



## ANNEX

of the Commission Implementing Decision on the Multiannual<sup>1</sup> Action Programme 2019-2020 in favour of the Republic of Azerbaijan

### Action Document for Partnership Priorities Facility (PPF)

#### MULTIANNUAL PROGRAMME

This document constitutes the Multiannual Work Programme in the sense of Article 110(2) of the Financial Regulation and Action Programme/Measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

<b>1. Title/basic act/ CRIS number</b>	Partnership Priorities Facility (PPF) CRIS number: 2019/041-968; 2020/042-185 financed under European Neighbourhood Instrument	
<b>2. Zone benefiting from the action/location</b>	Azerbaijan	
<b>3. Programming document</b>	Single Support Framework for EU Support to Azerbaijan (2018-2020)	
<b>4. Sustainable Development Goals (SDGs)</b>	SDG 1: No Poverty; SDG 8: Decent Work and Economic Growth; SDG 13: Climate Action; SDG 16: Peace, Justice and Strong Institutions.	
<b>5. Sector of intervention / thematic area</b>	Complementary support for capacity development and institutional building	DEV. Assistance: YES
<b>6. Amounts concerned</b>	Total estimated cost: EUR 27 million	

<sup>1</sup>Within the maximum contribution of the European Union, the authorising officer responsible may adjust the allocation to the respective budget years subject to the availability of the commitment appropriations.

	<p>Total amount of EU contribution: EUR 27 million</p> <p>The contribution is for an amount of EUR 13 million from the general budget of the European Union for financial year 2019 and for an amount of EUR 14 million from the general budget of the European Union for financial year 2020, subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budgets or as provided for in the system of provisional twelfths.</p>			
<b>7. Aid modality(ies) and implementation modality(ies)</b>	<p>Project Modality</p> <p><b>Direct management</b> through:</p> <ul style="list-style-type: none"> <li>- Grants</li> <li>- Procurement</li> </ul> <p><b>Indirect management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 5.3.3</p>			
<b>8 a) DAC code(s)</b>	<p>15110 – Public sector policy and administrative management</p> <p>22010 – Communications policy and administrative management</p> <p>24010 – Financial Policy and administrative management</p> <p>25010 – Business support services and institutions</p>			
<b>b) Main Delivery Channel</b>	n/a			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	n/a			

## SUMMARY

To support Azerbaijan in the implementation of the recently concluded EU-Azerbaijan Partnership Priorities, a facility will be set up allowing the EU to accompany the reform efforts undertaken by Azerbaijan in the four broad priority sectors:

**I. Stronger Economy:** promoting non-oil sector development and the country's economic diversification through trade facilitation, tourism and Small and Medium-Sized Enterprises (SME) development, support to the digital, green and circular economy, promoting social protection systems according to EU standards;

**II. Stronger Governance:** continued support to more accountable and effective justice and public administration systems, measures safeguarding democracy and human rights, enhancing resilience in the face of security risks, supporting the fight against corruption, promotion of enabling environment for media and civil society;

**III. Stronger Connectivity:** supporting enhanced governance of the transport and logistics sector and support to road safety, increasing energy efficiency, renewable energy development and introducing the principles of circular economy;

**IV. Stronger Society:** supporting the implementation of the Visa Facilitation and Readmission Agreements, preparing for a possible future visa liberalisation dialogue and fostering the implementation of the Mobility Partnership.

The Action will be supported by substantial communication and visibility measures.

To address emerging requests and needs of Azerbaijani institutions in areas such as strengthening medium-term strategic planning capacities and evidence-based policy formulation, a quick reaction technical assistance component will be made available.

## 1 CONTEXT

### 1.1 Context Description

Azerbaijan's socio-economic progress over the last decade has been impressive: the country's poverty rate reduced from close to 50% in 2001 to less than 5% in 2014, while GDP per capita income grew 5 times between 2002 and 2017<sup>2</sup> However, important disparities remain, notably between the oil-rich capital and the rest of the country.

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<sup>2</sup> IMF figures [<https://www.imf.org/external/datamapper/NGDPDPC@WEO/AZE>].

The strong socio-economic impact of the 2015 fall in oil prices exposed Azerbaijan's continued oil-dependence and consequent vulnerability to exogenous shocks. The ensuing economic crisis created a renewed momentum around the country's long overdue economic diversification/structural reform agenda, as evidenced by the country's adoption of an ambitious economic reform agenda (Roadmaps) in December 2016. Azerbaijan's economy is slowly recovering from the oil shock and the subsequent policy response in 2015-2017, which included exchange rate devaluations and a tightening of fiscal and monetary policies. *Per capita* income in regions lags behind the capital by a factor of more than four, while the poverty level in the regions is 6% compared to approximately 2% in the capital of Baku. Azerbaijan became one of the top performers in the 2019 ease of doing business ranking of the World Bank, jumping 32 spots ahead to reach 25<sup>th</sup> in the ranking.

Despite the across the board improvements by the country in the World Bank's World Governance Indicators, notably regulatory quality and political stability, some governance challenges remain. In particular, the rule of law and the control of corruption registered a net regression<sup>3</sup>. Also, government effectiveness as well as voice and accountability indicators require further attention. Longer-term stability, security and prosperity in Azerbaijan will depend on ensuring respect for human rights and fundamental freedoms, where significant challenges remain. The challenge of ensuring freedom of expression and association and an enabling environment and legislation for civil society to operate is particularly acute<sup>4</sup>.

## **1.2 Policy Framework (Global, EU)**

The EU is one of the key investors in the country, accounting for over half of foreign direct investment in both the oil and non-oil sectors. In this context, the EU and Azerbaijan are willing to continue their economic dialogue and cooperation on economic diversification and sustainable growth, focusing on support to Azerbaijan to improve the business climate and conditions across all sectors.

Negotiations on a new bilateral comprehensive agreement between the EU and Azerbaijan are ongoing. The country seeks a special relationship with the EU, allowing it to continue to benefit from know-how transfer and approximation to EU standards and best practices.

Building further on a shared strategic objective of Azerbaijan and the EU to establish direct energy and transport links, Azerbaijan's role as a strategic energy partner and its geographical location as a natural transport hub offer the possibility to enhance the joint agenda on connectivity, boosting trade and logistics and enabling important East-West and North-South transportation projects in the region. Negotiations on an EU-Azerbaijan civil air transport agreement are ongoing. The EU-Azerbaijan Visa Facilitation and Readmission Agreements as

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<sup>3</sup> According to Transparency International Corruption Perceptions Index, Azerbaijan's score declined from 31 points in 2017 to 25 in 2018 (from 0 highly corrupt to 100 very clean) [<https://www.transparency.org/cpi2018>].

<sup>4</sup> According to Freedom House Index, Azerbaijan regressed from an aggregated score of 14/100 in 2017 to 12/100, labelled as "not free" [<https://freedomhouse.org/report/freedom-world/2018/azerbaijan#a3-freedomr>].

well as the Mobility Partnership are under implementation, with an aim to move towards the visa liberalisation dialogue when conditions allow.

The ‘20 deliverables for 2020’ were jointly agreed at the 2017 Eastern Partnership (EaP) Summit, and set concrete targets in relation to priority areas as well as cross-cutting issues such as civil society development and gender

On 28 September 2018, the EU-Azerbaijan Partnership Priorities were endorsed by the EU-Azerbaijan Cooperation Council. They guide bilateral cooperation in four key areas: (i) economic development and market opportunities; (ii) strengthening institutions and good governance; (iii) connectivity, energy, environment and climate action; and iv) mobility and people-to-people contacts. EU assistance in 2018-2020 will support these areas. The Single Support Framework for Azerbaijan for 2018-2020, as the programming document of EU bilateral assistance under the European Neighbourhood Instrument (ENI), is based on these Partnership Priorities.

The Partnership Priorities mark a new phase of engagement between the EU and Azerbaijan and have been defined in an inclusive process which included EU institutions and EU Member States, Azerbaijani authorities and civil society. They reflect shared interests and focus on these areas where cooperation between the EU and Azerbaijan is of mutual benefit.

The cooperation aims at supporting Azerbaijan's reform agenda, in particular in the domains of economic diversification, sustainable growth and social development, human rights, good governance and rule of law, and its connection with the EU through enhanced energy and transport links, mobility and people-to-people contacts.

The Partnership Priorities also support the objectives of the 2030 Agenda for Sustainable Development, including the 17 UN Sustainable Development Goals, the implementation of the 2015 Paris Agreement on Climate Change and the commitment to address issues of climate change, environmental degradation, poverty and inequality.

### **1.3 Public Policy Analysis of the partner country**

Azerbaijan seeks to diversify its economy and is developing an ambitious economic reform agenda. A number of Strategic Roadmaps were adopted in December 2016, outlining an action plan for 2017-2020, a strategic plan up to 2025, and a vision for the post-2025 era to diversify Azerbaijan's economy at national economic level, in 10 sectors seen as sources of private sector-led growth and employment creation (heavy industry and engineering, SME development, utilities, logistics and trade, financial services, vocational education and training, telecommunications, tourism, affordable housing, agriculture).

Some recent developments under the priority areas identified in the EU-Azerbaijan Partnership Priorities include:

- The mandate of the **Agency for the Development of the SMEs** was formally adopted on 28 June 2018. Setting up SMEs was one of the priorities in the Strategic Roadmap adopted in 2016 and implemented with EU support.
- Amendments to the **Tax Code** entered into force in January 2019. The Tax Ministry administration structure has been reformed to provide more transparency, a more favourable business environment based on a system of direct tax administration and more effective anti-corruption measures.
- The ‘Strategy for **Civil Service Development** in the Republic of Azerbaijan for 2019-2025’ was approved by a presidential decree on 23 November 2018. The strategy seeks to support institutional reforms of the civil service. These reforms aim, amongst others, at a continuous professional development of civil servants and an improvement of personnel policy in the civil service.
- The State Programme on **Justice** 2019-2023 was adopted by a presidential decree on 18 December 2018. On 3 April 2019, President Aliyev issued a Decree on deepening **Judicial Reforms** and adopted the **Law on Mediation**. Since 1 December 2017, the **Probation** Service has become an independent agency and it has been functioning fully since 2018.
- On **energy**, large segments of the Southern Gas Corridor were completed. Azerbaijan concluded work on a revised draft law on energy efficiency and started to develop a comprehensive national energy strategy.
- On **environment**, the Solid Household Waste Strategy 2019-2022 was adopted in 2018 in order to recycle waste for productive industries.

## 1.4 Stakeholder analysis

Relevant stakeholders are government institutions that will be direct recipients of targeted support under the Partnership Priorities Facility (PPF) including but not limited to: economic diversification, investment promotion, support to SMEs, agriculture/rural development, tourism promotion, implementation of tax code reforms, social services/protection/employment, trade facilitation, digital economy (under priority 1); public administration reform, judicial cooperation, anti-corruption (under priority 2); transport, environment/climate change, energy efficiency/renewable energy (under priority 3); and migration, mobility and culture (under priority 4).

In broader terms, non-state actors as well as EU and Azerbaijani businesses will directly and/or indirectly benefit from the Action.

### **1.5 Problem analysis/priority areas for support**

The facility will address the lack of medium-term strategic planning capacities and the absence of evidence-based policy formulation of state institutions, as well as the large demand for more targeted and *ad hoc* expertise and support by a number of ministries.

The aim of the PPF will be to support the country in the implementation of the Partnership Priorities and to accompany the reform efforts undertaken by Azerbaijan in the four broad priority sectors:

**I. Stronger Economy:** promoting non-oil sector development and the country's economic diversification through trade facilitation, tourism and SME development, support to the digital, green and circular economy, promoting social protection systems according to EU standards;

**II. Stronger Governance:** continued support to more accountable and effective justice and public administration systems, measures safeguarding democracy and human rights, enhancing resilience in the face of security risks, supporting the fight against corruption, promotion of enabling environment for media and civil society;

**III. Stronger Connectivity:** supporting enhanced governance of the transport and logistics sector and support to road safety, increasing energy efficiency, renewable energy development and introducing the principles of circular economy;

**IV. Stronger Society:** supporting the implementation of the Visa Facilitation and Readmission Agreements, preparing for a possible future visa liberalisation dialogue, and fostering the implementation of the Mobility Partnership.

Given the strategic objective of Azerbaijan to become a transport and logistics hub, attention should be given to priorities 3 and 4 while ongoing programme implementation in the other priorities continues.

Women, especially in the rural areas, face multiple disadvantages in terms of having limited access to education, income, land and capital, as well as free legal aid. They also face discrimination in accessing justice services as well as domestic violence. A lack of education and employment opportunities limits women's ability to find a decent job and pay. The proposed Action aims to create equal economic opportunities for men and women via capacity development for the relevant involved organisations.

The strategic **communication** envelope under the PPF will provide integrated communication activities in Azerbaijan on EU support to implementation of the Partnership Priorities and the future EU-Azerbaijan agreement. Particular focus of communication activities will be in Lankaran, which is the focal region of EU assistance in Azerbaijan (but not exclusively). The

activities will communicate EU project support to the region with a holistic approach, covering funding from ongoing and upcoming programmes in the areas of agriculture, rural development and education, together with private sector development and connectivity supported under the Facility.

The Programme is designed in a flexible manner, so that it can also be adapted to support the new EU-Azerbaijan agreement once concluded.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Political unwillingness to devise and implement reforms.	M	Policy dialogue.  Involvement of the concerned stakeholders at all stages of the project preparation, as well as during project implementation where benefits will be largely demonstrated and disseminated to its beneficiaries.
Passivity of officials, limited functional capabilities of central authorities.	M	Timely planning and consultation at each step of project implementation with the Steering Committee and relevant stakeholders.  Demand-driven approach of the Programme; information and public awareness campaign.
Increasing domestic instability and possible escalation of the Nagorno-Karabakh conflict.	M	Careful monitoring of the security situation and promotion of negotiated outcomes in internationally accepted formats.
A new EU-Azerbaijan agreement not concluded.	M	Continue negotiations with authorities towards conclusion of the agreement.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• The authorities remain committed to the implementation of the Partnership Priorities.</li> <li>• There is adequate level of cooperation from the targeted institutions.</li> </ul>		



### 3 LESSONS LEARNT AND COMPLEMENTARITY

#### 3.1 Lessons learnt

The following lessons learnt from previous assistance, including these identified in the Evaluation of the European Union's Cooperation with Azerbaijan in the period 2011-2016, are taken into account in the design of this Action:

- The provision of **EU best practices and expertise** (through twinning) responded well to the needs and preferences of the Azerbaijani institutions. Twinning will continue to be used, but it needs to be strategically framed within the Partnership Priorities.
- Close **coordination and cooperation** with beneficiaries is essential (but it does not always happen) when preparing and implementing technical assistance programmes. In the implementation of the Action, it should be ensured that the lead beneficiary (e.g. the Ministry of Economy) coordinates with other relevant stakeholders;
- The Programme design should be **flexible** enough to adapt to changing circumstances, and smaller-scale support should be available timely for a **quicker response** to emerging needs.

#### 3.2 Complementarity, synergy and donor co-ordination

The Partnership Priorities Facility will be complementary to previous and ongoing EU programmes. Ongoing EU programmes have a particular focus on the areas of regional/rural development and agriculture as well as education. The current EU programmes on regional/rural development have an emphasis on business and investment development in the rural areas and the economic development of the Lankaran region, whereas in the education sector the vocational education and training is prioritised. Ongoing EU assistance is also helping to build capacity of public institutions to implement reforms in financial, economic and judicial governance sectors, including the public administration reform and public finance management.

The quick reaction component of the Programme can also complement TAIEX through assignments with longer duration. SIGMA has supported reforms in three areas of the public governance system in Azerbaijan, namely civil service, public financial management and public procurement. Support covering these areas is planned to continue in the period 2019-2020, complementing support provided under this Programme.

From the bilateral ENI allocation to Azerbaijan in 2019-2020, EUR 3 million are channelled to the regional Civil Society Facility (CSF) 2019-2020. These funds will be devoted to supporting social entrepreneurship and capacity building of the Civil Society Organisations (CSO). For projects supporting the civil society, funds are also available from the EU thematic programmes, notably the European Instrument for Democracy and Human Rights (EIDHR) (EUR 3 million for 2019-2020) and Civil Society Organisations and Local Authorities (CSO-LA) (EUR 3 million for 2020). In addition, synergies will be sought with funding provided from the Instrument contributing to Stability and Peace (IcSP) in terms of capacity building of CSOs.

Furthermore, the Programme will also ensure complementarity and synergies with relevant EU regional actions (i.e. EU4Business, EU4Youth, EU4Digital, EU4Energy, EU4Environment, EU4Climate, and Partnership for Good Governance with the Council of Europe), as well as EU programmes such as Erasmus+ and Horizon 2020.

In addition to the EU, the *Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH* (GIZ), the *Kreditanstalt für Wiederaufbau* (KfW), Asian Development Bank (ADB), the United States Agency for International Development (USAID), the United Nations Development Programme (UNDP), the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), the World Bank (WB), the International Finance Cooperation (IFC) and the Swiss Agency for Development and Cooperation (SDC) are supporting SMEs, trade facilitation and private sector development in Azerbaijan. In the field of rural and regional development, besides the EU main donors are WB and USAID, targeting agribusinesses, GIZ supporting local-self-governance reform, the EBRD, supporting access to finance for agribusinesses and SDC, which focuses on enhancing economic regional development, while the International Fund for Agricultural Development (IFAD) supports disadvantaged rural communities. In the field of social protection, main donors in complement to the EU are WB, GIZ, UNDP and United Nations Children's Fund (UNICEF).

Together with the Ministry of Agriculture, the EU co-chairs the sectoral donor coordination group on agriculture. Intra-donor groups on private sector development/trade and social sector are respectively co-chaired by EBRD/SDC and UNDP/UNICEF.

## 4 DESCRIPTION OF THE ACTION

### 4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The **overall objective** is to support the development of Azerbaijan through the implementation of the Partnership Priorities.

The **specific objective** is to support the reform efforts undertaken by Azerbaijan through (i) strengthening the institutional and administrative capacity and (ii) reinforcing the policy development of selected state institutions involved in the implementation of the Partnership Priorities.

**Expected outputs** and **indicative activities** will be defined at the level of each individual action to be financed under the Partnership Priorities Facility.

### 4.2 Intervention Logic

The PPF aims to be a flexible instrument, within the scope of jointly identified strategic interest, capable of accommodating relevant government requests for assistance in areas ranging from analytical work and policy development to sharing of knowledge and expertise,.

The PPF will provide **medium-term** best practice expertise in the key priority areas and **short-term** rapid response advice linked to the implementation of the Partnership Priorities as well as the new EU-Azerbaijan agreement once concluded.

The **strategic communication** envelope under the PPF will provide integrated communication activities in Azerbaijan on EU support to implementation of the Partnership Priorities and the future EU-Azerbaijan agreement.

### **4.3 Mainstreaming**

This facility will support implementation of the Partnership Priorities that *per se* address important crosscutting issues and have links to other relevant fields of the EU-Azerbaijan cooperation, including good governance, economic development, people-to-people contacts, environment and energy efficiency, etc.

Efforts to mainstream gender equality and the rights-based approach, as well as to promote activities that have a positive impact on environment, will be undertaken at the level of specific intervention areas to be developed under the programme.

### **4.4 Contribution to SDGs**

This intervention is relevant for the 2030 Agenda. It contributes to the progressive achievement of SDG 1 – no poverty, SDG 8 – decent work and economic growth, and SDG 13 – climate action and SDG 16 – peace, justice and strong institutions.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this Action, it is foreseen to conclude a financing agreement with the Republic of Azerbaijan.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this Action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements will be implemented, is 84 months from the date of entry into force of the financing agreement.

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

### **5.3 Implementation modalities**

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the Action with EU restrictive measures<sup>5</sup>.

#### **5.3.1. Grants (direct management)**

##### **(a) Purpose of the grant(s)**

The grant(s) will contribute to achieving the following objectives:

- (i) strengthening the institutional and administrative capacity and
- (ii) reinforcing the policy development of selected state institutions involved in the implementation of the Partnership Priorities.

##### **(b) Type of applicants targeted**

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

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

#### **5.3.2. Procurement (direct management)**

The procurement will contribute to achieving the following objectives:

- (i) strengthening the institutional and administrative capacity and
- (ii) reinforcing the policy development of selected state institutions involved in the implementation of the Partnership Priorities.

#### **5.3.3. Indirect management with entrusted entities**

##### **5.3.3.1**

A part of this Action may be implemented in indirect management with an entity selected by the Commission services that fulfils the following criteria:

- is a non-profit-making legal person;
- is a specific type of organisation such as: non-governmental organisation, public sector operator, local authority, international (inter-governmental) organisation;

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<sup>5</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- has the necessary organisational and human capacity, as well as long standing experience in Azerbaijan in the areas relevant to the EU-Azerbaijan Partnership Priorities.

The implementation by this entity entails activities related to the two specific objectives of the Programme, which may include assistance aimed at strengthening institutional and administrative capacity of the selected ministries/state bodies as agreed under the Partnership Priorities or provision of quick, flexible assistance to Azerbaijani state institutions for analytical work, policy development, and sharing of international knowledge and expertise.

The Commission authorises that the costs incurred may be recognised as eligible as of 1 September 2019 because of the nature of the rapid assistance component.

#### **5.3.3.2**

A part of this Action may be implemented in indirect management with the International Centre for Migration Policy Development (ICMPD). This implementation entails institutional capacity building of Azerbaijani institutions involved in migration management related to carrying out of specific tasks, including the area of data analysis for support of the implementation of evidence-based migration policy, development of professional framework for integration of foreigners granted asylum in Azerbaijan, and enhancement of institutional, academic and public awareness on migration policy.

The envisaged entity has been selected using the following criteria:

- operational capacity of the organisation;
- successful implementation of the first phase of ‘MOBILAZE’ project during 2016-2019 and support expressed by the EU Member States and the State Migration Service to continue the project with ICMPD as the implementing agency.

#### **5.3.4 Changes from indirect to direct management mode due to exceptional circumstances**

In case of circumstances outside of the Commission's control, the action identified under section 5.3.3.1 may be implemented under procurement (direct management) in line with the section 5.3.2.

### **5.4 Scope of geographical eligibility for procurement and grants**

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

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or unavailability of products and services in the markets of the countries

concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this Action impossible or exceedingly difficult.

## 5.5 Indicative budget

	EU contribution (amount in EUR)		Indicative third party contribution, in currency identified
	2019	2020	
<b>Objectives</b> (i) strengthening the institutional and administrative capacity and (ii) reinforcing the policy development of selected state institutions in the framework of the implementation of the Partnership Priorities. <b>composed of:</b>			
<b>Grants – total envelope under section 5.3.1</b>	3 000 000	4 500 000	N.A
<b>Procurement – total envelope under section 5.3.2</b>	1 800 000	3 300 000	N.A
<b>Indirect Management<sup>6</sup> – entrusted entity under section 5.3.3.1</b>	3 000 000	6 000 000	
<b>Indirect Management - ICMPD under section 5.3.3.2</b>	3 000 000	0	
<b>Evaluation</b> <b>Audit/ Expenditure verification</b> (cf. section 5.9)	200 000	200 000	N.A
<b>Communication and visibility</b> (cf. section 5.10) <sup>7</sup>	2 000 000	0	N.A
<b>Contingencies</b>	0	0	N.A
<b>Totals</b>	13 000 000	14 000 000	

<sup>6</sup> A fall back option is foreseen under procurement (section 5.3.2).

<sup>7</sup> This dedicated communication budget supports overall EU visibility for all AAPs under 2018-2020. In addition, EU communication and visibility at the project level is included in each contract under the Multiannual Action Programme 2019-2020 and therefore does not require a separate financial envelope.

## **5.6 Organisational set-up and responsibilities**

A Steering Committee shall be set up to oversee and validate the overall direction and policy of the projects implemented under this Programme (or other responsibilities to be specified). It will include a representative of the Republic of Azerbaijan, of the entrusted entity (if applicable) and of the Delegation of the European Union to Azerbaijan. The exact composition will be decided at the programme implementation stage together with the co-chairs.

The Programme will be monitored according to standard procedures based on a regular assessment of progress, delivery of specified programme results and the extent to which the programme objectives have been achieved. Key objectively verifiable indicators (OVIs) will be defined for this purpose.

The Steering Committee will be in charge of guiding and monitoring all components supported under the Programme and will ensure that adequate coordination mechanisms between concerned institutions at national, regional and local level are established.

## **5.7 Performance and Results monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process and a part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the Action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of the implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of the results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix.

SDGs indicators and, if applicable, any jointly-agreed indicators should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the Action. The final report, narrative and financial, will cover the entire period of the Action implementation.

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

## **5.8 Evaluation**

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

The evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).



Evaluation services may be contracted under a framework contract.

## **5.9 Audit**

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

It is foreseen that audit services may be contracted under a framework contract.

## **5.10 Communication and visibility**

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

This Action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

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

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that a contract for communication and visibility may be concluded.

## APPENDIX - INDICATIVE LOGFRAME MATRIX <sup>8</sup>

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

	Results chain	Indicators	Baselines (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To support the development of Azerbaijan through the implementation of the Partnership Priorities.	Human Development Index	2017: 0.757; 80 out of 189 countries and territories	Human Development Reports	
Specific objective(s): Outcome(s)	To support the reform efforts undertaken by Azerbaijan through (i) strengthening the institutional and administrative capacity and (ii) reinforcing the policy development of selected state institutions involved in the implementation of the Partnership Priorities.	Partnership Priority 1: Economic development and market opportunities			Government of Azerbaijan (GoA) maintains commitment towards implementation of the Partnership Priorities.  The authorities engage in a meaningful reform process.  There is a political will and interest on the side of the government and Member States to engage and cooperate continuously.
		WB Doing Business ranking *	2017: 65 out of 190	WB Doing Business report	
		EU Business Climate report on Azerbaijan *	2017	EU Business Climate report on Azerbaijan	
		Partnership Priority 2: Strengthening institutions and good governance			
		Judicial independence *	2016/17: 3.7	Global Competitiveness Report	

<sup>8</sup> Mark indicators aligned with the relevant programming document with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

		Rule of Law *	2015: 31.15 percentile rank	World Bank World Wide Governance Indicators Report	There is an adequate level of cooperation with the targeted institutions.
		Government Effectiveness *	2016: 49.04 percentile rank		
		Corruption Perception Index *	2016: 30; rank 123 out of 176	Transparency International Report	
		Partnership Priority 3: Connectivity, energy efficiency and climate change			
		National Road Plan adopted and implemented by the government *		Government reports	
		Share of renewables in total power generation *	2014: 5.9%	International Energy Agency	
		Environmental performance index score *	2014: 55.47	Environmental Performance Index	
		Partnership Priority 4: Mobility and People-to-People contacts			
		Action Plan for Visa Liberalisation granted for Azerbaijan *		EU-Azerbaijan Visa Facilitation and Re-admission meeting reports	
		Number of Visa Liberalisation criteria met *			
Outputs	To be completed at a later stage for each individual action financed under the Partnership Priorities Facility.				