

FOLLOW-UP ACTION PLAN OF THE EVALUATION OF THE EU'S CO-OPERATION WITH AZERBAIJAN

| RECOMMENDATIONS, FINAL REPORT | RESPONSES EU SERVICES: (I) ACCEPTED OR NOT, II) ACTIONS TO BE UNDERTAKEN | FOLLOW UP (by who ; by when) |
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| ON INSTRUMENTS | | |
| <p>RECOMMENDATION 1</p> <p>Use of Different Instruments. The portfolio of projects implemented EU assistance in Azerbaijan over the 2011 – 2016 period shows a strong emphasis on Twinnings, TAIEX, and grants to CSOs and a relatively modest reliance on TA operations. While somewhat unusual, this configuration appears to respond well to needs, considering that Twinnings and TAIEX are highly appreciated by Azerbaijani institutions, and grants to CSOs, while certainly originating significant administrative burdens due to their small size, allow to pursue important EU policy objectives. Under these conditions, barring major changes in priorities and/or in the general context, the current balance among the various instruments could well be retained in the future.</p> <p>➤ Recommendation: consider retaining the current balance among the various instruments, with a continued strong emphasis on Twinnings, TAIEX and grants to CSOs.</p> | <p>i) Accepted/ Partially accepted/Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>Balance between various instruments should be retained but particular emphasis should be put on the <u>strategic</u> use of available instruments in the implementation of the Partnership Priorities.</p> <p>ii) Actions to be undertaken</p> <p>To be considered for future actions but within strategic framework of EaP Priorities</p> <p>Future twinning projects should take into account the maturity of interventions as well as follow-up actions.</p> <p>Encourage use of TAIEX across the four Partnership Priorities areas (avoiding disparity in the areas covered).</p> <p>Reassess the use of grants, given government's expressed wish to take an active role in the selection process. (also refer to comments under Recommendation 6)</p> | <p>EUD Cooperation section; 2020</p> |
| <p>RECOMMENDATION 2</p> <p>Utilization of Budget Support. As indicated above (Section 6), there are different views regarding the effectiveness of past BS operations. The recent BS Review provides a globally positive assessment, as BS operations contributed to initiate policy dialogue in important areas. Instead, considering the limited results actually achieved, this Evaluation reaches a broadly negative conclusion. Irrespective of these differing views on past performance, positions tend to converge regarding the possible resumption of BS operations in the future (for which the GOA recently expressed interest), which should be subject to the fulfilment of clear conditions. In this respect, this Evaluation considers that the existence of well-conceived reform plans in the</p> | <p>i) Accepted/ Partially accepted/Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>Continuation of BS operations is not foreseen. The recommendation is partially accepted because it can be considered in case of a restart of BS operations in the future.</p> <p>ii) Actions to be undertaken</p> <p>n/a – continuation of BS operations is not foreseen.</p> | <p>-</p> |

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| <p>relevant sectors and, especially, the presence of a clear GOA commitment to implement those reform plans constitute an essential litmus test to assess the feasibility of revamping BS operations. While the problems encountered in the past were amply justified by the difficulty of reading the politics (and, in the case of the energy sector, the political economy) of reform in Azerbaijan in a situation of major political and economic changes, the re-emergence of similar problems in the future would signal an inability to learn from past experience.</p> <p>➤ Recommendation: Any continuation of BS operations should follow a thorough verification of the existence of necessary precondition in terms of reform plans, general conditions and strong GOA commitment to actually implement the envisaged reforms</p> | | |
| ON AREAS OF INTERVENTIONS AND OPERATIONAL ASPECTS | | |
| <p>RECOMMENDATION 3</p> <p>Regional and Rural Development. This focal area encompasses two themes, regional development and rural development that, while certainly linked, are not necessarily overlapping. This distinction must be kept in mind, as the two themes may require different approaches and tools. Regarding the regional dimension, all indicators show a significant (although not huge) variation in socio-economic indicators between Baku and surrounding areas and the rest of the country. Therefore actions aimed at correcting regional imbalances are a priori certainly appropriate. However, it is difficult to say to what extent the adoption of a 'territorial' approach could contribute to overriding objective of supporting the diversification of the economy as opposed to more 'horizontal' approaches. Concerning the rural development dimension, it is important to appreciate the challenges faced by the Azerbaijani agricultural sector. Agriculture is currently employing 36.3% of the workforce but contributing only a paltry 6% to GDP formation, and livelihood in rural areas largely depends upon the spillover from the oil economy. Such a situation is clearly not sustainable in the medium to long term and the sector appears to be set for a profound and possibly painful transformation. In this context, any action aimed at supporting the development of high value added agriculture and agro-processing industry is definitely a key priority and any action aimed at supporting such a development would be certainly relevant.</p> <p>➤ Recommendation: consider the continuation of activities in support of</p> | <p>i) Accepted/ Partially accepted/Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>The Ministry of Economy is responsible for development of the Government's Regional Development Policy and the current State Program for the development of regions of Azerbaijan in 2019-2023 does not designate separately the measures for rural and regional development. EU delivers technical assistance on applying tools and methodologies for regional and territorial development planning and programming. Government has recognized its value and aims to replicate it throughout the all regions of the country. The Government has shown interest to apply also the rural development instruments and methods which is the next step to be taken.</p> <p>ii) Actions to be undertaken</p> <p>Assistance on development of territorial development plans and enhancing the capacity of national and local authorities to plan, implement, and administer programmes directed to enhance socio-economic development of the region will continue within Annual Action Programs 2013 and 2017. The upcoming twinning on state support to agriculture can support current State Regional Development Strategy and Programme for Development of Rural</p> | <p>EUD Cooperation section; by end of implementation of AAPs 2013, 2015 and 2017</p> |

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| <p>Regional and Rural Development subject to (i) a clarification of the relationships between the 'regional' and 'rural' dimensions, especially in terms of tools required; and (ii) an assessment of the relative merits of a territorial vs horizontal approach in contributing to the overriding objective of supporting the diversification of the economy.</p> | <p>Regions and linkages between regional and rural development measures as well as assess the linkages between territorial approach appraised by the government and its economic diversification goals. Rural development, with particular focus on agricultural development, including agricultural advisory services improvement, rural entrepreneurship skills development and traditional food promotion, as well as improvement of fruit and vegetable sector competitiveness will be targeted within AAP 2015 and AAP 2017.</p> | |
| <p>RECOMMENDATION 4</p> <p>Justice Sector Reform. The objectives indicated in the SSF, particularly those focusing on the independence and impartiality of the judiciary, are being pursued by some recently started initiatives. The results of these initiatives (not covered by this Evaluation) are not yet known but, considering the crucial importance and sensitivity of the subject, it is plausible to assume that a protracted effort may be required.</p> <p>➤ Recommendation: subject to assessment of the results of ongoing initiatives, consider the continuation of activities in support of Justice Sector Reform, with special focus on the independence and impartiality of the judiciary.</p> | <p>i) Accepted/ Partially accepted/Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>Indeed, given the recent steps taken by the government in the field of judiciary development, support to Justice Sector Reform shall be continued. However, this support shall not be purely concentrated on the independence and impartiality of the judiciary.</p> <p>After adoption of Judicial State Program for the Development of Justice for 2019-2023 approved on 18 December 2018, new horizons have been identified for the potential EU assistance. This includes, among others, enhancing probation, establishment of mediation, penitentiary reforms, enforcement of decisions and legal aid.</p> <p>ii) Actions to be undertaken</p> <p>AAP 2016 envisages assistance in establishment of Mediation (including normative legal basis development, as well piloting, capacity building and awareness raising among population) and drafting the Law on Free Legal Aid.</p> <p>Penitentiary reforms especially in the field of prison management, health in prisons and reintegration of offenders will be ensured through an EU funded project with the Council of Europe (launched in February 2019).</p> <p>Probation support is foreseen under AAP 2019-2020. This includes electronic monitoring, organization of community works, offender management and development of probation related legislative basis (e.g. Law on Probation). AAP 2019-2020 will also cover other areas of</p> | <p>EUD Cooperation section; by 2020</p> |

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| | concern mentioned in the Judicial State Program. | |
| <p>RECOMMENDATION 5</p> <p>Education and Skills Development. The merits of EU action in support to VET have already been illustrated elsewhere in this Report and do not need much elaboration. This is an area where needs remain important, the EU assistance program has developed a good expertise and a continuation of activities is certainly recommended. In education, the recent initiatives focusing on the Bologna process show positive results and the reformist attitude displayed by the Ministry of Education is an important asset. Moreover, education is an area offering good prospects from a visibility point of view, as the reforms that could be supported have a potential impact on large parts of the population.</p> <p>➤ Recommendation: Consider the continuation of activities in support of VET and education, with the allocation of appropriate resources to be used for information campaigns intended to illustrate the results achieved.</p> | <p>i) Accepted / Partially accepted / Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>Single Support Framework for EU support to Azerbaijan for the period 2018-2020 includes the priority of education and VET, in particular to make lifelong learning opportunities better responsive and adapted to labour market trends and skills needs.</p> <p>ii) Actions to be undertaken</p> <p>The AAP 2018 envisages assistance for the implementation of Education for Employment in Azerbaijan programme, to be launched in 2019. The objectives of the programme are to i) enhance education and training sector, relevant to the needs of the labour market; ii) align competency-based education standards with occupational standards of strategic economic sectors; and iii) develop, pilot and implement curricula and teaching/training materials.</p> <p>Complementary EU support in the education area is provided through the Erasmus+ programme.</p> <p>The European Training Foundation (ETF) is also supporting Azerbaijan in the VET area.</p> <p>Furthermore, a dedicated communication and visibility budget to support overall EU visibility for all AAPs under SSF 2018-2020 is to be included in the AAP 2019. In addition, EU communication and visibility at project level is included at each contract under this AAP.</p> | <p>EUD Cooperation section; by 2020</p> |
| <p>RECOMMENDATION 6</p> <p>Support to CSOs. Because of the deteriorating environment, actions implemented through CSOs have encountered serious problems. Still, CSOs remain an essential partner in the pursuit of the overriding EU policy objectives of strengthening democracy and the protection of human rights and fundamental freedoms. The EUD has been working hard to alleviate the consequences of restrictive GOA regulations on the provision of grants to CSOs and in the meantime some pragmatic solutions have been found. Assuming that minimal basic conditions are met, continued support to</p> | <p>i) Accepted / Partially accepted / Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>Recommendation is partially accepted as options for EU support to civil society in Azerbaijan in this challenging context have remained limited. Even if grants have been successfully registered in 2018, policy dialogue with the authorities to exempt the EU from some of the regulations is on-going (notably in the context of negotiations of</p> | <p>HoD; in the context of the negotiations of EU-AZ bilateral agreement</p> <p>EUD Cooperation section; in the framework of the implementation of the Partnership Priorities Facility (AAPs 2019 and 2020)</p> |

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| <p>CSOs should definitely be a priority of future programming. Considering the persistent weaknesses of the CSO sector (aggravated by the recent developments), this should be accompanied by actions intended to further strengthen CSOs' management capabilities.</p> <p>➤ Recommendation: consider the continuation of support to CSOs, through (i) the provision of grants for the implementation of specific actions, and (ii) additional capacity building activities</p> | <p>new EU-Azerbaijan agreement).</p> <p>ii) Actions to be undertaken</p> <p>Policy dialogue with the authorities to exempt the EU from some of the regulations is on going (in the context notably of negotiations of EU-AZ bilateral agreement).</p> <p>Grants, including to CSOs, are included in the ongoing and upcoming EU programmes. The Partnership Priorities Facility (AAP 2019-2020) is one of them.</p> <p>Under the Civil Society Facility 2019-2020 managed by HQs, support is planned for social entrepreneurship of CSOs and general capacity building with small amounts of financial support for research, advocacy and policy analysis in all areas relevant to the Partnership Priorities.</p> | <p>EUD Cooperation section / NEAR HQs (C2); in the framework of the implementation of the Civil Society Facility (regional programme)</p> |
| <p>RECOMMENDATION 7</p> <p>Private Sector Development. Private sector development (PSD), i.e. the development of private sector activities outside agriculture, is of paramount importance to support the strategic objective of economic diversification. PSD-related activities were scarcely present among EU bilateral assistance initiatives implemented over the 2011-2016 period, with only a limited number of sizeable initiatives. The situation is in the process of changing, as several activities envisaged under the latest AAP and falling under the Regional and Rural Development focal area do focus on PSD-related themes, and especially on SME development. Future programming documents should consider placing a greater emphasis on PSD. This may not necessarily involve the addition of a further focal area, as PSD may be regarded as a cross cutting priority, intended to ensure the coherence among the actions envisaged in the various 'sectors'. As the experience with the EU-Azerbaijan Business Forum shows, PSD-related activities have a good potential for enhancing the visibility of EU action, and therefore great attention should be devoted to the dissemination of results.</p> <p>➤ Recommendation: consider the inclusion of PSD in the future programming, as a focal area or as a cross-cutting priority, with a special focus on non-oil sector development, with the allocation of appropriate resources to be used for information campaigns intended to illustrate the results achieved.</p> | <p>i) Accepted/ Partially accepted/Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>SMEs constitute the backbone of the EU's economy, representing over 60% of both employment and value added. In contrast, according to the 2016 Small Business Act Assessment, SMEs in Azerbaijan represent only 4% of GDP and less than 8% of employment. The creation of Agency for the Development of SMEs is a good testimony of the importance that is placed on the SME development.</p> <p>ii) Actions to be undertaken</p> <p>The 2016 AAP includes a component on economic governance, aiming to strengthen the competitiveness and export performance of SMEs. Technical assistance to support SME Agency is also underway.</p> <p>Further relevant support is planned under the Partnership Priorities Facility under AAP 2019-2020, complemented by regional EU programmes under EU4Business.</p> | <p>EUD Cooperation section; ongoing</p> |

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| <p>RECOMMENDATION 8</p> <p>Monitoring of CSOs' Activities. Continuing support to CSOs should be accompanied by a stronger monitoring of their activities. While improvements in operations are expected to result from general capacity building activities, in the short term a closer monitoring of CSOs from relevant services also appears warranted. Indeed, in addition to ensuring the enforcement of binding contractual provisions, a strengthened monitoring would yield substantial information on the results achieved by the various CSO-implemented actions, which could be precious for information activities, with positive effects on visibility.</p> <p>➤ Recommendation: consider strengthening the monitoring of CSO-implemented actions, in order to collect information on the results achieved that could be useful for visibility-related activities.</p> | <p>i) Accepted/Partially accepted/Rejected</p> <p><i>Please comment (why accepted/rejected)</i></p> <p>A closer monitoring of CSO implemented action is instrumental to understand results achieved and improve visibility of EU funded actions.</p> <p>ii) Actions to be undertaken</p> <p>Organise quarterly meetings with implementing partners and encourage identification of success stories. Regular meetings with CSOs implementing projects scheduled until the end of 2019 and regular quarterly visits after that</p> <p>Increase number of field visits: At least one field visit to each ongoing CSO-implemented project by end of 2019 and regularly visits at least every quarter after that.</p> <p>Implement a regional TA project on impact monitoring of EU civil society support in Eastern Partnership countries.</p> | <p>EUD Cooperation section; regular meetings and visits by end of 2019 and every quarter from 2020 onwards.</p> |