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**ANNEX**

*NEIGHBOURHOOD, DEVELOPMENT AND INTERNATIONAL COOPERATION INSTRUMENT*

**MULTI-ANNUAL INDICATIVE PROGRAMME**

**(2021-2027) FOR AZERBAIJAN**

# **1 The overall lines of the EU international cooperation in Azerbaijan**

## **1.1 Basis for programming**

The framework for EU-Azerbaijan relations is embodied in the **Partnership and Cooperation Agreement** (PCA) in force since 1999. In February 2017, negotiations were launched on a **comprehensive new agreement** between EU and Azerbaijan, which is to replace the PCA and better reflect the shared objectives and challenges the EU and Azerbaijan face today.

The **EU-Azerbaijan Partnership Priorities**, adopted on 28 September 2018, provide guidance to EU-Azerbaijan cooperation and remain the strategic framework for our cooperation with Azerbaijan. The Partnership Priorities were extended for the period 2021-2024<sup>1</sup>, taking also into account Azerbaijan's interest for future cooperation in the health sector<sup>2</sup>.

The EU's cooperation with Azerbaijan is consistent with the objectives of the Eastern Partnership (EaP) policy as presented in the March **2020 Joint Communication**<sup>3</sup> and confirmed by the EU and Eastern Partnership leaders on 18 June 2020<sup>4</sup>. In respect of the "**policy first**" principle, the future programming of the EU financial assistance, i.e. the MIP and the corresponding Annual Action Programmes, will be framed by the new priorities. They will also be fully aligned with the Joint Staff Working Document "Recovery, resilience and reform: post 2020 Eastern Partnership priorities"<sup>5</sup> setting out the post-2020 Eastern Partnership agenda, published on 2 July 2021, including its **Economic Investment Plan** and the **five flagships initiatives** to support socio-economic recovery and strengthen the country's resilience.

In February 2021, Azerbaijan has adopted **new five national priorities for socio-economic development until 2030**, mostly convergent with those of the 2020 Joint Communication.

The EU will continue supporting Azerbaijan's reform agenda in particular on economic diversification, inclusive and sustainable growth, transition to a climate neutral economy, social development, good governance and rule of law, mobility and people-to-people contacts. The cooperation on migration and security is also an important component of EU-Azerbaijan relations, carried out notably through the implementation of the Visa Facilitation / Readmission agreements. The humanitarian-development-peace nexus will be taken into account, in the context of the aftermath of the escalation of hostilities between Azerbaijan and Armenia in 2020.

This MIP is fully aligned with the European Commission's Political Guidelines 2019-2024<sup>6</sup>. It supports the delivery of key global policy objectives, including the Paris Agreement on Climate Change and the UN 2030 Agenda and its Sustainable Development Goals. The EU support will be consistent with a defined pathway towards climate neutrality in line with the long-term objectives of the Paris Agreement. It is fully sequenced with the needs deriving from the COVID-19 pandemic, including support to sustainable socio-economic recovery and health resilience. In line with the EU gender action plan (GAP) III<sup>7</sup>, gender equality will be

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<sup>1</sup> ST 13432/21 (NLA) and ST 13433/21 (LD)

<sup>2</sup> As per Government of Azerbaijan proposals on the post-2020 EaP agenda (September 2020).

<sup>3</sup> JOIN(2020) 7 final.

<sup>4</sup> Press release: <https://www.consilium.europa.eu/en/meetings/international-summit/2020/06/18/>

<sup>5</sup> SWD(2021) 186 final.

<sup>6</sup> [https://europa.eu/european-union/about-eu/priorities\\_en](https://europa.eu/european-union/about-eu/priorities_en)

<sup>7</sup> JOIN(2020) 17 final.

mainstreamed throughout all programmes and actions, together with a focus on youth. The twin green and digital transitions will also be mainstreamed in all programmes and actions.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

## 1.2 Status of joint programming

Currently, there are no joint programming activities in Azerbaijan. There are twenty EU Member States present in Azerbaijan, with several currently having a significant cooperation portfolio and/or a pro-active role in policy dialogue. **Joint policy analysis** with EU Member States will be stepped up and build on existing local donor coordination groups, as well as coordination with other key international stakeholders (World Bank, United Nations, European Bank for Reconstruction and Development, Organisation for Security and Cooperation in Europe and Council of Europe, in particular). Efforts will also be taken to further expand **joint implementation** of programmes in Azerbaijan. Joint implementation takes different forms, such as Annual Action Programmes being partially implemented through indirect management by EU Member States or twinning projects facilitating cooperation between Azerbaijan and EU Member States' institutions.

With the launch of Team Europe approach, the EU Delegation and EU Member States have intensified dialogue and coordination of efforts to address COVID-19 consequences, particularly through increased information sharing. Looking ahead, **Team Europe Initiatives** would need further time to mature in the specific context of Azerbaijan. They could possibly focus on inclusive, sustainable regional development, specifically targeting less developed regions and vulnerable communities. This, together with stepped up efforts of joint implementation, will help create increased and more coherent impact of EU support.

## 1.3 Priority areas of the EU's cooperation with the partner country/region

The EU's cooperation with Azerbaijan is aligned with the **five priorities** of the Commission and those of the future Eastern Partnership policy as presented in the March 2020 Joint Communication and confirmed by the EU and Eastern Partnership leaders on 18 June 2020. The priority areas are: resilient, sustainable and integrated economies; accountable institutions, the rule of law and security; environmental and climate resilience; resilient digital transformation; resilient, fair and inclusive societies.

The EU's cooperation with Azerbaijan is coherent with the **new National Priorities of Azerbaijan**. It is also aligned with the key global policy goals set by the UN 2030 **Sustainable Development Goals** and the **Paris Agreement on Climate Change**, as well as with the principles of the **EU Green Deal**, the European approach to **digital transformation** and the **European Skills Agenda** for sustainable competitiveness, social fairness and resilience.

The EU will ensure that all Neighbourhood, Development and International Cooperation Instrument (NDICI) targets will be met. Particular attention will be given to the NDICI climate target which will be directly supported through interventions foreseen in the third priority sector, but also through cross-cutting climate in the other priority sectors. In line with the EU Gender Action Plan (GAP III), **gender equality** will be mainstreamed across all sectors of the MIP. The principles of **good governance** and **engagement with civil society** will be a crucial

part of the EU strategy across all priority sectors, together with a focus on **vulnerable groups, youth and women**.

Synergies with regional programmes and thematic interventions will be ensured, with a special focus on stable, peaceful and sustainable development in the South Caucasus. The Sustainable Development Goals are also fully integrated throughout all priority sectors of the MIP.

The MIP is aligned with and contributes to the priorities and targets of the **Economic and Investment Plan and the flagship initiatives for Azerbaijan**. Thus, EU support will aim to facilitate and leverage public and private investments by joining forces with European and International Financial Institutions (IFIs), the Development Finance Institutions (DFIs) of EU Member States, the government of Azerbaijan, municipalities, and – where relevant – private investors. The European Fund for Sustainable Development (EFSD+) will play a critical role in mobilising private sector investment. To ensure these investments lead to a sustainable impact, investments will also be made in innovation and human capital. It will be important to develop a single project pipeline for Azerbaijan, to ensure lending possibilities are targeted to these strategic investments.

#### 1.4 Justification and context

The main policy objectives of the Eastern Partnership as presented in the Joint Communication “Eastern Partnership policy beyond 2020” have been chosen as the five priorities areas of the multiannual programming. They were discussed and agreed with the government of Azerbaijan, representatives of civil society organisations and the private sector, multilateral and bilateral donors, including EU Member States, international financial institutions (IFIs) and international organisations. A virtual **programming mission** led jointly by the European External Action Service (EEAS) and DG NEAR took place on 22-26 February 2021.

Azerbaijan is an **upper middle income country** with positive growth prospect, but with persisting significant **governance challenges** related to 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 enabling an environment for civil society to operate in.

While it remains difficult to engage on rule of law and human rights, it will be important to continue a constructive policy dialogue accompanying our cooperation on these sensitive issue and to encourage Azerbaijan in terms of respect of **fundamental freedoms** and of **accountability of public institutions towards citizens**. Working to improve the **enabling environment for civil society** and **strengthening rule of law** remain therefore important elements for the EU cooperation in the upcoming period.

Reforms are needed to boost **private sector investment, make the governance of state-owned enterprises more efficient**, increase **competitiveness** and develop **human capital**. Furthermore, while the whole population has benefited from the economic growth, wealth has not been distributed in equal terms. Important **disparities remain**, notably between the country’s urban centres and its rural areas.

By limiting access to **healthcare, education, social protection** and **jobs**, the **COVID-19 pandemic** threatens to reverse recent human capital gains in Azerbaijan<sup>8</sup>. These will be areas

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<sup>8</sup> “Policies for Human Capital Development in Azerbaijan: An ETF assessment 2018 2020”

where EU support will be relevant in the next years, as well as **digitalisation** and **support to small and medium enterprises**.

The goal of **environmental and climate mainstreaming**, including adherence to the 30% target of climate-related finance, will also be pursued, also contributing to targets on biodiversity. Synergies with regional programmes and thematic interventions will be ensured, with a special focus on stable, peaceful and sustainable development in the South Caucasus.

Azerbaijan is situated at an important **connectivity crossroad between Europe and Asia**. It plays an essential role in the **diversification of the supply of energy resources** and as a transport hub. The country's **regional and geopolitical context** is, however, **complex** as shown by the escalation of hostilities in 2020, followed by the ceasefire agreed between Armenia and Azerbaijan. The **humanitarian-development-peace nexus** will be taken into account in programming EU support. The EU is ready to support post-war recovery and conflict transformation in the Southern Caucasus including support for demining, socio-economic development of conflict-affected regions, impartial heritage preservation, regional connectivity and broader peacebuilding and reconciliation work. Where relevant, work on this will be mainstreamed in relevant flagship initiatives.

Annual EU assistance as a percentage of state budget is small (about 0,12% in 2019). However, the country is genuinely interested in **know-how transfer and approximation to EU best practices/standards** and welcomes institution building instruments such as TAIEX and Twinning. **Capacity development** of national institutions, particularly with a focus on **digitalisation**, will remain a key priority of EU assistance mainly regarding approximation to EU standards and alignment with international conventions.

As part of its National Debt Strategy, the Government decided to reduce its exposure to foreign debts, which has limited the possibilities for sovereign loans by IFIs' and use of **blending** and **guarantees**. However, since 2021, recent indications suggest that the country is ready to consider again foreign sovereign loans. Potential areas for support to investments with blending and guarantees under EFSD+ are green growth, circular economy, infrastructure, digitalisation, MSMEs financing via banks. Under the indicative Team Europe Initiative described below, the blending and use of guarantees for SME access to finance are considered. However, the rule of law and absence of judicial level playing field for investors remain the main obstacle to private sector development in Azerbaijan.

**Regional programmes** may be used to foster regional integration in complementarity with longer term bilateral annual targeted programmes, for instance in areas such as **culture** and **local governance**.

### **1.5 Duration of the MIP and option for synchronisation**

The Multi-annual Indicative Programme will have a duration of seven years, 2021-2027, under the suspensive condition that there is in place a joint document covering also the period 2025-2027, as the current document (EU-Azerbaijan Partnership Priorities) expires on 31 December 2024. It will be subject to a mid-term review and possibly ad-hoc reviews, as needed. Synchronisation will be done through jointly agreed documents. In case of a new or updated joint document, the MIP may be reviewed accordingly.

## **2 EU support per priority area and proposals of Team Europe Initiatives**

In addition to the priority areas and Team Europe Initiatives, a series of flagship initiatives for Azerbaijan have been included in the Joint Staff Working Document “Recovery, resilience and reform: post 2020 Eastern Partnership priorities”. These are concrete projects with tangible results that have been jointly identified with the partner countries, taking into account their priorities, needs and ambitions, and are closely linked with the priorities outlined in the MIP. The five Flagships for Azerbaijan are presented in Annex 3.

### **2.1 Priority area 1: Resilient, sustainable and integrated economies**

This priority area will support Azerbaijan’s transformation to a more resilient, sustainable and integrated economy – thus contributing to economic recovery and green decent jobs’ creation following the COVID-19 pandemic. The long term key challenge for Azerbaijan is to **promote the diversification and formalisation of the economy in order to enhance its resilience and ensure inclusive, private-led, sustainable growth**. This goal can be best achieved through the creation of a more attractive business environment e.g. by easing the entry and exit of companies in the non-oil sector, in particular green and digital economy, by reducing corruption, improving access to finance, completing World Trade Organisation accession, facilitating the operation of micro, small and medium-sized enterprises (MSMEs) and strengthening the competitiveness of private sector.

**Strong interconnections** between the EU and Azerbaijan are important drivers for economic development, regional integration, trade, customs cooperation and mobility. Sustainable, rules-based, safe and secure connectivity is key for both the EU and Azerbaijan. Sound macroeconomic policies and public financial management, creating fiscal space for public investments, ensuring a level playing field to engage with private sector, including through public-private partnerships, will be developed with IFIs to ensure sustainable infrastructure in all areas. The EU will continue to work with Azerbaijan on **energy connectivity**.

The **development of human capital and innovation** will play key roles in the economic development of Azerbaijan and will remain key priorities of the EU. Qualification and skills mismatch affect many young people and businesses often report an inadequately educated workforce as an obstacle to their performance. EU assistance from 2021 to 2027 will support educational, structural and systemic change with sustained policy measures on quality, digital, relevance and inclusiveness at all levels of education and training, both in schools and lifelong learning through informal and non-formal education. Youth employment and skills development will remain key priorities for EU support and to encourage more young people to become entrepreneurs, including targeted actions supporting women-led start-ups.

#### **2.1.1 Specific objectives related to the priority area**

1. To support further economic integration (specific objective 1);
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 (specific objective 2);
3. To strengthen connectivity (transport and energy), promoting green solutions and a sustainable transport system (specific objective 3);

4. To facilitate education and employment sector policies, planning and programmes and institution capacity building (specific objective 4).

### **2.1.2 Expected results per specific objective**

For specific objective 1 (economic integration): (a) further liberalisation of trade, including preparations for the accession to the World Trade Organization (WTO) supported.

For specific objective 2 (business and investment climate): (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 carbon intensive and resource efficient, high quality green jobs, circularity of production and consumption promoted.

For specific objective 3 (connectivity (transport and energy)): (a) priority projects identified in the Indicative Trans-European Transport Network TEN-T Investment Action Plan implemented; (b) Improved road safety; (c) Sustainable mobility alternatives promoted including through implementation of sustainable urban mobility plans in five key five cities (as per the Eastern Partnership Joint Staff Working Document); (d) Reduction of transport and power sector contribution to national Greenhouse Gas (GHG) emissions in all transport modes developed;

For specific objective 4 (education and employment): (a) Institutional and operational capacities on education and employment sector policies strengthened; (b) Reforms addressing the lack of quality in education supported; (c) Professional education and training systems offering lifelong learning opportunities further developed; (d) Income generation programmes, including vulnerable groups, expanded; (e) Youth employment including youth entrepreneurship increased; (f) green and digital skills.

### **2.1.3 Indicators**

Below is a list of key indicators envisaged under this priority area, arranged by specific objective. For more details regarding these indicators, including targets and baselines, please refer to Annex 1 (Intervention Framework).

1. To support further economic integration through regional integration of markets
  - Number of new adopted legislative and regulatory acts aiming at building an enabling environment and further integrating Azerbaijan into the world economy and multilateral trading system
  - Export of non-energy intensive products
2. To support economic reforms to improve business and investment climate
  - Number of newly-created private companies
  - FDI inward flow to non-energy intensive sectors
  - Global Competitiveness Index
  - Number of new micro, small and medium enterprises exporting to the European and international markets
  - SME Policy Index
  - Number of new MSMEs applying Sustainable Consumption and Production practices with EU support

- Number of new businesses using green technologies in their production or services supported / sustained
3. To strengthen connectivity (transport and energy), promoting green solutions and a sustainable transport system
- Total length of transport infrastructure supported by the EU (km): a) roads; b) railways; c) waterways
  - Number and quality of education and awareness raising campaigns to promote road safety
  - Number of road victims
  - Number and quality of sustainable urban mobility plans under implementation with EU support
  - Number and quality of education and awareness raising campaigns to promote sustainable mobility
  - Number of new developed and implemented policies and strategies
  - Number of amended/developed norms and standards
  - Green Transport Strategy and Action plan
  - Investments in environmentally friendly public transportation system in accordance to Nationally Determined Contributions targets (e.g., electric vehicles)
  - Proportion of compressed natural gas-driven public transport in total
  - Fossil-fuel related emissions in the transport and power sectors reduced
4. To facilitate education and employment sector policies
- Human Capital Index
  - Proportion of education institutions at all levels of education with development plans
  - Pre-service and in-service Teachers Continuous Professional Development strategy available for different levels of education, including improved digital skills for teaching
  - Number of new and revised curricula and study courses in line with the evolution of social and economic needs and fit for the digital and green economy
  - Ratio of graduates employed within one year after graduation
  - Youth not in employment, education or training (NEET) rate, disaggregated by sex
  - Participation in lifelong learning - percentage of the adult population aged 25-64 participating in education and training
  - Number of families under the self-employment programme
  - Youth employment ratio
  - Number of green jobs created

Actions under priority area align primarily with Sustainable Development Goals (SDGs) 4, 8, 9, 10, 17 and cover Development Assistance Committee (DAC) codes 110 – Education; 160 – Employment; 250 – Business and other services; 330 – Trade Policies & Regulations. 420 – Transport & Storage protection.

Major **risks** which may have an adverse effect on the achievement of specific objectives are: (i) Lack of political will for further liberalization of trade, including World Trade Organization accession; (ii) Lack of level playing field for businesses, especially for small and medium entrepreneurship in the country; institutional weaknesses, including related to the judicial



system; (iii) Limited institutional capacity and at the sector level, where some stakeholders may resist reforms change. The following **mitigation measures** have been identified: (i) where relevant, facilitate consultations with stakeholders on the country's accession process to the World Trade Organization; (ii) Support individual entrepreneurs and small and medium-sized enterprises by providing access to finance (blending, affordable loans, credits); (iii) Political commitment to human capital development. This encompasses a continuation of the recent efforts to restructure and strengthen the Ministry of Education and Ministry of Labour and Social Protection of Population.

#### **2.1.4 Possible use of blending and guarantees for investment under the European Fund for Sustainable Development plus (EFSD+)**

Part of priority area 1 could be implemented through blending or guarantees, in particular in relation to **access to finance for small and medium-sized Enterprises** in line with the proposed Team Europe Initiative and the Economic and Investment Plan (EIP). Based on the results of the investment survey with IFIs, the bulk of investment operations in Azerbaijan are likely to continue as blending. However, some **potential participation in guarantees under EFSD+** is likely, particularly in relation to supporting banks on risk management for their lending portfolio for micro, small and medium-sized enterprises, as well as boosting the sustainable investment portfolios.

**Blending operation for Azerbaijan Agriculture Finance Facility II.** Based on the ongoing blending with the European Bank for Reconstruction and Development, the Azerbaijan Agriculture Finance Facility Phase I, a new Phase II blending operation with European Bank for Reconstruction and Development will be launched on facilitating access by small and medium-sized farms and food business operators to credit with focus on EU aligned food safety standards, sustainable irrigation practices and other climate change adaptation and green growth linked investments.

**Guarantees in order to encourage banks and other financial institutions** to de-risk the provision of loans, guarantees and other financing facilities to small and medium-sized enterprises in particular those contributing to green growth, and very small/micro enterprises will be considered with a risk sharing agreement. In this regard, EU grants for technical assistance will be key, such as providing business advisory services to local entrepreneurs to facilitate access to finance as well as targeting female and youth entrepreneurs, start-ups as well as COVID-19 affected small and medium-sized enterprises.

This priority 1 links (inter alia) with the following Flagships of the EIP: Flagship 3: Supporting a sustainable, innovative, green and competitive economy and Flagship 4: Innovative rural development, to be funded under the EFSD+ and, where appropriate, via bilateral/regional allocations under the NDICI-Global Europe.

## **2.2 Priority area 2: Accountable institutions, the rule of law, and security**

Good governance and democratic institutions, 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. The EU will support efforts in **fight against corruption** and the **implementation of the judicial reform** with the aim of enhancing independence, efficiency, effectiveness and transparency of the judiciary.

The EU will support the strengthening of the rule of law and resilient institutions through an incentive-based approach ('more for more' and 'less for less') in line with the Joint Communication on the future of the Eastern Partnership. Future reforms should be based on recommendations of relevant international bodies such as the Venice Commission and the Group of States against Corruption (GRECO).

Assistance in access to justice, including efficiency, quality and accessibility will continue. It will also support **public administration, public finance management and economic governance reforms**, through institution building and capacity building projects.

In the framework of the EU-Azerbaijan Security Dialogue, the EU and Azerbaijan will work together in the area of **civil protection, countering terrorism and preventing violent extremism, fight against organised crime, human trafficking, cyber-crime, cybersecurity and anticorruption**.

### 2.2.1 Specific objectives related to the priority area

Accountable institutions: to increase availability of reliable statistics and data, including sex-disaggregated statistics, for evidence-based policy making (specific objective 1);

Rule of law and good governance: 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, as well as to support public administration, public finance and economic governance reforms, including to support efforts in fight against corruption (in line with international and European standards), and to improve environmental governance, incl. encouraging climate/green budgeting with the aim of leading to concrete reforms and revisions of priority investments (specific objective 2);

Security: to support enhancing response to security threats & challenges and combatting organised crime, including trafficking in human beings (specific objective 3).

### 2.2.2 Expected results per specific objective

1. For specific objective 1 (accountable institutions): (a) Reliable and timely official statistics are available for policy makers and end users.
2. For specific objective 2 (rule of law and good governance): (a) Independence, efficiency of the judiciary and quality of justice enhanced in line with European standards; (b) enhanced transparency, accountability, efficiency and quality of public institutions; (c) percentage of ECHR decisions implemented by Azerbaijan.
3. For specific objective 3 (security): (a) Institutional and operational capacities of judiciary and law enforcement institutions strengthened to fight against serious crimes such as trafficking in human beings, drug trafficking, money laundering, violent extremism, terrorism, terrorism financing and cybercrime.

### 2.2.3 Indicators

Below is a list of the key indicators envisaged under this priority area, arranged by specific objectives. For more details regarding these indicators, including targets and baselines, please refer to Annex 1 (Intervention Framework).

1. **Accountable institutions:**
  - Use of statistics for evidence-based decision making and holding the government accountable
  - Number of statistical indicators disseminated by the National Statistical Office with disaggregation by sex
  
2. **Rule of law and good governance**
  - Results of the Council of Europe’s European Commission for the Efficiency of Justice (CEPEJ) Eastern Partnership Dashboard
  - Level of compliance of the legal framework with Council of Europe (Venice Commission and the Group of States Against Corruption (GRECO))
  - Quality and level of implementation of State Programme for Justice Development 2019-2023
  - Level of Public Administration Reform Strategy’s implementation
  - Proportion of the population who accessed a dispute resolution mechanism, by type of mechanism
  - Number of people benefiting from legal aid interventions supported by the EU
  - Number of initiatives supported by the EU to strengthen revenue mobilisation, public financial management and/or budget transparency
  - Level of implementation of the Open Government Partnership (OGP) Action Plan
  - Score on the Corruption Perception Index
  - Compliance rating in Monitoring of the Istanbul Anti-Corruption Action Plan implementation and track record of criminal investigation, prosecution and conviction of petty and high-level corruption
  - ECHR decisions implemented by Azerbaijan (percentage)
  
3. **Security**
  - Basel Anti-Money Laundering Index
  - Rating in US Department's Trafficking in persons report
  - Number of victims of human trafficking per 100,000 population being identified, and referred to assistance, support and protection services, by sex, age and form of exploitation
  - Number of prosecutions and convictions for trafficking in human beings
  - Ranking in the Global Terrorism Index
  - Number of EMPACT operational actions with Azerbaijan’s participation.
  - Number of participants/activities in the project “Fighting Organised Crime in Eastern Partnership region”, managed by CEPOL and involving Europol
  - Accession by Azerbaijan to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (Ottawa Convention)

Actions under priority area align primarily with **SDG** 16 and cover **DAC** code 150 – Government & Civil Society.

Major **risks** which may have an adverse effect on the achievement of specific objectives are: (i) Lack of national ownership and commitment to continue the justice reform agenda in line with European and international standards; (ii) Lack of cooperation among the judiciary, public administrations, anti-corruption bodies and civil society; (iii) Weak institutional capacity to

develop budgeted strategies on the fight against organised crime. The following **mitigation measures** have been identified: (i) Policy dialogue will be conducted to keep political backing for reforms; (ii) Coordination between the judiciary, public administrations, anti-corruption bodies and civil society should be enhanced; (iii) Capacity building to improve institutional capabilities in the area of fight against organised crime and cooperation with civil society. Financial assistance to the justice sector shall be based on a comprehensive policy dialogue with the aim to address issues related to the independence, accountability and efficiency of the judiciary, of legal certainty and of equality before the law. Engagement should also be focused on support for civil society and on developing diagnostic tools for this area (for example, encouraging participation of Azerbaijan in the regional justice survey project or inclusion among the countries covered by the World Justice Project).

#### **2.2.4 Possible use of blending and guarantees for investment under EFSD+**

Priority area 2 is not considered for implementation through blending or guarantees.

### **2.3 Priority area 3: Environmental and climate resilience**

The European Green Deal<sup>9</sup> requires action by the EU and partner countries on the existing and future environmental and climate challenges, also in line with the Paris Agreement, including under expected updated Nationally Determined Contribution of Azerbaijan and the SDGs. This is particularly valid for Azerbaijan in a post-COVID-19 context when recovery and diversification of the economy have to be carried out taking into account the carbon footprint and environmental aspects following the build back better agenda. Work on building a resilient economy will be guided by the policy principles underpinning the EU's Green Deal by mainstreaming resource efficiency notably in the water sector, environmental protection, climate change resilience and energy efficiency.

Promoting **sustainable livelihoods and broader regional development**, in particular economic and with a **focus on less developed regions** will be key in formulating EU's assistance for the programming period. The EU will support sustainable agriculture, fisheries, and food safety through knowledge transfer and innovation. It will also continue to strengthen the position of farmers in the value chain while improving the quality of life of farmers and vulnerable groups in rural areas.

#### **2.3.1 Specific objectives related to the priority area**

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 (specific objective 1);
2. To preserve the economy's natural asset base by greening regional and rural development as well as agriculture and food production (specific objective 2);
3. To enhance sustainable and inclusive regional development and support environmental protection, including in the less developed regions (specific objective 3).

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<sup>9</sup> COM(2019) 640 final

### 2.3.2 Expected results per specific objective

1. For specific objective 1 (climate neutral economy): (a) Energy efficiency in buildings (residential and public) and in industrial processes improved; (b) Increased use of new, less carbon intensive technologies use and support for new business models based on circular economy (micro, small and medium-sized enterprises, incl. green entrepreneurs and start-ups), investments and practices across value chains; (c) Water sector governance enhanced; (d) Air quality management system improved through expansion of its monitoring capability (or network); (e) Waste management improved with a focus on hazardous waste; (f) Industrial pollution and risk of chemical accidents reduced by reforming environmental inspection and licensing requirements.
2. For specific objective 2 (preserve the economy's natural asset base): (a) Sustainability and competitiveness of Azerbaijan's agri-food sector improved; (b) Effectiveness of biodiversity and wider nature protection policy enhanced, including by increase of percentages of protected areas and the restoration of the damaged ones; (c) Climate adaptation / disaster risk prevention solutions introduced across all sectors of economy (in particular in the water management sector, agriculture, forestry, urban planning, critical infrastructure etc.); (d) Enhanced resilience to the impact of disasters and climate change.
3. For specific objective 3 (sustainable and inclusive regional development): (a) Policy, programming and management capacity for sustainable and inclusive regional development improved; (b) Community engagement improved to contribute to the peacebuilding in conflict-affected territories and surrounding areas.

### 2.3.3 Indicators

Below is a list of the key indicators envisaged under this priority area, arranged by specific objectives. For more details regarding indicators, including targets and baselines, please refer to Annex 1 (Intervention Framework).

1. To promote transition to a climate neutral economy
  - Number of adopted legal acts, determined in the Presidential Decree on the approval of the Energy Efficiency Law and aimed to ensure its implementation
  - Energy intensity (TFES/ GDP) in thousand tons oil equivalent/USD PPP
  - CO2 emission from Fuel combustion, million tons
  - Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq) with EU support
  - Number of micro, small and medium enterprises applying Sustainable Consumption and Production practices with EU support
  - Adopted and launched water strategy and its action plan aligned with principles of the EU Water Framework Directive and Floods Directive
  - Number of water sector legal acts aligned with principles of the EU Water Framework Directive and Flood Directive
  - Share of territory covered by River Basin Management Plans aligned with principles of the EU Water Framework Directive and Floods Directive
  - Developed Water Resource Plan for Azerbaijan aligned with principles of the EU Water Framework Directive and Floods Directive, including water resource model of the River Kura
  - Number of laboratories and hydro-posts complied with EU Water Framework Directive

- Adopted monitoring programme of the Caspian Sea in compliance with the Tehran Convention and the Water Framework Directive
  - Number of legal acts aligned with EU air quality legislation
  - Automatic ambient air quality monitoring system in place across the country
  - Air quality assessment available for Azerbaijan territory
  - Number of cleaner air plans for major hot spots adopted/enacted
  - Number of waste streams covered by Extended Producers Responsibility schemes
  - Number of special/hazardous waste streams covered by specific EU aligned legal acts
  - Legal base for a Seveso Directive and Industrial Emissions Directive aligned permitting and inspection regime
  - Number of compliance plans for existing installations
  - Structure, capacity and working practise of permitting and inspection authority aligned with requirements
2. To preserve the economy's natural asset base
- Number of new legal acts pertaining to good agricultural practises, wider greening of agriculture and rural development aligned with principles of the EU Green Deal
  - Share of greening and rural development expenditure under new instruments in total domestic support
  - Agriculturally used area (AUA) employing good agricultural practices (GAP) or required to follow it under public scheme (in percent)
  - Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (km<sup>2</sup>)
  - AUA under organic production (in percent)
  - Change of water consumption in cbm per agricultural output/ha (in percent)
  - Number of new legal acts aligning with food safety standards developed by the EU and World Organisation for Animal Health (OIE)
  - Increase in volume and value of agri-food exports (in percent)
  - Areas of terrestrial and freshwater ecosystems under protection with EU support (ha)
  - Number/ha of Emerald sites recognised under the Bern convention
  - Number of new management plans for protected areas adopted/under implementation
  - Areas of terrestrial and freshwater ecosystems under sustainable management with EU support (ha)
  - Reduction of illegal logging and illegal timber imports (in percent)
  - Area of degraded forest area brought back to good status under the Bonn challenge and sustainably managed
  - Number of new cities with climate change and/or disaster risk reduction strategies developed / under implementation with the EU support
  - Number of stakeholders effectively involved in the development of disaster risk reduction frameworks and procedures with EU support
3. To enhance sustainable and inclusive regional development
- Proportion of central and local governments with operational regional development policies, programmes and plans that (a) ensure sustainable and inclusive territorial

- development; (b) respond to environmental and climate change challenges; and (c) increase public and private investment
- Number of newly developed and implemented policies and programmes with operational action plans and potential public and private investment projects and monitoring systems
- Number of market-driven sustainable, innovative, and inclusive community-based initiatives
- Number of community/CSO/ public-led initiatives for environmental restoration and protection
- Number of individuals directly benefiting from EU supported interventions that specifically aim to support civilian post-conflict, peace-building or conflict prevention (NDICI 9 bis, EURF)
- Number of facilitated community-based joint peace-building initiatives
- Number of facilitated operational communication channels, including the establishment of community-based peace-building coordination body

Actions under priority area align primarily with **SDGs** 2, 6, 7, 8, 11, 12, 13, 16 and cover **DAC codes**: 140 – Water supply and Sanitation; 232 – Energy generation, renewable sources; 310 – Agriculture, Forestry & Fishing; 410 – General environmental; DAC code 430 – Other Multisector (food safety, rural development).

Major **risks** which may have an adverse effect on the achievement of specific objectives are: (i) costs to reach high environmental standards; (ii) low capacity of private households, municipalities and SMEs to increase environmental performance; (iii) further delays in the reform process, including development of policies, adoption of laws and related implementation; (iv) community level willingness to engage in peace-building activities; (v) potential lack of political interest in environmental protection due to other pressing socio-economic priorities in the post-pandemic recovery and development process. The following **mitigation measures** have been identified: (i) Public awareness campaigns on the impact of the climate change; (ii) Support to access to financing; (iii) Continuous policy dialogue and technical assistance, complemented by (iv) Close cooperation with IFIs to ensure policy first approach to support investments; (v) Policy dialogue on the post-pandemic development support to discuss opportunities for speeding up reforms and investments in environment and climate change sector.

#### **2.3.4 Possible use of blending and guarantees for investment under EFSD+**

Part of priority area 3 could be implemented through blending or guarantees in line with the proposed Team Europe Initiative and the EIP. Based on the results of the investment survey with IFIs, the bulk of investment operations in Azerbaijan are likely to continue as blending. However, some **potential participation in guarantees under EFSD+** is likely, particularly in relation to energy efficiency and renewables, water management, green growth and public health as part of the COVID-19 impact on less developed regions.

**Blending Support to the implementation of the First National Action Plan on Energy Efficiency** drafted by the Ministry of Energy with technical assistance by the EU (regional programme EU4Energy), to contribute to the country's overall energy efficiency targets as specified in the National Energy Efficiency Action Plan (NEEAP). The Team Europe Initiative would build synergies with the E5P Trust Fund projects in Azerbaijan managed by the EBRD.

Moreover, the EIB may be interested as well as ADB, AFD and World Bank/IFC plus Member States private sector companies as FDI.

**Regarding guarantees**, to enable private sector investments by crowding in private sector investors and support development of multiple private sector projects, in the **renewable energy** sector will be considered (e.g. EBRD Scale up Renewable energy window). **On green economy**, particularly in less developed regions, support transitioning Azerbaijan to green, climate resilient economy by working with green cities, municipal transport and buildings (e.g. EBRD E5P blending and EBRD Resilience platform guarantees).

This priority links (inter alia) with the following Flagships of the EIP: Flagship 1: Green Connectivity – supporting the green port of Baku and Flagship 5: Smarter and greener cities, to be funded under the EFSD+ and, where appropriate, via bilateral/regional allocations under the NDICI-Global Europe.

## **2.4 Priority area 4: Resilient digital transformation**

Development of **digital infrastructure and e-governance** are priorities for both the EU and Azerbaijan given their contribution to growth and sustainable development. Azerbaijan has outlined its intention of becoming a **regional digital hub** and to develop digital corridors and data centres, which could then serve as connectivity gateways between the EU and Asia. The Government is currently finalising its digital transformation strategy. The EU will support development of **e-government infrastructure, creation of a legislative framework for use of Artificial Intelligence in public services**, promoting research in the field of digital transformation to supporting innovative start-ups and implementation of roaming agreements.

Under priority area 4, assistance during the period 2021-2027 will focus on inclusive access to digital, e-governance and cyber-security. In line with the Joint Communication on Eastern Partnership policy beyond 2020, the EU will further support Azerbaijan to address the **digital skills gap** with particular focus on gender equality and social inclusiveness.

### **2.4.1 Specific objectives related to the priority area**

1. To increase access to affordable and secure broadband connectivity (specific objective 1);
2. To strengthen e-governance and services, particularly digitalisation of transport services, with a focus on connectivity of transport links (specific objective 2);
3. To enhance digital transformation of economy by extension of the Digital Innovation and Scale-up Initiatives (specific objective 3);
4. To increase the level of national cyber security in Azerbaijan and reduce threats to information systems (specific objective 4).

### **2.4.2 Expected results per specific objective**

For specific objective 1 (broadband connectivity): (a) National regulatory authority empowerment for effective competition in electronic communications market enhanced.

For specific objective 2 (e-governance): (a) Digital transport corridors established which serves as a gateway between Europe and Asia; (b) e-Governance strengthened and e-Services platforms supported for country-wide digital government transformation.



For specific objective 3 (digital transformation of the private sector): (a) Competitiveness of start-ups and SMEs increased in particular through digitalisation and uptake of emerging technologies as well as space-based data and services; (b) Regulatory and technical conditions for e-commerce enhanced.

For specific objective 4 (cyber security): (a) Government's Cyber Security Strategy made compatible with EU legislation and guidelines.

### 2.4.3 Indicators

Below is a list of key indicators envisaged under this priority area, arranged by specific objectives. For more details regarding these indicators, including targets and baselines, please refer to Annex 1 (Intervention Framework).

1. To increase access to affordable and secure broadband connectivity
  - % of necessary regulatory powers established in Azerbaijani regulatory authority
2. To strengthen e-governance and services
  - Number of established digital transport corridors
  - Businesses submit logistics information to authorities digitally (by type of transport) (in percent)
  - Faster border crossing and delivery of goods (in percent)
  - Core registers established and functioning in Azerbaijan
  - Digital communication between government agencies (in percent)
  - Agencies making their data open (in percent)
  - Public services are available online (in percent)
  - Online public services are widely used across the country (in percent by economic region)
3. To enhance digital transformation of economy
  - Number of newly stimulated start-ups
  - Number of SMEs which are digitised, including the ones uptaking emerging and innovative technologies
  - Cross-border e-Commerce transactions with the EU
4. To increase the level of national cyber security
  - Global Cyber Security Index
  - National Cyber Security Index
  - Cyber Security Policy Development
  - Functional national / government Computer Emergency Response Team

Actions under priority area align primarily with **SDGs 9 and 17** and cover **DAC code 220 – Communication**.

Major **risks** which may have an adverse effect on the achievement of specific objectives are: (i) Insufficient internet coverage; (ii) Slow roll out of e-government structures; (iii) Disparity between Baku and the rest of the country in terms of digitalisation of services; (iv) External threats to national cyber security. The following **mitigation measures** have been identified: (i) Advisory services to strengthen implementation of the Government's digitalisation and e-

government strategies; (ii) Inter-institutional coordination between Government agencies will be enhanced.

#### **2.4.4 Possible use of blending and guarantees for investment under EFSD+**

Part of priority area 4 could be implemented through blending or guarantees. As part of the implementation of the Government's **digitalisation priorities, connectivity related infrastructure** particularly in state owned enterprises which have been transferred to the Azerbaijan Investment Holding Company (AIH), including Port Baku Authority and other transport state owned companies (aviation, railways) may benefit from blending support with IFIs.

This priority links (inter alia) with the Flagship 2 of the EIP: Digital connectivity – supporting the digital transport corridor, to be funded under the EFSD+ and, where appropriate, via bilateral/regional allocations under the NDICI-Global Europe.

#### **2.5 Priority area 5: Resilient, gender-equal, fair and inclusive societies**

One of the biggest challenges in EU-Azerbaijan relations remains the promotion of **human rights and fundamental freedoms**, with the need to continue support to **democratisation, civil society organisations, independent media and human rights defenders**. The EU will also increasingly focus on **youth participation and leadership**. Support to human rights – including the **rights of the child** and promoting the **rights of people belonging to minorities and persons in vulnerable situations**, combating **violence against women** and **domestic violence** are areas where there is need for support by the EU. **Inclusiveness** and the **rights of persons with disabilities** are areas where more needs to be done. Work should also continue to improve the **electoral legislation** and support could be provided to the **electoral process** via the regional electoral assistance programme with OSCE/ODIHR.

**Public health** will feature high as EU policy priority for the next seven years as the COVID-19 pandemic uncovered nationwide weaknesses in the healthcare system in Azerbaijan due to consistent underfunding and lack of qualified human resources.

The cooperation on migration and mobility is a key component of EU-Azerbaijan relations. Effective implementation of the **Visa Facilitation / Readmission agreements** continues to be a priority, as well as the implementation of the **EU-AZ Mobility Partnership**. Post-conflict situation creates challenges in terms of **return and reintegration of Internally Displaced Persons to post-conflict territories** - all returns need to take place in a voluntary, safe and dignified manner. After voluntary returns, people will need reintegration and rehabilitation support to promote long-term economic and social development. Reintegration support is also needed for nationals returning to Azerbaijan from EU Member States. The emergency, mid and long-term assistance should be complementary in the spirit of the humanitarian-development-peace nexus. As soon as conditions permit and in view of the EU engagement in the broader peacebuilding and reconciliation efforts, further support can be considered in the areas of demining, socio-economic development of conflict affected regions, impartial heritage preservation and regional connectivity.

### **2.5.1 Specific objectives related to the priority area**

1. To support human rights and an enabling environment for civil society, including youth engagement (specific objective 1);
2. To accelerate progress towards gender equality and women's and girls' empowerment (specific objective 2);
3. To support the rights of people in vulnerable situations, particularly people with disabilities, including through support to a more comprehensive social protection system (specific objective 3);
4. To contribute to the modernisation of the primary health system in Azerbaijan, enhancing quality and access in line with European standards and practices (specific objective 4);
5. To support migration and mobility, including via the effective implementation of the Visa Facilitation / Readmission agreements, strengthen border management and fight against migrant smuggling, and reintegration services to Internally Displaced Persons (IDPs) (specific objective 5).

### **2.5.2 Expected results per specific objective**

For specific objective 1 (human rights and an enabling environment for civil society): (a) Legal and institutional framework on CSOs registration requirements and political environment for their participation in the public sphere enhanced; (b) Capacity of civil society organisations, including youth organisations, strengthened to meaningfully engage in policy-making processes and policy dialogue; (c) Protection of human rights and democratic governance enhanced; (d) Support to healthy media environment provided.

For specific objective 2 (gender equality): (a) Protection from all forms of gender-based violence and inequalities, including support in the process of signature / ratification of the Istanbul convention and its implementation; (b) Economic, social rights and empowerment of women through equal participation strengthened.

For specific objective 3 (rights of people in vulnerable situations): (a) Institutional and operational capacities of key institutions strengthened to reinforce social inclusion and social protection policies and programmes; (b) Effective social protection coverage index improved; (c) National legislation is aligned with UN Convention on the Rights of Persons with Disabilities.

For specific objective 4 (modernisation of the primary health system): (a) National primary health system is aligned with World Health Organisation (WHO) recommendations and EU good practices.

For specific objective 5 (migration and mobility, border management): (a) Regularisation of migration management, and enhanced Integrated Border Management; (b) Effective implementation of the Visa Facilitation and Readmission Agreements (also in view of a possible future launch of a visa liberalisation dialogue), promotion of voluntary returns and expanding reintegration assistance for returning nationals; (c) Return and reintegration of Internally Displaced Persons enhanced.

### 2.5.3 Indicators

Below is a list of key indicators envisaged under this priority area, arranged by specific objectives. For more details regarding these indicators, including targets and baselines, please refer to Annex 1 (Intervention Framework).

1. To support human rights and an enabling environment for civil society
  - Number of new government policies developed with CSO participation through EU support (EURF)
  - Number of new legal acts ensuring participation of CSOs in the policy making processes
  - Number of EU funded grants registered per year
  - Average time needed to register grants to CSOs
  - Number of CSOs, including youth organisations trained in each one of the EU priority sectors
  - Number of established invited spaces / platforms that will allow CSOs to have a regular, meaningful dialogue with authorities
  - Amount of financial resources committed to the public - civil society partnerships
  - Number of CSOs leaders and human rights defenders benefiting from EU support in the field of human rights
  - Number of registered and active NGOs involved in the promotion and protection of the right to participate in public affairs
  - Number of victims of human rights violations directly benefiting from assistance funded by the EU (NDICI 17, EURF)
  - Number of state institutions and non-state actors supported on security, border management, countering violent extremism, conflict prevention, protection of civilian population and human rights
  - Number of training sessions on media literacy geared to the modern communications and healthy environment
  
2. To accelerate progress towards gender equality and women's and girls' empowerment
  - Proportion of EU funded cooperation promoting gender equality and women's empowerment (NDICI 16)
  - New legal frameworks in place to promote, enforce and monitor equality and non-discrimination on the basis of sex
  - Proportion of women aged 20–24 years who were married or in a union before age 15 and before age 18
  - Number of cases of violence against women, including femicide
  - Proportion of seats held by women in (a) national parliaments and (b) local governments
  - Proportion of women in managerial positions
  - Proportion of women entrepreneurs
  
3. To support the rights of people in vulnerable situations
  - Number of new EU programmes designed to strengthen social protection schemes
  - Number of staff with improved strategic planning and monitoring capacities in key Ministries and relevant agencies to develop, implement and monitor social protection policies

- Revised and updated social inclusion and social protection policies and practices
  - Proportion of population covered by at least one social protection benefit
  - Proportion of people with disabilities having Individual Support Plan
  - Share of public social expenditures in GDP
  - Number of legal acts aligned with UN Convention on the Rights of Persons with Disabilities
4. To contribute to the modernisation of the primary health system
- Universal Health Coverage (UHC) Index of service coverage
  - Electronic Health System operational
  - Health worker density and distribution
  - Share of public spending on health in GDP
5. To support migration, mobility and border management
- Number of migrants, refugees and internally displaced people or individuals from host communities protected or assisted with EU support (NDICI 12)
  - Forced and voluntary return of Azerbaijani citizens from EU Member States compared to return decisions issued by EU Member States
  - Number of Azerbaijani citizens found to be illegally entering into or staying in the territory of the Member States
  - Number of returned and reintegrated Internally Displaced Persons (IDPs)
  - Number of returnees benefiting from reintegration support
  - Number of institutions supported to prevent and fight migrant smuggling (through capacity building, technical equipment)
  - Number of Talent Partnerships
  - Fulfilment of conditions / Progress in possible future visa liberalisation dialogue
  - Proportion of readmission cases versus positively accepted MS applications
  - Visa refusal rate for applicants from Azerbaijan
  - Number of asylum applications from Azerbaijani citizens in the EU Member States
  - Percentage of successful asylum applications from Azerbaijani citizens in the EU Member States

Actions under priority area align primarily with **SDGs** 1, 3, 5, 16, 17 and cover **DAC code** 120 – Health; 150 – Government & Civil Society; 160 – Other Social Infrastructure & Services.

Major **risks** which may have an adverse effect on the achievement of specific objectives are: (i) Lack of political commitment to improve space for operation of civil society; (ii) Existing of gender stereotypes in society; (iii) Poor coordination and fragmentation between key administrations (Ministry of Health, State Agency on Mandatory Health Insurance and Administration of the Regional Medical Divisions/TABIB); (iv) Limited institutional capacity and the uncertainty about the Government's commitment to increase social protection national budget spending; (v) Lack of cooperation between Border Agencies; (vi) Visa liberalisation agreement not reached. The following **mitigation measures** have been identified: (i) work with communities, civil society will be supported; (ii) continued policy dialogue with the Government demonstrating the potential benefits of the reforms, capacity building support.

## 2.5.4 Possible use of blending and guarantees for investment under EFSD+

Priority area 5 is not considered for implementation through blending or guarantees at this stage.

## 2.6 Proposals of country/multi-country/regional Team Europe Initiatives

Following the joint assessment of Azerbaijan's context with EU Member States and consultations with the national authorities and IFIs, we have potentially identified **inclusive, sustainable and integrated regional development** as the main area where European partners can make a substantive impact by joining forces in a possible Team Europe Initiative. With limited IFI and MS with active cooperation portfolios in the country, ideas would need further maturing. Reflections revolve around the following building blocks and ideas:

**A Team Europe Initiative (TEI) can build on significant EU support for Azerbaijan** under regional development programmes since 2013 focusing on less developed regions with vulnerable communities, not covered previously. It will continue capacity building in rural and regional development focusing on inclusive and green recovery based on EU best practise and considering applicable elements of European Green Deal policy principles. **Blending and guarantees** under EFSD+ in cooperation with IFIs could be considered in priority areas, as could be digital development of the regions.

The EU's indicative contribution to the TEI will be subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

## 3 Support measures

### 3.1 Measures in favour of civil society

The legal reforms adopted in 2014 reduced the space of civil society, specially targeting CSOs' access to funding, registration requirements and control over their activities. Since then and despite several minor amendments to ease this legislation, the legal framework remains the main obstacle for **EU engagement with civil society** in Azerbaijan.

In previous years, the EU implemented **thematic programmes with international organisations** which in turn support CSOs also through capacity building via small grants and/or service contracts. During the 2021-2027 period, the EU will assess the feasibility of launching a call for proposals and, as soon as the conditions are met, thematic programmes will be implemented via call for proposals.

The **strategy for EU support to civil society** in Azerbaijan for the period 2021-2027 will be defined in the EU Roadmap for engagement with civil society to be approved in 2021.

Core support to civil society, including capacity building assistance, is included under Priority area 5: Resilient, gender-equal, fair and inclusive society, while civil society engagement is also mainstreamed throughout all sectors.

### 3.2 Cooperation facility

The **cooperation facility** will finance communication actions, including strategic communication and fight against disinformation, visibility actions on EU cooperation, and public diplomacy interventions to promote EU policies as well as its priorities in Azerbaijan. In line with the directions provided under the Joint Communication on the future of the Eastern Partnership in terms of Strategic Communication, the aim of the facility will be to strengthen EU's communication in Azerbaijan through clear, story-based, tailor-made messaging, and raising awareness of the positive impact of EU policies and actions on people across the country, with the overarching message "Stronger Together".

## 4 Financial overview

Although the duration of this MIP is seven years (under the suspensive condition that there is in place a joint document covering also the period 2025-2027, as the current document expires on 31 December 2024), the indicative allocations for Azerbaijan and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Azerbaijan.

<i>Priority areas</i>	<i>Indicative Amounts</i>	<i>Indicative % of total bilateral allocations</i>
<i>Priority area 1: Resilient, sustainable and integrated economies</i>	<i>EUR 18 million</i>	<b>30 %</b>
<i>Priority area 2: Accountable institutions, the rule of law, and security</i>	<i>EUR 9 million</i>	<b>15 %</b>
<i>Priority area 3: Environmental and climate resilience</i>	<i>EUR 12 million</i>	<b>20%</b>
<i>Priority area 4: Resilient digital transformation</i>	<i>EUR 6 million</i>	<b>10%</b>
<i>Priority area 5: Resilient, gender-equal, fair and inclusive societies</i>	<i>EUR 9 million</i>	<b>15 %</b>
<i>Support measures</i>	<i>EUR 6 million</i>	<i>10%</i>
<i>TOTAL for initial period<sup>10</sup></i>	<i>EUR 60 million</i>	<i>100%</i>

### Annexes

1. Intervention framework
2. Donor matrix showing the current indicative allocations per sector
3. Economic and Investment Plan Flagships for Azerbaijan

<sup>10</sup> The initial period covers 2021-2024

## Annex 1. Intervention framework

<b>Priority area 1: Resilient, sustainable and integrated economies</b>		
<b>Specific objective 1: To support further <u>economic integration</u></b>		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
a) Further liberalisation of trade, including preparations for the accession to the World Trade Organization(WTO) supported.	<p><b>a1)</b> Number of new adopted legislative and regulatory acts aiming at building an enabling environment and further integrating Azerbaijan into the world economy and multilateral trading system (<i>baseline - 0; target - 30</i>)</p> <p><b>a2)</b> Export of non energy-intensive products, in USD (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p>	<p>Government Reports WTO web-site</p> <p>State Statistics Committee</p>
<b>Specific objective 2: To support economic reforms to improve <u>business and investment climate in order to</u> promote private sector and MSMEs development, create decent green jobs, further diversify the economy and make it more environmentally sustainable</b>		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
a) Business and investment climate improved to strengthen competitiveness of private sector and MSMEs	<p><b>a1)</b> Number of newly-created private companies (<i>baseline – 0; target – 50</i>)</p> <p><b>a2)</b> FDI inward flow to the non-energy-intensive sectors (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p> <p><b>a3)</b> Global Competitiveness Index (<i>baseline - 62.72; target – 64.4</i>)</p> <p><b>a4)</b> Number of new MSMEs exporting to the European and international markets (<i>baseline – 0; target - 10</i>)</p> <p><b>a5)</b> SME Policy Index (<i>baseline – 3.50 in 2020 - target 4.0</i>)</p> <p><b>a6)</b> Number of new MSMEs applying Sustainable Consumption and Production practices with EU support (<i>baseline – 0; target - 10</i>)</p>	<p>State Statistics Committee</p> <p>State Tax Service</p> <p>Government reports</p> <p>Global Competitiveness Report (World Economic Forum)</p> <p>Government reports</p> <p>OECD reports</p> <p>EUD reports</p>
b) Green businesses supported: green/less carbon intensive and resource efficient, high quality green jobs, circularity of production and consumption promoted	<p><b>b1)</b> Number of new businesses using green technologies in their production or services supported / sustained (<i>baseline - 0 and target to be established at the level of individual actions under the MIP</i>)</p> <p><b>b2)</b> Number of beneficiaries supported by the EU to strengthen investment climate (EURF) (<i>baseline - 2; target - 4</i>)</p>	<p>EUD and SME agency surveys and reports on take of dedicated credit lines and certification schemes such as ecolabel.</p> <p>EUD reports</p>



<b>Specific objective 3:</b> To strengthen <u>connectivity (transport and energy)</u> , promoting green solutions and a sustainable transport system		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> Priority projects identified in the Indicative Trans-European Transport Network TEN-T Investment Action Plan implemented	<b>a1)</b> Total length of transport infrastructure supported by the EU (km): a) roads; b) railways; c) waterways ( <i>baseline and target to be established at the level of individual actions under the MIP</i> )	EU reports
<b>b)</b> Improved road safety	<b>b1)</b> Number and quality of education and awareness raising campaigns to promote road safety ( <i>baseline and target to be established at the level of individual actions under the MIP</i> ) <b>b2)</b> number of road victims ( <i>baseline: 4691; target: decrease by 20%</i> )	EU reports  State Statistics Committee
<b>c)</b> Sustainable mobility alternatives promoted through implementation of sustainable urban mobility plans in five key cities (as per the Eastern Partnership Joint Staff Working Document), as well as education and awareness raising	<b>c1)</b> number and quality of sustainable urban mobility plans under implementation with EU support ( <i>baseline: 0 and target -5</i> ) <b>c2)</b> Number and quality of education and awareness raising campaigns to promote sustainable mobility ( <i>baseline: 0 and target - 4</i> )	Government reports  Government reports
<b>d)</b> Reduction of transport and power sector contribution to national GHG emissions in all transport modes	<b>d1)</b> Number of new developed and implemented policies and strategies ( <i>baseline – 0 and target - 7</i> ) <b>d2)</b> Number of amended / developed norms and standards ( <i>baseline – 0 and target - 30</i> ) <b>d3)</b> Green Transport Strategy and Action plan ( <i>baseline - 0 and target - 1</i> ) <b>d4)</b> Investments in environmentally friendly public transportation system in accordance to NDC targets (e.g., electric vehicles) ( <i>baseline: AZN 30 million (purchasing of BakuBus) - target: AZN 40 million</i> ) <b>d5)</b> Proportion of CNG-driven public transport in total ( <i>baseline: 600 – target: 1000</i> ) <b>d6)</b> Fossil-fuel related emissions in the transport and power sectors reduced ( <i>baseline and target to be established at the level of individual actions under the MIP</i> )	Government reports  Government reports  Government reports  Government reports  State Statistics Committee  State Statistics Committee

<b>Specific objective 4:</b> To facilitate <u>education and employment</u> sector policies, planning and programmes and institution capacity building		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> Institutional and operational capacities on education and employment sector policies strengthened	<b>a1)</b> Human Capital Index ( <i>baseline – 1; target – 0.7</i> )	Human Capital Index, World Bank reports
<b>b)</b> Reforms addressing the lack of quality in education supported	<b>b1)</b> Proportion of education institutions at all levels of education with development plans ( <i>baseline – 0%; target – 50%</i> )  <b>b2)</b> Pre-service and in-service Teachers Continuous Professional Development strategy available for different levels of education, including improved digital skills for teaching ( <i>baseline – 0; target – 1 per each level of education</i> )	Government reports  Government reports
<b>c)</b> Professional education and training systems offering lifelong learning opportunities further developed	<b>c1)</b> Number of new and revised curricula and study courses in line with changes in social and economic needs and fit for the digital and green economy ( <i>baseline – n/a; target – 70%</i> )  <b>c2)</b> Ratio of graduates employed within one year after graduation ( <i>baseline – n/a; target – 70%</i> )  <b>c3)</b> Youth not in employment, education or training (NEET) rate, disaggregated by sex ( <i>baseline – 23% (2017); target – 15% (2030)</i> )  <b>c4)</b> Participation in lifelong learning - percentage of the adult population aged 25-64 participating in education and training ( <i>baseline – 0,5%; target – 5%</i> )	Government reports  Government reports  ETF reports Government reports  ETF reports Government reports
<b>d)</b> Income generation programmes, including vulnerable groups, expanded	<b>d1)</b> Number of families under the self-employment programme ( <i>baseline – 12,000; target – 50,000</i> )	Government report, Media
<b>e)</b> Youth employment including youth entrepreneurship increased	<b>e1)</b> Youth employment ratio ( <i>baseline – 41.1%; target 70.0%</i> )	State Statistics Committee
<b>f)</b> Green and digital skills	<b>f1)</b> Number of new green jobs created ( <i>baseline – 0; target – 300</i> )	Government reports

<b>Priority area 2: Accountable institutions, the rule of law, and security</b>		
<b>Specific objective 1: <u>Accountable institutions</u>:</b> to increase availability of reliable statistics and data, including sex-disaggregated statistics, for evidence-based policy making		
<b>a)</b> Reliable and timely official statistics are available for policy makers and end users	<p><b>a1)</b> Use of statistics for evidence-based decision making and holding the government accountable (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p> <p><b>a2)</b> Number of statistical indicators disseminated by the National Statistical Office with disaggregation by sex (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p>	<p>Government reports</p> <p>State Statistics Committee</p>
<b>Specific objective 2: <u>Rule of law and good governance</u>:</b> 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, as well as to support public administration, public finance and economic governance reforms, including to support efforts in fight against corruption (in line with international and European standards) and to improve environmental governance, including encouraging climate/green budgeting with the aim of leading to concrete reforms and revisions of priority investments		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> Independency, efficiency of the judiciary and quality of justice strengthened in line with European standards	<p><b>a1)</b> Results of the CEPEJ Eastern Partnership Dashboard (<i>baseline – CEPEJ indicators applied in 4 Courts (2021); target – CEPEJ indicators applied in 8 Courts</i>)</p> <p><b>a2)</b> Level of compliance of the legal framework with Council of Europe (Venice Commission and GRECO recommendations) (<i>baseline – 4 GRECO recommendations partially implemented; 3 not implemented (2021); target – 2 more recommendations to be considered fully implemented</i>)</p> <p><b>a3)</b> Quality and level of implementation of State Programme for Justice Development 2019-2023 (<i>baseline – programme partially implemented; target – programme fully implemented</i>)</p> <p><b>a4)</b> Level of Public Administration Reform Strategy’s implementation (<i>baseline and target to be established at the level of the individual actions to be developed under the MIP</i>)</p>	<p>CEPEJ reports</p> <p>Council of Europe reports</p> <p>World Justice Project, Freedom House, Transparency International, World Bank, Economist Intelligence Unit, Reporters Without Borders</p> <p>Government reports</p>

	<p><b>a5)</b> Proportion of the population who accessed a dispute resolution mechanism, by type of mechanism (<i>baseline – 10,000 applications for mediation; target – 200,000</i>)</p> <p><b>a6)</b> Number of people benefiting from legal aid interventions supported by the EU (EURF) (<i>baseline – 6700; target – 8000</i>)</p>	<p>Government reports</p> <p>Government reports</p> <p>Mediation Council reports</p>
<p><b>b)</b> Enhanced transparency, accountability, efficiency and quality of public institutions</p>	<p><b>b1)</b> Number of initiatives supported by the EU to strengthen revenue mobilisation, public financial management and/or budget transparency (Result Indicator 4.5.2, EURF) (<i>baseline and target to be established at the level of individual actions to be developed under the MIP</i>)</p> <p><b>b2)</b> Level of Implementation of Open Government Partnership (OGP) Action Plan (<i>baseline – partial implementation of OGP (2021); target – full implementation (2027)</i>)</p> <p><b>b3)</b> Score on the Corruption Perception Index (<i>baseline – 30 points (2020); target – value comparatively higher than baseline</i>)</p> <p><b>b4)</b> Compliance rating in Monitoring of the Istanbul Anti-Corruption Action Plan implementation and track record of criminal investigation, prosecution and conviction of petty high-level corruption (<i>baseline – pilot monitoring of AP to be finalised by 2021; target – positive compliance rating</i>)</p>	<p>EUD reports</p> <p>Government reports</p> <p>Council of Europe reports</p> <p>Transparency International Reports</p> <p>Government reports</p> <p>OECD Anti-Corruption Progress Reports</p>
<p><b>c)</b> percentage of ECHR decisions implemented by Azerbaijan</p>	<p><b>c1)</b> % of ECHR decisions implemented by Azerbaijan (<i>baseline – 43 (number of ECHR leading judgements pending implementation); target – 25% increase</i>)</p>	<p>ECHR website</p>
<p><b>Specific objective 3: Security:</b> to support enhancing response to security threats &amp; challenges and combatting organised crime, including trafficking in human beings</p>		
<p><b>Expected Results</b></p>	<p><b>Indicators</b></p>	<p><b>Means of verification</b></p>
<p><b>a)</b> Institutional and operational capacities of judiciary and law enforcement institutions strengthened to fight against serious crimes such as</p>	<p><b>a1)</b> Basel Anti-Money Laundering Index (<i>baseline – 66 (2020); target – 4.5</i>)</p>	<p>Basel Institute of Governance</p>

<p>trafficking in human beings, drug trafficking, money laundering, terrorism financing, violent extremism, terrorism and cybercrime</p>	<p><b>a2)</b> Rating in US Department's Trafficking in persons report (<i>baseline - Tier 2 Watch list; target – Tier 2</i>)</p> <p><b>a3)</b> Number of victims of human trafficking per 100,000 population being identified, and referred to assistance, support and protection services, by sex, age and form of exploitation (<i>baseline – 94 identified (2020); target – 100</i>)</p> <p><b>a5)</b> Number of prosecutions and convictions for trafficking in human beings (<i>baseline and target to be established at the level of individual actions to be developed under the MIP</i>)</p> <p><b>a6)</b> Score on the Global Terrorism Index (<i>baseline – 112 with 0.296 score (2019), target – 135</i>)</p> <p><b>a7)</b> Number of EMPACT operational actions with Azerbaijan’s participation (<i>baseline – 0; target – 15</i>)</p> <p><b>a8)</b> Number of participants/activities in the project “Fighting Organised Crime in Eastern Partnership region”, managed by CEPOL and involving Europol (<i>baseline – 2 activities; target – 10 activities</i>)</p> <p><b>a9)</b> Accession by Azerbaijan to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (Ottawa Convention) (<i>baseline – 0; target – 1</i>)</p>	<p>Trafficking in Persons Report - State Department, USA</p> <p>State Statistics Committee</p> <p>Vision Humanity</p> <p>Global Terrorism Index</p> <p>EUROPOL reports</p> <p>CEPOL, EUROPOL reports</p> <p>Government reports</p>
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**Priority area 3: Environmental and climate resilience**

**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

<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<p><b>a)</b> Energy efficiency in buildings (residential and public) and in industrial processes improved; Increased use of new, less carbon intensive technologies use and support for new business models based on circular economy (MSMEs incl. green entrepreneurs and start-ups),</p>	<p><b>a1)</b> Number of adopted legal acts, determined in the Presidential Decree on the approval of the Energy Efficiency Law and aimed to ensure its implementation (<i>baseline – 2; target - 4</i>)</p> <p><b>a2)</b> Energy intensity (TFES/ GDP) in thousand tons oil equivalent/USD PPP (<i>baseline – 0.118 (2019); target – fall by 35% by 2030</i> )</p>	<p>Government Report Mass media</p> <p>State Statistics Committee</p>

<p>investments and practices across value chains</p>	<p><b>a3)</b> CO2 emission from Fuel combustion, million tons (<i>baseline - 30.9 (2018), target to be established at the level of individual actions under the MIP</i>)</p> <p><b>a4)</b> Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq) with EU support (<i>baseline – 0; target to be established at the level of individual actions under the MIP</i>)</p> <p><b>a5)</b> Number of micro, small and medium enterprises applying Sustainable Consumption and Production practices with EU support (<i>baseline – 0; target to be established at the level of individual actions under the MIP</i>)</p>	<p>International Energy Agency annual reports “CO2 Emissions from Fuel Combustion”</p> <p>EUD surveys and reports</p> <p>EUD and SME agency surveys and reports on take of dedicated credit lines and certification schemes such as ecolabel.</p>
<p><b>b)</b> Water sector governance enhanced</p>	<p><b>b1)</b> Adopted and launched Water strategy and its action plan aligned with principles of the EU Water Framework Directive and Floods Directive (<i>baseline – 0; target – 1</i>)</p> <p><b>b2)</b> Number of water sector legal acts aligned with principles of the EU Water Framework Directive and Flood Directive (<i>baseline – 0; target – 1</i>)</p> <p><b>b3)</b> Share of territory covered by River Basin Management Plans aligned with principles of the EU Water Framework Directive and Floods Directive (<i>baseline – 20%; target – 60%</i>)</p> <p><b>b4)</b> Developed Water Resource Plan for Azerbaijan aligned with principles of the EU Water Framework Directive and Floods Directive, including water resource model of the River Kura (<i>baseline - 0; target - 1</i>)</p> <p><b>b5)</b> Number of laboratories and hydro-posts complied with EU WFD (<i>baseline - 0; target - 1</i>)</p> <p><b>b6)</b> Adopted monitoring programme of the Caspian Sea in compliance with the Tehran Convention and the WFD (<i>baseline - 0; target - 1</i>)</p>	<p>Government reports, Adopted strategy</p> <p>Government reports, Adopted legal acts</p> <p>Government reports</p> <p>Government reports</p> <p>Review report</p> <p>Government reports</p>
<p><b>c)</b> Air quality management system improved through expansion of its monitoring capability (or network)</p>	<p><b>c1)</b> Number of legal acts aligned with EU air quality legislation (<i>baseline - 0%; target - 80%</i>)</p> <p><b>c2)</b> Automatic ambient air quality monitoring system in place across the country (<i>baseline - 20%; target - 90%</i>)</p>	<p>Government reports</p> <p>Government reports</p>

	<p><b>c3)</b> Air quality assessment available for Azerbaijan territory (<i>baseline - 0%; target - 80%</i>)</p> <p><b>c4)</b> Number of cleaner air plans for major hot spots adopted/enacted (<i>baseline - 0; target - 3</i>)</p>	<p>Government reports</p> <p>Government reports</p>
<p><b>d)</b> Waste management improved with a focus on hazardous waste</p>	<p><b>d1)</b> Number of waste streams covered by Extended Producers Responsibility (EPR) schemes (<i>baseline - 0; target - 3</i>)</p> <p><b>d2)</b> Number of special/hazardous waste streams covered by specific EU aligned legal acts (<i>baseline - 0; target - 5</i>)</p>	<p>UNECE Environmental Performance Review</p> <p>UNECE Environmental Performance Review</p>
<p><b>e)</b> Industrial pollution and risk of chemical accidents reduced by reforming environmental inspection and licensing requirements</p>	<p><b>e1)</b> Legal base for a Seveso and IED aligned permitting and inspection regime (<i>baseline - 0; target - 1</i>)</p> <p><b>e2)</b> Number of compliance plans for existing installations (<i>baseline - 0; target - 30</i>)</p> <p><b>e3)</b> Structure, capacity and working practise of permitting and inspection authority aligned with requirements (<i>baseline - 0; target - 3</i>)</p>	<p>Government reports</p> <p>Government reports</p> <p>Review reports</p>
<p><b>Specific objective 2:</b> To <u>preserve the economy's natural asset base</u> by greening regional and rural development as well as agriculture and food production</p>		
<p><b>a)</b> Sustainability and competitiveness of Azerbaijan's agri-food sector improved</p>	<p><b>a1)</b> Number of new legal acts pertaining to good agricultural practises, wider greening of agriculture and rural development aligned with principles of the EU Green Deal (<i>baseline - 0 and target - 1</i>)</p> <p><b>a2)</b> Share of greening and rural development expenditure under new instruments in total domestic support (<i>baseline - 0%; target - 15%</i>)</p> <p><b>a3)</b> Agriculturally used area (AUA) employing good agricultural practices (GAP) or required to follow it under public scheme (in percent) (<i>baseline - 0; target - 10%</i>)</p> <p><b>a4)</b> Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (km<sup>2</sup>) (<i>baseline - 0 and target - 1</i>)</p> <p><b>a5)</b> AUA under organic production (in percent) (<i>baseline - 0; target - 3%</i>)</p>	<p>Government reports</p> <p>Government reports</p> <p>Survey report</p> <p>EUD reports</p> <p>State Statistics Committee</p>

	<p><b>a6)</b> Change of water consumption in cbm per agricultural output/ha (in percent) (<i>baseline – 0 and – 5%</i>)</p> <p><b>a7)</b> Number of new legal acts aligning with food safety standards developed by the European Union (EU) and World Organisation for Animal Health (OIE) (<i>baseline – 0 and target – 3</i>)</p> <p><b>a8)</b> Increase in volume and value of agri-food exports (in percent) (<i>baseline – 0 and target – 10%</i>)</p>	<p>State Statistics Committee</p> <p>Government reports</p> <p>State Statistics Committee</p>
<p><b>b)</b> Effectiveness of biodiversity and wider nature protection policy enhanced, including by increase of percentages of protected areas and the restoration of the damaged ones</p>	<p><b>b1)</b> Areas of terrestrial and freshwater ecosystems under protection with EU support (ha) (<i>baseline – 0%; target – 2%</i>)</p> <p><b>b2)</b> Number/ha of Emerald sites recognised under the Bern convention (<i>baseline - 0%; target - 17 sites /19%</i>)</p> <p><b>b3)</b> Number of new management plans for protected areas adopted/under implementation (<i>baseline - 0 and target- 2</i>)</p> <p><b>b4)</b> Areas of terrestrial and freshwater ecosystems under sustainable management with EU support (ha) (<i>baseline – 0%, target – 2%</i>)</p> <p><b>b5)</b> Reduction of illegal logging and illegal timber imports (in percent) (<i>baseline – n/a and target – 5%</i>)</p> <p><b>b6)</b> Area of degraded forest area brought back to good status under the Bonn challenge and sustainably managed (<i>baseline - 0 ha; target - 270,000 ha</i>)</p>	<p>State Statistics Committee</p> <p>Emerald Network of Nature Protection Sites, CoE relevant reports: list of officially adopted Emerald sites and list of officially nominated candidate Emerald sites</p> <p>Government reports</p> <p>EUD reports</p> <p>State Customs Committee</p> <p>Government reports</p>
<p><b>c)</b> Climate adaptation / disaster risk prevention solutions introduced across all sectors of economy (in particular in the water management sector, agriculture, forestry, urban planning, critical infrastructure etc.)</p>	<p><b>c1)</b> Number of new cities with climate change and/or disaster risk reduction strategies developed / under implementation with the EU support (<i>baseline – 0; target – 3</i>)</p>	<p>Government reports</p>
<p><b>d)</b> Enhanced resilience to the impact of disasters and climate change</p>	<p><b>d1)</b> Number of stakeholders effectively involved in the development of disaster risk reduction frameworks and procedures with EU support (<i>baseline - 0; target to be established at the level of individual actions under the MIP</i> )</p>	<p>EUD surveys and reports</p>



<b>Specific objective 3:</b> To enhance <u>sustainable and inclusive regional development</u> and support environmental protection, including in the less developed regions		
<p><b>a)</b> Policy, programming, and management capacity for sustainable and inclusive regional development improved</p>	<p><b>a1)</b> Proportion of central and local governments with operational regional development policies, programmes and plans that (a) ensure sustainable and inclusive territorial development; (b) respond to environmental and climate change challenges; and (c) increase public and private investment (<i>baseline – 40% and target – 70%</i>)</p>	Survey report
	<p><b>a2)</b> Number of newly developed and implemented policies and programmes with operational action plans and potential public and private investment projects and monitoring systems (<i>baseline – 1; target – 3</i>)</p>	Government reports
	<p><b>a3)</b> Number of market-driven sustainable, innovative, and inclusive community-based initiatives (<i>baseline – 0 and target to be established at the level of individual actions to be developed under the MIP</i>)</p>	Survey report
	<p><b>a4)</b> Number of community/CSO/ public led initiatives for environmental restoration and protection (<i>baseline – 0 and target – 20</i>)</p>	Survey reports
<p><b>b)</b> Community engagement improved to contribute to the peacebuilding in the conflict-affected territories and surrounding areas</p>	<p><b>b1)</b> Number of individuals directly benefiting from EU supported interventions that specifically aim to support civilian post-conflict, peace-building or conflict prevention (NDICI 9 bis, EURF) (<i>baseline – 0; target to be established at the level of individual actions to be developed under the MIP</i>)</p>	EUD reports
	<p><b>b2)</b> Number of facilitated community-based joint peace-building initiatives (<i>baseline – 0; target to be established at the level of individual actions to be developed under the MIP</i>)</p>	EUD reports
	<p><b>b3)</b> Number of facilitated operational communication channels, including the establishment of community-based peace-building coordination body (<i>baseline – 0; target - 1</i>)</p>	EUD reports

<b>Priority area 4: Resilient digital transformation</b>		
<b>Specific objective 1:</b> To increase access to affordable and secure <u>broadband connectivity</u>		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> National regulatory authority empowerment for effective competition in electronic communications market enhanced	<b>a1)</b> % of necessary regulatory powers established in Azerbaijani regulatory authority ( <i>baseline - 0; target - 100%</i> )	Government reports
<b>Specific objective 2:</b> To strengthen <u>e-governance</u> and services, particularly digitalisation of transport services, with a focus on connectivity of transport links		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> Digital transport corridors established which serve as a gateway between Europe and Asia	<b>a1)</b> Number of established digital transport corridors ( <i>baseline – 0; target – 1</i> ) <b>a2)</b> Businesses submit logistics information to authorities digitally (by type of transport) (in percent) ( <i>baseline to be established; target – 30%</i> ) <b>a3)</b> Faster border crossing and delivery of goods (in percent) ( <i>baseline - 0; target - 30%</i> )	State Customs Committee  State Customs Committee  State Customs Committee
<b>b)</b> e-Governance strengthened and e-Services platforms supported for country-wide digital government transformation	<b>b1)</b> Core registers established and functioning in Azerbaijan ( <i>baseline – 1; target – 3</i> ) <b>b2)</b> Digital communication between government agencies (in percent) ( <i>baseline - 0; target - 100%</i> ) <b>b3)</b> Agencies making their data open (in percent) ( <i>baseline - 0; target - 90%</i> ) <b>b4)</b> Public services are available online (in percent) ( <i>baseline - 0; target - 100%</i> ) <b>b5)</b> Online public services are widely used across the country (in percent by economic region) ( <i>baseline – 0; target – 60%</i> )	Government reports  Government reports  National Action Plan on Open Government Promotion for 2020–2022  ASAN  Government reports

<b>Specific objective 3:</b> To enhance <u>digital transformation</u> of economy by extension of the Digital Innovation and Scale-up Initiatives		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> Competitiveness of start-ups and SMEs increased in particular through digitalisation and uptake of emerging technologies as well as space-based data and services	<b>a1)</b> Number of newly stimulated start-ups ( <i>baseline – 0 and target – 14</i> ) <b>a2)</b> Number of SMEs which are digitised, including the ones uptaking emerging and innovative technologies ( <i>baseline – 0 and target – 14</i> )	EU4Digital reports  Government reports
<b>b)</b> Regulatory and technical conditions for e-commerce enhanced	<b>b1)</b> Cross-border e-Commerce transactions with the EU ( <i>baseline – 0 and target - 7</i> )	EU4Digital reports Government reports

**Specific objective 4:** To increase the level of national cyber security in Azerbaijan and reduce threats to information systems

<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> Government’s Cyber Security Strategy made compatible with EU legislation and guidelines	<b>a1)</b> Global Cyber Security Index ( <i>baseline - 65% (2019); target - 80%</i> ) <b>a2)</b> National Cyber Security Index ( <i>baseline - 38% (2019); target - 45%</i> ) <b>a3)</b> Cyber Security Policy Development ( <i>baseline - 29% (2019); target - 90%</i> ) <b>a4)</b> Functional national / government CERT ( <i>baseline and target to be discussed with Cyber East project</i> )	e-Governance Academy Foundation reports  e-Governance Academy Foundation reports  e-Governance Academy Foundation reports  Cyber East project

**Priority area 5: Resilient, gender-equal, fair and inclusive societies**

**Specific objective 1:** To support human rights and an enabling environment for civil society, including youth engagement

<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<b>a)</b> Legal and institutional framework on CSOs registration requirements and political environment for their participation in the public sphere enhanced	<b>a1)</b> Number of new government policies developed with CSO participation through EU support (EURF) ( <i>baseline – 0; target - 2</i> ) <b>a2)</b> Number of new legal acts ensuring participation of CSOs in the policy making processes ( <i>baseline – 0, target - 1</i> ) <b>a3)</b> Number of EU funded grants registered per year ( <i>baseline to be established Y1</i> )	EUD reports  EUD reports  EUD reports

	<p>(2021); target to be established at the level of individual actions to be developed under the MIP).</p> <p><b>a4)</b> Average time needed to register grants to CSOs (baseline to be established Y1 (2021) and target – 2 weeks)</p>	Government reports
<p><b>b)</b> Capacity of civil society organisations, including youth organisations strengthened to meaningfully engage in policy-making processes and policy dialogue</p>	<p><b>b1)</b> Number of CSOs, including youth organisations trained in each one of the EU priority sectors (target: 5 per sector)</p> <p><b>b2)</b> Number of established invited spaces / platforms that will allow CSOs to have a regular, meaningful dialogue with authorities (baseline – 1; target – 2)</p> <p><b>b3)</b> Amount of financial resources committed to the public - civil society partnerships (baseline and target to be established at the level of individual actions to be developed under the MIP)</p>	<p>EUD reports</p> <p>EUD reports</p> <p>EUD reports</p>
<p><b>c)</b> Protection of human rights and democratic governance enhanced</p>	<p><b>c1)</b> Number of CSOs leaders and human rights defenders benefiting from EU support in the field of human rights (baseline and target to be established at the level of individual actions to be developed under the MIP)</p> <p><b>c2)</b> Number of registered and/or active NGOs involved in the promotion and protection of the right to participate in public affairs (baseline to be established through mapping and target to be established at the level of individual actions to be developed under the MIP)</p> <p><b>c3)</b> Number of victims of human rights violations directly benefiting from assistance funded by the EU (NDICI 17, EURF) (baseline and target to be established at the level of individual actions to be developed under the MIP)</p>	<p>EUD reports</p> <p>Reports of Agency for State Support to NGOs</p> <p>EUD reports</p>

	<b>c4)</b> Number of state institutions and non-state actors supported on security, border management, countering violent extremism, conflict prevention, protection of civilian population and human rights (Result indicator 4.5.1, EURF) ( <i>baseline and target to be established at the level of individual actions to be developed under the MIP</i> )	EUD reports
<b>d)</b> Support to healthy media environment provided	<b>d1)</b> Number of training sessions on media literacy geared to the modern communications and healthy environment ( <i>baseline – 0; target – 3</i> )	EUD reports
<b>Specific objective 2:</b> To accelerate progress towards <u>gender equality</u> and women’s and girls’ empowerment		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
a) Protection from all forms of gender-based violence and inequalities, including support in the process of signature/ratification of the Istanbul Convention and its implementation	<p><b>a1)</b> Proportion of EU funded cooperation promoting gender equality and women’s empowerment (NDICI 16) (<i>baseline to be established and target – 1 project/year with GM2</i>)</p> <p><b>a2)</b> New legal frameworks in place to promote, enforce and monitor equality and non-discrimination on the basis of sex (<i>baseline - 0 ; target - 2</i>)</p> <p><b>a3)</b> Proportion of women aged 20–24 years who were married or in a union before age 15 and before age 18 (<i>baseline and target to be established</i>)</p> <p><b>a4)</b> Number of cases of violence against women, including femicide (<i>baseline and target to be established</i>)</p>	<p>EUD reports</p> <p>State Statistics Committee</p> <p>State Statistics Committee</p> <p>SCFWCA report</p>
b) Economic, social rights and empowerment of women through equal participation strengthened	<b>b1)</b> Proportion of seats held by women in (a) national parliaments and (b) local governments ( <i>baseline –18.2% (2019); target – 20%</i> )	<p>State Statistics Committee</p> <p>State Statistics Committee</p>

	<p><b>b2)</b> Proportion of women in managerial positions (<i>baseline – 35.2%(2019) target – 50%</i>)</p> <p><b>b3)</b> Proportion of women entrepreneurs (<i>baseline 200,000 women entrepreneurs (2021); target – 210,000</i>)</p>	<p>State Statistics Committee</p> <p>State Committee for Family, Women and Children</p>
<p><b>Specific objective 3:</b> To support the <u>rights of people in vulnerable situations</u>, particularly people with disabilities, including through support to a more comprehensive social protection system</p>		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<p><b>a)</b> Institutional and operational capacities of key institutions strengthened to reinforce social inclusion and social protection policies and programmes</p>	<p><b>a1)</b> Number of new EU programmes designed to strengthen social protection schemes (<i>baseline – 0 and target – 2</i>)</p> <p><b>a2)</b> Number of staff with improved strategic planning and monitoring capacities in key Ministries and relevant agencies to develop, implement and monitor social protection policies (<i>baseline - 0%; target - 50%</i>)</p> <p><b>a3)</b> Revised and updated social inclusion and social protection policies and practices (<i>baseline - 0%; target - 50%</i>)</p>	<p>EUD reports</p> <p>Government Reports</p> <p>Government Reports</p>
<p><b>b)</b> Effective social protection coverage index improved</p>	<p><b>b1)</b> Proportion of population covered by at least one social protection benefit (<i>baseline - 40.3%; target - 50%</i>)</p> <p><b>b2)</b> Proportion of people with disabilities having Individual Support Plan (<i>baseline - 0%; target - 70%</i>)</p> <p><b>b3)</b> Share of public social expenditures in GDP (<i>baseline – 6.5%; target – 9.0%</i>)</p>	<p>Government Reports</p> <p>Government Reports</p> <p>Government reports</p>
<p><b>c) National legislation is aligned with UN Convention on the Rights of Persons with Disabilities</b></p>	<p><b>c1)</b> Number of legal acts aligned with UN Convention on the Rights of Persons with Disabilities (<i>baseline – 0; target - 5</i>)</p>	<p>Government reports</p> <p>Media</p>

<p><b>Specific objective 4:</b> To contribute to the <u>modernisation of the primary health system</u> in Azerbaijan, enhancing quality, equality, relevance and access in line with European standards and practices</p>		
Expected Results	Indicators	Means of verification
<p><b>a)</b> National primary health system is aligned with WHO recommendations and EU good practices</p>	<p><b>a1)</b> Universal Health Coverage (UHC) Index of service coverage (<i>baseline – 65 (2019); target – 75</i>)</p> <p><b>a2)</b> Electronic Health System operational (<i>baseline – 0 (2020); target – 1</i>)</p> <p><b>a3)</b> Health worker density and distribution (<i>baseline – 87,94 (2019); target to be established</i>)</p> <p><b>a4)</b> Share of public spending on health in GDP (<i>baseline - 2.06% (2019); target - 4.00%</i>)</p>	<p>World Health Organization Report</p> <p>Government reports</p> <p>State Statistics Committee</p> <p>State Statistics Committee</p>
<p><b>Specific objective 5:</b> To support migration and mobility, including via the effective implementation of the Visa Facilitation / Readmission agreements, strengthen <u>border management</u> and fight against migrant smuggling, and reintegration services to Internally Displaced Persons (IDPs)</p>		
Expected Results	Indicators	Means of verification
<p><b>a)</b> Regularisation of migration management, and enhanced Integrated Border Management</p>	<p><b>a1)</b> Number of migrants, refugees and internally displaced people or individuals from host communities protected or assisted with EU support (NDICI 12) (<i>baseline – 0 (2021) and target to be established with Mobilaze II project</i>)</p> <p><b>a2)</b> Forced and voluntary return of Azerbaijani citizens from EU Member States compared to return decisions issued by EU Member States (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p> <p><b>a3)</b> Number of Azerbaijani citizens found to be illegally entering into or staying in the territory of the Member States (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p>	<p>State Migration Service reports</p> <p>State Committee for Affairs of Refugees and IDPs reports</p> <p>State Statistics Committee / State Border Service</p> <p>State Statistics Committee</p> <p>Frontex Risk Analysis Reports</p>

	<p><b>a4)</b> Number of Talent Partnerships (<i>baseline - 0; target - 1</i>)</p> <p><b>a5)</b> Number of institutions supported to prevent and fight migrant smuggling (through capacity building, technical equipment) (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p>	<p>Government reports</p> <p>EUD reports</p>
<p><b>b)</b> Effective implementation of the Visa Facilitation and Readmission Agreements supported (also in view of possible future launch of a visa liberalisation dialogue), promotion of voluntary returns and expanding reintegration assistance for returning nationals</p>	<p><b>b1)</b> Fulfilment of conditions / progress in a possible future visa liberalisation dialogue (<i>baseline - 0%; target - 50%</i>)</p> <p><b>b2)</b> Proportion of readmission cases versus positively accepted MS applications (<i>baseline - 63%; target - 80%</i>)</p> <p><b>b3)</b> Visa refusal rate for applicants from Azerbaijan (<i>baseline - 10.5%; target - 5%</i>)</p> <p><b>b4)</b> Number of asylum applications from Azerbaijan citizens in the EU Member States (<i>baseline - 1,055 (2020); target – decrease of 10% compared to baseline</i>)</p>	<p>EU-Azerbaijan Visa Facilitation and Re-admission Meeting Reports</p> <p>EU-Azerbaijan Visa Facilitation and Re-admission Meeting Reports</p> <p>MS Embassies</p> <p>MS official statistics</p>
<p><b>c)</b> Return and reintegration of Internally Displaced Persons enhanced</p>	<p><b>c1)</b> Number of returned and reintegrated IDPs (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p> <p><b>c2)</b> Number of returnees benefiting from reintegration support (<i>baseline and target to be established at the level of individual actions under the MIP</i>)</p>	<p>Government reports</p> <p>Government reports</p>



## Annex 2. Donor matrix

EU institutions, individual EU Member States and Development Partners with support actions in the priority areas.

<b>Priority areas</b>	
Resilient, sustainable and integrated economy:	European Union, Czech Republic, Germany, France, European Bank for Reconstruction and Development, United Kingdom
Accountable institutions, the rule of law and security	European Union, Czech Republic, Germany, France, Poland, United Kingdom
Environmental and climate resilience	European Union, Czech Republic, Germany, France, Lithuania, European Bank for Reconstruction and Development, United Kingdom
Resilient digital transformation	European Union, Czech Republic, Germany, European Bank for Reconstruction and Development, United Kingdom
Resilient, gender-equal, fair and inclusive society	European Union, Bulgaria, Czech Republic, Germany, France, Netherlands, European Bank for Reconstruction and Development, United Kingdom

### Annex 3. Economic and Investment Plan Flagships for Azerbaijan

#### *Flagship Initiatives for Azerbaijan*

##### **Flagship 1: Green connectivity: supporting the green port of Baku**

*The new Port of Baku is the largest and busiest port on the Caspian Sea. Support will be provided to Port Baku Authority for further investing in the greening of the Port Baku with the aim to become a sustainable hub for smooth and accelerated movement of goods and services for the trans-Caspian and other regional economic integration.*

##### **Flagship 2: Digital connectivity: supporting the digital transport corridor**

*Support will be provided to the digitalisation of transport corridors in Azerbaijan thus allowing for increased efficiency and reduced costs in the handling of freight across the digital transport corridors.*

##### **Flagship 3: Supporting an innovative and competitive economy - direct support to 25 000 SMEs**

*This flagship will be directly supporting the country's economic diversification while supporting the competitiveness of start-ups and SMEs, by promoting and diversifying SMEs' access to finance, but also by facilitating the development of entrepreneurship and the provision of targeted capacity building support (support to start-ups, business advice).*

##### **Flagship 4: Innovative Rural Development**

*The aim of the flagship will be to facilitate access to credit by small and medium-sized farms and food business operators with focus on food safety standards, sustainable irrigation practices, sustainable tourism in rural areas, social economy and other green growth linked investments. It will enable investments into sustainable agricultural production and research to support balanced rural development and to strengthen the competitiveness and viability of the agro-food sector.*

##### **Flagship 5: Smarter and greener cities**

*EU investments will enhance the quality of life in various cities bringing energy-efficient solutions, together with green mobility and investments in waste management. Focusing particularly on less developed regions. The objective is to support the development of up to five smart, green cities.*

**The overall cost of these Flagship Initiatives for Azerbaijan is estimated at EUR 140 million.** The EU will use different instruments in cooperation with International Financing Institutions to support the implementation of the flagships: grants, loans, guarantees, blending.