

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

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least 60 days in advance of the dates envisaged for the evaluation exercise and 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 following the best practice of evaluation dissemination. 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.

Evaluation services may be contracted under a framework contract.

5.3. Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document *Communicating and raising EU visibility: Guidance for external actions* (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.