

**EN**



EUROPEAN EXTERNAL ACTION SERVICE



EUROPEAN COMMISSION  
DIRECTORATE GENERAL FOR DEVELOPMENT  
AND COOPERATION - EUROPEAID

**Programming of the  
European Neighbourhood Instrument (ENI) - 2014-2020**

**Single Support Framework for  
EU support to Azerbaijan  
(2014-2017)**

# Single Support Framework

## Azerbaijan 2014-2017

### Introduction

In its 20 years of independence Azerbaijan has made significant progress in terms of socio-economic development. At the time of independence in 1992, Azerbaijan suffered not only from an armed conflict with neighbouring Armenia, but also the collapse of the economy. While the conflict with Armenia over Nagorno-Karabakh has led to a precarious ceasefire and dead-locked Organisation for Security and Co-operation in Europe (OSCE)-peace negotiations, the macroeconomic fundamentals have considerably improved and at present, Azerbaijan is classified by the OECD/DAC as an upper middle income country, with a 2013 Gross domestic product (GDP) per capita of USD 7,899. One of the main ambitions of Azerbaijani Government is to double the GDP in the next ten years via growth in the non-oil sector and attain the status of a high income country.

Currently, Azerbaijan's Human Development Index (HDI) is 0.731 and ranks the country 76 out of 187 countries.

However, it has to be noted that the strong growth rate was fuelled mainly by oil and gas revenues, which on the other hand make the Azerbaijani economy vulnerable to potential oil prices fluctuation. In general, the economy of Azerbaijan is less diversified than other countries of the Caucasus or from the Commonwealth of Independent States (CIS): the share of oil and gas sector accounts for about 93% of total export and over 41% of GDP<sup>1</sup>. The final investment decision taken in December 2013 to start development of one of Azerbaijan's major gas fields, the Shah Deniz II field, and the decision to export gas to Europe as of 2020 should compensate in the medium-term for an expected, although gradual drop in oil production and revenue.

From the macro-economic perspective, Azerbaijan performed well over the last decade, during which the country's economic development was among the fastest in the world, with GDP growth rate averaging 14.5% during the period 2003-2011. During the same period, the (nominal) state budget increased 16 times, the GDP tripled and strategic exchange reserves increased 20 times.

As a result of this strong growth and targeted social assistance programmes, the poverty rate has dropped significantly, from 44.7% in 2003 to 6% in 2012.

The unemployment rate in 2013 is 6% and inflation within single digits (2,4% in 2013). External debts are only 7% of the GDP and the commercial foreign trade balance is positive. Since 2004, the EU is the main trade partner for Azerbaijan. In 2012 the EU exported goods to Azerbaijan for EUR 2.9 billion and imported for EUR 13.8 billion. Machinery and transport represented 42.8% of the import from EU to the country. Regarding export to the EU, 99.3% of total exports to the EU were fuels and mining products.

In 2011 and 2012 Azerbaijan experienced for the first time in a decade a strong growth deceleration, mainly due to fall in oil and gas production. Indeed, respectively 11% and 4.2% fall in oil and gas production in 2011 and 2012, was only partially compensated by higher energy

---

<sup>1</sup> Based on IMF projections for 2013. It has to be noted that the non-oil nominal GDP includes the transportation of oil and gas (except transportation through the western route), as well as the export tax paid by the state oil company.

prices and growth of the non-oil economy, and consequently GDP total growth in 2011 and 2012 was respectively a mere 0.1 and 2.2%, the lowest since independence.

However, according to the International Monetary Fund (IMF), the near-term growth prospects are generally favourable, reflecting strong non-oil growth and a successful stabilization of oil output. With the IMF projecting non-oil growth of 9.3% and 8.4% in 2013 and 2014, respectively, overall gross domestic product (GDP) growth should be bouncing back to about 5% in both years. Favourable oil sector developments will help maintain double-digit current account surpluses in percent of GDP and a solid external position. Headline inflation is projected to hover around 3% on the back of softer pressures from both food and non-food prices. Risks of a fall in oil prices emanate mainly from a potential deterioration in the global outlook and the performance of key emerging markets. Since 2010 the State Oil Fund became the main contributor to the state budget, and its share in total state revenues reached the peak of 60% in 2012. The draft 2014 budget however signals a start in fiscal consolidation: preliminary information suggests that the non-oil consolidated fiscal deficit could shrink by about 5% of non-oil GDP next year relative to the estimated deficit of 50% in 2013, but would still remain above the estimated sustainable level of 35%.

Over the last years, the Government attached great importance to the expansion of the non-oil economy and decreasing dependence of the State Budget on the oil-revenues, through improvements of the legal framework and encouraging foreign investments in the non-oil sectors, efforts which should be further pursued. The overall business climate would benefit from strengthened competition (even if no competition code is in place yet), less red tape, increased budget transparency and sustained action against corruption. Since Azerbaijan applied for World Trade Organisation (WTO) membership in 1997, the accession process advanced very slowly and continued efforts will be needed to boost negotiations.

According to the World Bank (WB) Doing Business 2013 report, Azerbaijan ranks 67 out of 185 countries, lower than the neighbouring Southern Caucasian countries – Armenia is 32<sup>nd</sup> and Georgia 9<sup>th</sup> – in the overall doing business category and well below the place it held in 2008-2009 (33<sup>rd</sup>).

Azerbaijan improved its position in the World Economic Forum's Global Competitiveness Report 2013-2014, ranking 39<sup>th</sup> out of 148 countries among the most competitive economies of the world. Thus compared to the last year's records, Azerbaijan was lifted up by 7 positions and in terms of macroeconomic stability the country scores world's 8<sup>th</sup> place, up by 10 positions. However, despite major improvements registered mainly under macroeconomic pillar and the labour market efficiency pillar, Azerbaijan scores very low under other pillars such as institutions, health and primary education, higher education and training, goods market efficiency or financial market development.

Despite major improvements (e.g. simplification of procedures, one window principle), the business environment is still flawed with a lack of transparency and corruption remaining the main deterrents for private sector development and Foreign direct investments (FDI). By 2011, the stock of foreign direct investment in the Azerbaijani economy exceeded US\$ 8.3 billion with 80% of the total amount channelled to the oil and gas sector.

Azerbaijan's ranking on Transparency International's 2012 Corruption Perception Index (CPI), is among the lowest in the region, scoring 139 out of 176 countries. Azerbaijani leadership has taken initial steps in order to address this problem: In September 2012, the Government adopted the Anti-Corruption Action Plan and the Open Government Initiative Action Plan, both covering 2012-2015 and tackling issues such as corruption prevention, transparency, accountability and oversight. Introduction of electronic services like the ones offered by State Agency for Services and Social Innovations (ASAN) centres is an important step ahead, and sporadic disclosure of cases of corruption was reported. Another important milestone in the fight against corruption has been the set-up of an independent anti-corruption department under the State Prosecutors Office

in October 2012. In February Azerbaijan adopted the Law on joining the Additional Protocol of the Convention on Criminal Liability for Corruption and the country pledged in its Universal Period Review official response to become a full-fledged member of the International Anti-Corruption Academy.

Disparities between regions are still evident and even increasing. The Absheron region, for example, takes up only 3.9% of Azerbaijan's territory, but produces 80% of overall industrial output and accounts for about 90% of all oil and non-oil investments in the country. GDP per capita in the non-oil sector is still 3 times higher in Baku than in the national average and disparities are also evident with regard to other socio-economic indicators.

The agriculture sector is a key contributor for job creation, food security and poverty reduction. While accounting only for the 5.3% of the GDP<sup>2</sup>, it still provides income and employment for about 38% of the employed population and remains the second largest export sector after oil and gas averaging 50% of exports in the non-oil sector.

The development of human capital is another key factor for the sustainability and economic development of the country.

As said above, despite progress made by the country in reducing poverty levels and advancing the reform agenda, social protection, education and health reforms must be continued to unlock Azerbaijan's full growth potential. Besides the "hardware", Azerbaijan needs to resolutely engage in the "software", i.e. human capital development. In addition, more has to be done in the areas of business environment, democratic participation, respect of the rule of law and overall good governance.

In terms of external relations, currently Azerbaijan is enjoying a period of foreign policy achievements, with a non-permanent seat in the United Nations Security Council (UNSC) (2012-2013) and forthcoming chairmanship of the Council of Europe (CoE) Committee of Ministers (May-November 2014). Azerbaijan is also constantly raising its regional profile, in international fora and is notably seeking to raise its international exposure. Combined, these efforts are increasing the country's global recognition and visibility.

Settlement of the long-lasting conflict with neighbouring Armenia over Nagorno-Karabakh remains Azerbaijan's main priority. Protraction of the stalemate for almost two decades has resulted in regional security and economic integration problems. As traumatic side effects frequent military and civilian casualties happen along the line of contact and the common border and there are challenges related to the reintegration of a massive number of internally displaced persons (IDPs) and refugees (1.000.000 according to Azerbaijani official statistics of a total population of roughly 9.000.000). Despite recent resumption of high level contacts, the negotiation process is largely stalled, which entails a degree of risk, including for cooperation activities, that has to be taken into account.

In the spirit of the Human Rights Action Plan adopted in December 2011, Azerbaijan needs to further step up efforts to improve human rights records, particularly in respect to fundamental freedoms like those of expression, assembly and association, property rights, electoral legislation and the state of the justice system, especially with regard to the independence and integrity of the judiciary as stated also in the 2012 European Neighbourhood Policy (ENP)<sup>3</sup> progress report and subsequent EU statements.

---

<sup>2</sup> [www.stat.gov.az](http://www.stat.gov.az)

<sup>3</sup> [http://eeas.europa.eu/enp/pdf/2014/country-reports/azerbaijan\\_en.pdf](http://eeas.europa.eu/enp/pdf/2014/country-reports/azerbaijan_en.pdf)

## **1. EU Response**

### **1.1. Strategic objectives of the EU's relationship with the partner country**

Azerbaijan is committed to enhance political cooperation and progressive, but selective, economic integration with the European Union.

A Partnership and Cooperation Agreement (PCA) entered into force in 1999 and remains in place to date. In 2003, the EU engaged further with Azerbaijan on the ENP, the principles of which were reviewed and reconfirmed in 2011. An Action Plan reflecting the mutual political priorities was adopted in 2006 outlining areas in which enhanced dialogue and deeper political cooperation and reform would bring benefits to both populations. This relationship was furthered in May 2009, with the participation of Azerbaijan in the Eastern Partnership (EaP).

The EaP creates additional opportunities for mutual cooperation by offering higher level and more inclusive agreements, such as: the Association Agreement (AA); the Agreement on a Deep and Comprehensive Free Trade Area (DCFTA); and Visa Facilitation and Readmission agreements.

To date, negotiations on an Association Agreement are on-going, while those on the DCFTA have not started yet, as Azerbaijan does not fulfil the EU requirement that partner countries are WTO members, a condition that is hardly going to be met by Azerbaijan in the near term future.

A Visa Facilitation agreement was signed in November 2013 and the Readmission Agreement was signed in February 2014. Both agreements are expected to enter into force in mid-2014. The Mobility partnership was likewise signed in December 2013.

These new contractual relations will require substantial institutional reform efforts. The EU is supporting this process through the Comprehensive Institution-Building Programme (CIB), which contributes to build institutions tasked with the negotiation and implementation of these new agreements.

To this end, a Memorandum of Understanding on the CIB, signed on 13 January 2011 between the European Commission and Azerbaijan, sets out an understanding between both parties to support three main clusters of intervention, namely 1) economic integration and trade related assistance, 2) justice, rule of law and security and 3) civil service training.

Azerbaijan is a major strategic energy partner for Europe and shall by 2020 become a new supplier of pipeline gas to Europe following the Shah Deniz II Final Investment Decision taken in December 2013. The European Union and Azerbaijan have signed in November 2006 a Memorandum of Understanding on Energy with the objective to enhance cooperation in this field.

### **1.2. Choice of sectors of intervention**

#### Background:

The main objective of technical and financial cooperation between the EU and Azerbaijan for the period 2014-2017 is to support the achievement of commitments and policy objectives defined in the current political agreements (ENP Action Plan (ENP AP), PCA, EaP) and in the framework of the future Association Agreement negotiations.

In particular, EU assistance over the period covered by this Single Support Framework (SSF) will aim to support Azerbaijan's ambitious reform agenda to consolidate the rule of law, promote the diversification of the economy and bring Azerbaijan closer to the EU.

The “State Programme on Poverty Reduction and Sustainable Development” (SPPRSD), approved by Presidential Decree on 15 September 2008 and the Concept Vision 2020 –outlook for the

future" are the main strategic documents providing the overall priority-setting and development framework of the country.

Among the main priorities listed in the "Concept Vision 2020" are:

- Towards a highly competitive economy:
  - *Formation of economic model based on effective state regulation and mature market relations*
  - *Improvement of economic structure, development of non-oil sector*
  - *Support to scientific potential and innovation activity.*
- Improvement of transport infrastructure;
- Balanced development in the regions;
- Development of information-communication technologies and transition to e-society;
- Development of human resources and social fields (health, education, social protection, youth);
- Improvement of legislation and strengthening of institutional capacity;
- Civil society development;
- Protection and efficient use of cultural heritage;
- Environmental protection and ecological issues.

The present SSF takes into account the new ENP policy and legal framework as outlined in the ENI Regulation<sup>4</sup> and in the Communication "**A new response to a changing Neighbourhood**"<sup>5</sup>. It is also in line with the general development policy of the EU as outlined in the "**Agenda for Change**".

Consequently, the focus of EU assistance to Azerbaijan for the period 2014-2017 will be centred on a limited number of sectors selected among the ENP AP, the Government's agenda priorities, and where a clear added value for EU engagement has been identified.

For Azerbaijan, the three priority areas for assistance over 2014-2017 are: **regional and rural development, justice sector reform and education and skills development**.

The assistance in the first priority area, - **regional and rural development** - aims at supporting the Government's efforts in the diversification of the economy and promotion of more balanced and sustainable and inclusive growth, while reducing disparities between regions. Those are clear stated priorities for the Government as outlined in the "Concept Vision 2020" and in other strategic documents. From its side, the EU can offer policy advice and assistance on integrated approaches towards economic and social cohesion based on experiences in the management of EU Regional Cohesion Fund and during the accession process. Assistance in this field will complement and build on the results achieved in the implementation of on-going programmes funded under the National Indicative Programme (NIP) 2011-2013 such as the Pilot Regional Development Project (PRDP) and the Rural Development Budget Support Programme (AAP 2011).

Support to **justice** sector reform, with a focus on consolidation of the rule of law and promotion of independence of the judiciary, has historically been, and remains, a top priority for the EU in Azerbaijan, both from a developmental point of view, but also as a key area to promote European values. Further engagement would be on the back of successful past interventions, most notably

---

<sup>4</sup> <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2014:077:SOM:EN:HTML>

<sup>5</sup> COM (2011) 303.

within the CIB, which identified and is addressing key gaps in institutional capacity, and a sector budget support programme which has established a solid basis for cooperation and policy dialogue. Looking forward, there are still substantial policy areas to be tackled, such as juvenile justice, further reform of the penitentiary system including introduction of a probation system, and further support to independence of the judiciary within an overall coherent justice system reform.

Support in **education and skills development** responds to another clear need of the country. Currently, the sector is not able to supply the workforce with the adequate skills and knowledge to meet the growing demands of the labour market. According to the European Training Foundation<sup>6</sup>, 40% of the workforce in Azerbaijan enters the labour market without any qualification. In addition, while at the primary school level Azerbaijan completion rates are comparable with OECD averages, they lag behind in the other two ends of the education spectrum, namely in pre-school and higher education. In view of the modernization of the sector, the Government has clearly expressed its will to approximating its education and training system to EU policies and practices, which grants a clear comparative advantage to the EU.

In the specific case of vocational education and training, the EU has been the main donor for several years. Future support in this field will therefore complement and build on the momentum which has been created so far by on-going and past interventions.

Capacity development of national institutions remains a key concern of EU assistance in each of the three sectors, especially when this requires support for approximation to the EU acquis and standards. In addition, complementary support will be provided for the implementation of agreements with the EU – including in domains outside the sectors of concentration.

During the consultation process, good governance and the fight against corruption have also been identified as prominent priorities, which will have an impact on all other developmental objectives.

As a crosscutting issue, support to anticorruption measures will be provided through the complementary envelope and within each of the focal sectors. Indeed perception on corruption is particularly present in sectors close to the daily life of citizens including in the police, justice system and education but also in key economic areas such as the oil and gas sectors.

Other important areas of cooperation, identified in the ENP AP and Association Agreement, such as safeguarding human rights and soft security (borders, migration, anti-trafficking), sustainable energy, transport, environmental protection and people-to-people contacts will be addressed through regional programmes and/or horizontal budget lines, which fall outside the scope of the bilateral envelope.

EU financial support might also be directed towards confidence building measures related to the Nagorno Karabakh conflict (currently supported through the Instrument for Stability), if feasible and appropriate.

Bilateral cooperation will actively seek synergies with regional programmes and with activities supported by the successor of the Neighbourhood Investment Facility (NIF) on investment to support infrastructure projects (blending).

The three priority areas constitute distinct development objectives, while remaining mutually reinforcing. The development of the non-oil economy must be driven by harmonious and sustainable economic development across all of Azerbaijan's regions and by an education and training system capable of supplying a workforce able to meet the labour market's increasing requirements. Enforcement of the rule of law and access to an independent, effective and fair justice system safeguarding fundamental rights are also essential for a business environment enabling private sector to flourish. Although Joint Programming is not currently feasible in Azerbaijan, joint work and analysis with EU Member States active in the country will be stepped

---

<sup>6</sup> Torino Process Country Report, 2011 ETF.

up and build on existing local donor coordination, as well as with other key international stakeholders (World Bank, UN, OSCE and CoE in particular).

## 2. Indicative financial overview

The indicative bilateral allocation for the period 2014-2020 is EUR139,000,000 to EUR169,000,000. The indicative bilateral allocation for the period for the programming period 2014 -2017 is EUR77,000,000 to EUR94,000,000. The indicative breakdown by sector is the following:

<i>Sector of Intervention</i>	<i>% of Total</i>
<b>1) Regional and Rural Development</b>	40%
<b>2) Justice Sector Reform</b>	20%
<b>3) Education and skills development</b>	20%
<b>Complementary support for capacity development and institution building</b>	15%
<b>Complementary support for civil society</b>	5 %

In addition to programmed bilateral allocations, Azerbaijan may benefit from supplementary allocations provided under the multi-country umbrella programmes referred to in the Neighbourhood-wide programming documents. Such supplementary allocations will be granted on the basis of progress towards deep and sustainable democracy and implementation of agreed reform objectives contributing to the attainment of that goal.

Azerbaijan is also eligible for support under a number of other EU instruments, such as the Instrument Contributing to Peace and Stability, Humanitarian Aid, the Partnership Instrument, the European Instrument for Democracy and Human Rights, the Instrument for Nuclear Safety Co-operation, Macro-Financial Assistance, Development Co-operation Instrument thematic programmes and external actions under EU internal programmes for e.g. research and innovation, energy, transport, education and youth (in particular Erasmus+) and culture (Creative Europe). Where possible, Member States political action and assistance will also be coordinated with EU action, as a way of achieving political leverage and as part of a coherent foreign policy approach. Azerbaijan may also be targeted for specific diplomatic action under the Common Foreign and Security Policy, depending on the specific political circumstances.

## 3. EU support per sector

Support to civil society will be mainstreamed throughout all three sectors of intervention, geared towards promoting civil society engagement in the respective sector with the ultimate goal of ensuring effective and inclusive policies at the national level. Efforts will be made to support civil society capacities and engagement, as appropriate, in the development, implementation and monitoring of national sector strategies, including through participation in policy dialogues and service delivery schemes.

Each sector of concentration will encompass sector-related capacity development and institution building activities, including approximation to EU legislation and technical standards. Relevant cross-cutting issues (including environment, human rights and statistical capacities) will be addressed in each sector of concentration by means of mainstreaming and/or ad hoc activities, as appropriate. Specific attention will be devoted to the promotion of gender equality and women's empowerment.

## 3.1 Regional and Rural Development

### 3.1.0 Justification

Azerbaijan faces a difficult challenge in terms of redistributing economic growth and wealth. The urban-rural divide is strong and disparities between Baku and the rest of the country are evident.

In line with the diversification strategy of the Government, agriculture, tourism, and manufacturing are viewed as key sectors for the development of the regions. Horizontal issues include lack of capacity at regional level, need for creation of clusters, networks, and high demand for business support services and infrastructure.

As other economic sectors, the agricultural sector and the related processing industries have suffered from adverse consequences of privatization in the post-Soviet period. While these structural problems prevail, due to its climatic and geographic advantages, the agriculture sector has significant potential for expansion and for contributing to the diversification of the economy. While it accounts only for the 5.3% of the GDP, it still provides income and employment for about 38% of the employed population<sup>7</sup>.

While the government has put significant efforts and resources in improving the basic infrastructure (roads, water, energy, waste management) in the regions, there has been less focus on improving the overall local self-governance system, including streamlining inter-institutional relations and promoting a more participatory and democratic approach to local development.

Implementing new approaches for regional and rural development is of particular importance for stimulating the development of the non-oil economy, for contrasting rural-to-urban labour migration and more in general for ensuring social cohesion and stability.

### 3.1.1 The following overall and specific objectives will be pursued:

The **overall objective** is to support Government efforts in the diversification of the economy while promoting a balanced and inclusive growth, decrease regional disparities and improve rural livelihoods.

The specific objectives are:

**Objective 1:** To contribute to business development, investment promotion and employment generation across economic regions of Azerbaijan.

**Objective 2:** To enhance democratic participation, institutional capacity and efficiency in the field of local governance and regional development

**Objective 3:** To raise rural livelihoods and quality of life in rural areas.

### 3.1.2. For each of the specific objectives the main expected results are:

#### For Specific Objective 1:

- Increased competitiveness of regions and their enterprises;
- Improved basic rural infrastructure and business services;
- Community mobilisation ensured through strengthened rural institutions and organizations, such as producer organizations and cooperatives;
- Market-driven pilot initiatives using a value-chain approach for employment generation in areas related to agriculture, agro-processing, handicraft and tourism implemented.

---

<sup>7</sup> 2011 figures (www.stat.gov.az).

#### For Specific Objective 2:

- Policy, legislative and institutional framework for the local self-governance in Azerbaijan is aligned to European Charter of Local-Self-Government;
- Institutional capacity at national and regional level to plan, implement and administer programmes in the field of regional development and territorial planning strengthened;
- Participatory and democratic approach to local development enhanced by fostering partnership, participation and bottom-up initiatives at local (and regional) level;
- Improved efficiency, transparency, accountability and quality of service delivery at the local level.

#### For Specific Objective 3:

- Improved infrastructure and access to social services for the rural population;
- Improved environmental sustainability and land management of rural areas;
- Increased diversification of economic activity and employment opportunities.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 2.

#### **3.1.3. Donor coordination and policy dialogue are:**

In the field of rural and regional development, the most active donors are: the EU which is funding a dedicated sector budget support programme in agriculture and one on regional development; USAID with the ACT (Agriculture Competitiveness and Trade) Project and the Socio-Economic Development Activity (SEDA) project; the World Bank with the ACDP Programme (Agriculture Development and Credit Programme) and the Rural Infrastructure Programme (AzRIP); The German cooperation, through GIZ is also involved in regional development mainly in the area of local-self-governance reform, capacity building of local authorities and participatory land-use planning as well as in private sector development in the non-oil sector covering the agro-food processing industry and related services. The European Bank for Reconstruction and Development (EBRD) is working on a new agricultural finance facility. Switzerland's development cooperation focuses on enhancing economic development through strengthening the framework conditions for entrepreneurs, supporting the creation of sustainable business partnerships in selected agricultural value chains, promoting rural finance instruments and developing opportunities for enhanced vocational skills for farmers.

#### **3.1.4. The Government's financial and policy commitments are:**

"Vision 2020" identifies the development of the regions as a cornerstone for achieving the country's full potential. Regional development and poverty reduction are addressed in the wider national framework defined by the State Programme for Poverty Reduction and Economic Development for 2008–2015 and the State Programme for Socio-Economic Development of Azerbaijan's Regions for 2009–2013<sup>8</sup>.

In terms of rural development, in 2008 the Government of Azerbaijan (GoA) adopted the *State Programme on Reliable Food Supply of population in the Azerbaijan Republic – 2008-2015*, with the aim of bolstering the agriculture sector and promoting food security.

Significant investments have been channelled to the regions from the State Budget, which have contributed to improved infrastructure and general living conditions in rural areas. However, a

---

<sup>8</sup> A follow-up programme covering the period 2014-2020 is under preparation.

more strategic and participatory approach to regional development should be pursued in order to foster bottom-up initiatives which respond to the needs identified at the local level and for increase efficiency and effectiveness of the system.

**3.1.5. When needed, the appropriate type of environmental assessment (Strategic Environmental Assessment (SEA) or Environmental Impact Assessment (EIA) will be carried out:**

A SEA has been conducted in October 2012. Its main findings are that large government infrastructure investments (water supply, waste management, etc.) and better forest and protected area management have significantly improved the environmental situation. Challenges remain due to oil production, industrial and agriculture pollution from the Soviet era, and soil and water degradation. Legislation is in the process of being harmonized with the EU, but enforcement is still a problem. Some of the challenges identified in the Strategic Environmental Assessment which have an impact in regional/rural development are:

- a) High levels of salinity affecting large areas of agricultural land;
- b) Contamination of irrigation water and low water-use efficiency in irrigation systems;
- c) Deforestation and soil erosion in mountain areas due mainly to overgrazing.

In the new programming period, priority should be given to policies which address the challenges identified above and which streamline environmental consideration in the planning of investment projects and other type of activities conducted at the local and regional level. Capacity development at the central and local level should also be promoted.

**3.1.6. The overall risk assessment of the sector intervention is:**

The main risks to achieving a successful sector intervention are the unclear interrelations between different local administrative structures and the uncertainty about genuine Government commitment to advancing the self-governance reform agenda;

In addition, as Civil Society Organisations (CSOs) will be key actors in EU reform efforts in this area, recent Government restrictions on CSO activities in the regions if continued may lower the impact of reform efforts.

Mitigation measures for these include:

- Continued policy dialogue with the Government, both demonstrating the potential development benefits of local self-governance reforms and dialogue with civil society as well as reminders of their commitments both internationally (Council of Europe) as well as internally (Vision 2020);
- Providing capacity building support to central and local administrations.

## **3.2 Justice Sector reform**

### **3.2.1: Justification**

According to the 2011 and 2012 ENP progress reports, Azerbaijan needs to make significant efforts to meet ENP AP commitments regarding democracy, including those on electoral processes, and the protection of human rights and fundamental freedoms. While a justice reform process with substantial investments in new facilities, infrastructure and capacity building has been initiated and supported by the EU and other donors, the independence, impartiality and integrity of the judiciary remain a concern. Strategic and organic support to the justice system is still needed to sustain and strengthen the current effort.

Under the CIB programme, an Institutional Reform Plan was developed aiming at professionalization of the judiciary and enabling citizens' access to key institutions, such as the

Judicial Legal Council, Ministry of Justice, Ministry of Internal Affairs, Central Election Committee, Ombudsman, and Commission on Combating Corruption.

### **3.2.2 The following overall and specific objectives will be pursued:**

The expected long term impact will be the strengthening of the rule of law, including the independence and impartiality of the judiciary, transparency and accountability, full access to justice by all citizenry, and the right to a fair trial.

**Objective 1:** Ensure the effectiveness, efficiency, transparency and accountability of the justice system and respect for human rights;

**Objective 2:** Ensure the independence, impartiality, integrity and transparency of the judiciary;

**Objective 3:** Enhance citizens' access to justice.

### **3.2.3. For each of the specific objectives the main expected results are:**

#### For Specific Objective 1:

- An effective and efficient justice system fully safeguarding human rights is established ensuring a fair and impartial trial;
- Improved capacity, knowledge and integrity of the main actors of the justice system;
- Juvenile justice reform implemented in accordance with European and international standards;
- Improved accountability and transparency of the justice system;
- Custodial conditions including respect of human rights in penitentiary institutions improved.

#### For Specific Objective 2:

- Judicial independence and impartiality is guaranteed in law and practice (inamovibility, career, disciplinary actions, judicial inspection, budget);
- Anticorruption measures implemented throughout the justice system.

#### For Specific Objective 3:

- Effective legal system of legal aid including free legal aid for indigent persons established;
- Improved awareness and access to justice (including Alternative Dispute Resolution - ADR) for citizens and economic operators including at provincial level.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 2.

### **3.2.4. Donor coordination and policy dialogue are:**

The most active donors in the justice sector, besides the EU are the World Bank, the German cooperation through GIZ, OSCE, and the Council of Europe, with each focusing on a different subsector.

Specifically, the OSCE and the Council of Europe focus on trial and penitentiary monitoring, offering various practical training activities for specific target groups, such as judges, bailiffs or penitentiary staff. GIZ's activities have focussed on development of the administrative court system in Azerbaijan. World Bank activities have focussed on loans for construction of modern court facilities in the regions and limited capacity building for judges and further work is planned for 2014 onwards.

Policy dialogue by all donors is limited, although recent progress in the framework of the EU funded Justice Reform Support Programme Sector Policy Support Programme (SPSP) and development of IRP2 under the CIB provides positive starting points, which are expected to be expanded further.

### **3.2.5. The Government's financial and policy commitments are:**

The main government strategy for the justice sector is outlined in the 2009-2013 State Programme on Justice Development, which outlines general areas of reform, among them: professionalization of the judiciary, improving access to justice for the population, modernisation of national legislation in line with international standards, penitentiary reform in line with international standards, and modernisation and expansion of infrastructure.

A new 2014 – 2020 strategy is under development, although at this stage it is not yet defined what specific directions will be included. The justice sector is not mentioned per se as a priority in the Vision 2020 concept, although it is assumed that it will be a crosscutting issue in terms of modernisation of all sectors and specifically of state institutions.

While financial commitments are not outlined in the State Programmes, it is assumed that the justice sector's allocation will remain at current levels for the foreseeable future.

### **3.2.6. When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out:**

As mentioned in point 3.1.7 above a Country Environmental Profile was conducted in October 2012 in order to contribute to the preparation of this SSF. However, the findings of the reports have no specific relevance for the justice sector reform.

### **3.2.7. The overall risk assessment of the sector intervention:**

The main risk is the genuine political commitment to establish a truly independent and equitable system.

While this is a clear risk, EU experience from the Justice Reform Support Programme (JRSP) indicates that the Ministry of Justice is keen to reform in many areas, and looks for support in this regard. As such, as long as projects align with these interests then risk can be considered to be moderate, and a 'spill-over' of good practices can be hoped for.

In addition, stepping up the policy dialogue already established through the JRSP in the most sensitive areas will be essential as well as reminders of the international commitments of the country particularly concerning the Council of Europe standards.

## **3.3 Education and skills development**

### **3.3.0 Justification**

The education sector faces significant challenges in Azerbaijan. While the net enrolment rate is comparable with that of high income countries (95% for secondary and 99% for primary), the enrolment rate in pre-school education (16.5%) and in high education (30%) is relatively low. Quality of education is also a problem: in PISA 2009 results<sup>9</sup> Azerbaijan scores poorly, ranking 74 out of 75 participating countries.

---

<sup>9</sup> <http://www.oecd.org/pisa/46643496.pdf>

In the case of Vocation Education and Training (VET), the enrolment rate is low at around 11,2<sup>10</sup>%, with more than 40% of young people in Azerbaijan entering the labour market with no additional or specialized job related education. As such, non-oil sector development is depending to a large extent on a workforce with a secondary school education. This is reflected in the World Economic Forum's Competitiveness Index, which shows that low skill levels in Azerbaijan have resulted in a shortage of administrative and managerial skills necessary for a modern market economy. In response to this, the Government, with European Training Foundation (ETF) and EU support, has embarked on a reform process of the VET sector, where schools and VET centres have been rehabilitated, a new concept for VET has been developed, and a National Qualifications Framework for lifelong learning has been elaborated. At the same time the Ministry of Labour and Social Protection has proposed the establishment of a Workforce Development Agency that should monitor skills and qualifications needs and elaborate and occupational standards.

In the case of higher education, Azerbaijan joined the Bologna process in 2005, with the aim of integrating the higher education system of the country into the European Education Area, in particular by promoting comparability of degree systems, academy mobility and recognition, quality assurance and the qualifications framework.

### **3.3.1 The following overall and specific objectives will be pursued:**

The expected long-term impact will be the strengthening of the education and training sector, taking into consideration its high priority for sustainable socio-economic development, competitiveness and employment.

**Specific objectives** are:

**Objective 1** To modernize of the education and training systems by enhancing quality, equality, relevance, governance and access in line with European standards and practices.

**Objective 2:** To build bridges between the world of work and VET providers in order to match skills provision to the needs of enterprises.

### **3.3.2 For each of the specific objectives the main expected results are:**

For Specific Objective 1:

- Coverage of education improved (including equality and equity) in a life-long learning perspective;
- Competence-based education approach applied;
- Quality and efficiency of education providers enhanced, including for science in the higher education;
- Financing, efficiency, management and transparency of the education system improved.

For Specific Objective 2:

- Increased relevance of the VET system to the labour market needs;
- New VET system established activating participation of employers;
- Increased coordination between labour policies and the education sector;
- Functioning multi-level governance of VET (national, sectoral, regional and local level).

---

<sup>10</sup> Torino Process report 2011 (ETF)

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 2.

### **3.3.3. Donor coordination and policy dialogue are:**

The main donors involved in the Education sectors are the World Bank, UNICEF, German cooperation, and the Council of Europe.

In particular, since 2009 the World Bank has been supporting the "Education Sector Development Project" with the aim of improving the quality and learning results, mainly in secondary education. The project aimed to re-train of teachers, develop curricula and improve schools governance and infrastructure. UNICEF is providing policy advice for the set-up of a modern pre-school system. The German cooperation implemented by GIZ focusses on vocational qualification as well as on the development of the VET system through leadership training and policy advice.

### **3.3.4. The Government's financial and policy commitments are:**

Vision 2020 clearly identifies strengthening of the education system as one of the country's priorities and specifies that Azerbaijan's aspiration is to integrate the national education system into the European education space.

Several state programmes for improving the education level in Azerbaijan were adopted in recent years. The following are worth mentioning: The "State Programme for reforms in higher education system of the Republic of Azerbaijan for 2009-2013"; "the State Programme on Informatisation of the education system for 2008-2012"; "the State Programme on Development of Vocational Education (2007-2012)"; "the State Programme on Education Abroad".

A new State Strategy on Development of Education in the Republic of Azerbaijan was approved by Presidential Decree dated October 24, 2013 and is to be followed up by a detailed Action Plan in 2014.

The Government has also allocated significant resources for infrastructure improvement, supply of equipment and free textbook provision. Overall, education expenditures in 2011 were AZN 1.27 billion (8.78% of total budget expenditures) or 2.44% of GDP; in 2012 – AZN 1.51 billion (8.55% of total budget expenditures) – 2.80% of GDP; in 2013 (estimates) – AZN 1.53 billion (7.7% of total budget expenditures) - 2.80% of GDP. These figures are well below the OECD average of about 5% for Education expenditure/GDP.

### **3.3.5. When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out:**

As mentioned in point 3.1.7 above a Country Environmental Profile was conducted in October 2012 in order to contribute to the preparation of this SSF. However, the findings of the reports have no direct relevance for the education sector reform,

### **3.3.6. The overall risk assessment of the sector intervention:**

In spite of high Government commitment to reforming this sector and significant infrastructure investments, the main risk to a successful sectorial intervention comes from the limited institutional capacity in the sector. This is both at Ministry level with its low human resource capacity, as well as at sector level, where low teacher remuneration, results in an ageing teacher population most likely resistant to change and reform. In addition, the fragmented nature of the education system, with responsibilities disbursed among different Ministries and agencies, means difficulties in coordination and entrenched interests may oppose overarching reforms.

Overall general public spending on education in relation to GDP is still low, compared to regional average, but it is foreseen that transfers from the budget will be on the raise in the coming years.

The appointment of a new Minister in April 2013 and the subsequent swift approval of a new sector strategy in October 2013 are positive signals, showing that the capacity concerns are being addressed by the Government.

Mitigation efforts will need therefore to focus on engaging in policy dialogue with the Government in order to support the implementation of the newly adopted strategy, to ensure proper staffing and capacity development, increase in teachers' quality and remuneration and improve overall governance of the system.

## **4. Complementary support in favour of civil society**

In addition to sector specific assistance additional measures in favour of civil society will be made available under this complementary envelope, through a continuation at country level of the Civil Society Facility 2011-2013.

Funding from this component will be geared towards supporting the role of civil society in building credible and inclusive policy processes, stronger democratic processes and accountability systems, in other sectors than the priority sectors. This can include measures aiming to promote a conducive environment at all levels for civil society participation in public life, measures to boost domestic transparency and accountability, including of the budgetary process. The development of civil society internal professionalism and capacities, including their capacity to form national associations and networks, and improving the delivery of services will also be targeted.

## **5. Complementary support for capacity development and institution building**

In addition to sector-related assistance, this complementary provision for capacity development and institution building activities will support the implementation of priority commitments deriving from EU agreements and the dialogue on mobility that are not already covered under the three sectors of concentration.

This agreement-driven provision will be especially focused on approximation to EU legislation and technical standards, and complement assistance under the Eastern Partnership “Comprehensive Institution Building” (CIB) initiative.

Capacity development and institution building activities – either from sector-related assistance or from this complementary provision – may also address participation in EU programmes and in the work of EU agencies.

## **Attachments**

1. Indicative timetable for commitment of funds
2. Sector of intervention framework and performance indicators
3. Donor matrix

**Annex 1. Indicative timetable for commitments**

	2014	2015	2016	2017
<b>SECTOR OF INTERVENTION – EDUCATION</b>				
- Education and Skills Development	X			X
<b>SECTOR OF INTERVENTION – JUSTICE</b>				
- Justice Sector Reform		X		
<b>SECTOR OF INTERVENTION – REGIONAL &amp; RURAL DEVELOPMENT</b>				
- Regional and Rural Development			X	
<b>Complementary support for capacity development and institutional building</b>		X	X	
<b>Complementary support to civil society</b>		X		X

## Annex 2. Sector of intervention framework

Note: Baselines will be included in the action documents within Annual Action Programmes.

<b>Sector 1: REGIONAL AND RURAL DEVELOPMENT</b>		
<b>Overall Objective: To support Government efforts in the diversification of the economy while promoting a balanced and inclusive growth, decrease regional disparities and improve rural livelihoods.</b>		
<b>Specific objective 1: To contribute to business development, investment promotion and employment generation across economic regions of Azerbaijan</b>		
<b><u>Expected Results</u></b>	<b><u>Indicators</u></b>	<b><u>Means of verification</u></b>
R 1.1.1: Increased competitiveness of regions and their enterprises	- GDP by sector and by economic regions - Agriculture productivity	National statistics, Surveys World Development indicators (WB) Global Competitiveness Index (GCI) World Bank's Entrepreneurship Survey and database Government Reports
R 1.1.2: Improved basic rural infrastructure and business services	- Availability of Global Competitiveness Index (GCI) Government services aimed at improved business performance	National statistics, Surveys World Development indicators (WB) Global Competitiveness Index (GCI) World Bank's Entrepreneurship Survey and database Government Reports
R 1.1.3: Community mobilisation ensured through strengthened rural institutions and organizations, such as producer organizations and cooperatives	- Gross value Added (GVA) generated under cooperative production	National statistics and reports, Surveys, projects reports
R 1.1.4: Market-driven pilot initiatives using a value-chain approach for employment generation in areas related to agriculture, agro-processing, handicraft and tourism implemented	- Number of new jobs created in targeted areas (disaggregated by sex) - Number of value chain initiatives implemented	National statistics and reports, Surveys, projects reports
<b>Specific objective 2: To reform the regulatory framework and enhance democratic participation, institutional capacity &amp; efficiency in the field of local governance and regional development.</b>		
<b><u>Expected Results</u></b>	<b><u>Indicators</u></b>	<b><u>Means of verification</u></b>
R 1.2.1: Policy, Legislative and Institutional framework for the local self-governance in Azerbaijan is aligned to European Charter of Local-Self-Government (LSG)	- Number and quality of primary and secondary legislation as per Council of Europe (CoE) applicable resolution(s) and European Charter for LSG	CoE - Congress of Local and Regional Authorities report on resolution 326  Specialized reports

R 1.2.2: Institutional capacity at national and regional level to plan, implement and administer programmes in the field of regional development and territorial planning strengthened	- Existence/ status of new comprehensive regional development strategy and regional/local development plans	Administrative Reports Project and administrative reports
R 1.2.3: Participatory and democratic approach to local development enhanced by fostering partnership, participation and bottom-up initiatives at local (and regional) level	- Number of local development plans established and implemented through participatory approach	Administrative Reports Project and administrative reports
R 1.2.4: Improved efficiency, transparency, accountability and quality of service delivery at the local level.	- Number of corruption cases at the local level investigated - Revenue mobilization of local authorities (e. g. tax collection rate)	Administrative reports. Project reports Government statistics

**Specific objective 3: To raise rural livelihoods and quality of life in rural areas**

<b><u>Expected Results</u></b>	<b><u>Indicators</u></b>	<b><u>Means of verification</u></b>
R 1.3.1: Improved infrastructure and access to social services for the rural population	- Percentage of households (or % of population) with internet access in rural areas - Percentage of population served by improved drinkable water/wastewater treatment/waste collection and disposal	National Statistics, Administrative reports Global Competitiveness Index (Global Competitiveness Report by World Economic Forum)
R 1.3.2: Improved environmental sustainability and land management of rural areas	- Number of ha under protected areas or forest cover	National Statistics Administrative and project reports Studies
R 1.3.3: Increased diversification of economic activity and employment opportunities	- Employment/unemployment rate in non-agriculture sectors	National Statistics Administrative reports Studies, Surveys

**Sector 2: JUSTICE SECTOR REFORM**

**Overall Objective: Strengthening of the rule of law, including the independence and impartiality of the judiciary, transparency and accountability, full access to justice by all citizens, and the right to a fair trial.**

**Specific Objective 1: Ensure the effectiveness, efficiency, transparency and accountability of the justice system and respect for human rights**

<b><u>Expected Results</u></b>	<b><u>Indicators</u></b>	<b><u>Means of verification</u></b>
--------------------------------	--------------------------	-------------------------------------

R 2.1.1 An effective and efficient justice system fully safeguarding human rights is established ensuring a fair and impartial trial	<ul style="list-style-type: none"> <li>- Number of judges/population,</li> <li>- Number of complaints to ECHR</li> <li>- Average number of days taken to implement ECHR decisions</li> </ul>	Administrative reports (Ministry of Justice - MoJ- Judicial Legal Council - JLC) CEPEJ - <i>Commission européenne pour l'efficacité de la justice</i> - Reports ECHR case statistics National preventive mechanism
R 2.1.2 Improved capacity, knowledge and integrity of the main actors of the justice system	<ul style="list-style-type: none"> <li>- Percentage of justice personnel trained from pre-selection to in-service training, as per CoE/CEPEJ recommendations</li> </ul>	OSCE monitoring Administrative reports (MoJ, JLC) CEPEJ Reports National preventive mechanism BAR Association
R 2.1.3 Juvenile justice reform implemented in accordance with European and international standards	<ul style="list-style-type: none"> <li>- Existence/ status of special jurisdictions and detention system for juvenile crime in line with to CoE Venice Commission standards/recommendations</li> </ul>	Sector administrative reports, national publications MoJ reports CoE Monitoring
R 2.1.4 Improved accountability and transparency of the justice system	<ul style="list-style-type: none"> <li>- Number of judges held accountable for professional misconduct and miscarriage of justice per year</li> </ul>	Independent specialised - CSOs Administrative reports (MoJ, JLC) CEPEJ Reports National preventive mechanism
R 2.1.5 Custodial conditions including respect of human rights in penitentiary institutions improved	<ul style="list-style-type: none"> <li>- Average duration of pre-trial detention</li> <li>- Number of incidents of forced confessions or other cases of human rights violations in correction/prison establishments (including pre-trial) as recorded by international organisations or independent specialised CSOs</li> </ul>	Administrative reports (MoJ, JLC) CEPEJ Reports ECHR case statistics National preventive mechanism BAR Association Penitentiary statistics Independent specialised CSOs reports
<b>Specific objective 2 Ensure the independence, impartiality, integrity and transparency of the judiciary</b>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
R 2.2.1 Judicial independence and impartiality is guaranteed in law and practice (inamovibility, career, disciplinary actions, judicial inspection, budget)	<ul style="list-style-type: none"> <li>- Number of legislative acts/decrees adopted in conformity with CoE/Venice Commission recommendations/standards</li> <li>- Judiciary independence (GCR index/WEF)</li> </ul>	Administrative reports (MoJ, JLC) CEPEJ Reports Judiciary independence ranking by Global Competitiveness Report/World Economic Forum
R 2.2.2 Anticorruption measures implemented throughout the justice system	<ul style="list-style-type: none"> <li>- Number of corruption cases involving judges, prosecutors and other justice system actors (e. g. investigation, judiciary police, security services) prosecuted per year</li> </ul>	MoJ reports Annual Reports of Prosecution Office and Legal Judicial Council Anti-Corruption Department statistics

		CoE reports and monitoring
<b>Specific Objective 3: Enhance citizens' access to justice.</b>		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
R 2.3.1 Effective legal system of legal aid including free legal aid for indigent persons established	<ul style="list-style-type: none"> <li>- Value of state budget allocated to the legal aid system</li> <li>- Number of people receiving free legal aid (by region, gender, income, including IDPs)</li> </ul>	MoJ reports Independent assessment (OSCE, CoE, independent specialised CSOs)
R 2.3.2 Improved awareness and access to justice (including ADR) for citizens and economic operators including at provincial level.	<ul style="list-style-type: none"> <li>- Number of courts/legal aid clinics in rural regions/per inhabitant</li> <li>- Rate of use of Judicial Mediation Systems and Alternative Dispute Resolution (ADR)</li> </ul>	MoJ and regional offices reports / publications

**Sector 3: EDUCATION AND SKILLS DEVELOPMENT**

**Overall Objective: strengthening of the education and training sector, taking into consideration its high priority for socio-economic development, competitiveness and employment.**

**Specific objective 1: To modernize the education and training systems by enhancing quality, equality, relevance and access in line with European standards and practices**

<b><u>Expected Results</u></b>	<b><u>Indicators</u></b>	<b><u>Means of verification</u></b>
R 3.1.1 Coverage of education improved (including equality and equity) in a life-long learning perspective	<ul style="list-style-type: none"> <li>- Net enrolment rate at all levels of general education and formal VET (disaggregated by income group, sex, minority group and location)</li> <li>- Attendance and completion rates by levels of general education (all levels) and formal VET (disaggregated by income group, sex, minority group and location)</li> </ul>	World Data Bank (Education Statistics – All indicators database) Ministry of Education reports National Statistics UNESCO institute for statistics
R3.1.2 Competence-based education approach adopted	<ul style="list-style-type: none"> <li>- Number of competence-based curricula adopted linked to National Qualification Framework</li> <li>- No. of schools/students covered by competence based curricula (per region)</li> </ul>	Ministry of Education sector statistics/reports Administrative reports
R 3.1.3 Quality and efficiency of education provision enhanced, including for science in the higher education	<ul style="list-style-type: none"> <li>- Student-Teacher Ratio by level of general education (all levels) and formal VET</li> <li>- Existence/ Implementation status of new Quality Assurance system</li> </ul>	World Data Bank Education Statistics PISA report; Administrative reports. UNESCO institute for statistics
R3.1.4 Financing, efficiency, management, and transparency of the education system improved	<ul style="list-style-type: none"> <li>- Education expenditure as share of GDP and allocation for vocational education and training in state expenditure</li> <li>- Level (or %) of financing of VET associated with performance measures (quality outcomes), including incentives and motivation for the staff</li> </ul>	Ministry of Education sector statistics Administrative reports, surveys.

**Specific objective 2: To build bridges between the world of work and VET providers in order**

<b>to match skills provision to the needs of enterprises</b>		
<b><u>Expected Results</u></b>	<b><u>Indicators</u></b>	<b><u>Means of verification</u></b>
R 3.2.1 Increased relevance of the VET system to labour market needs	<ul style="list-style-type: none"> <li>- Employment to population ratio (by sex and age and level of educational attainment)</li> <li>- Existence/ status of National Qualifications Framework linked to occupation standards (in no. of establishments and %)</li> </ul>	Studies, Administrative reports; Sector Statistics WB database – Education Statistics indicators UNESCO
R 3.2.2 New VET system established, activating participation of employers	<ul style="list-style-type: none"> <li>- Existence/ status of new policy and legal framework for VET</li> <li>- Number of curricula built in association with employers</li> </ul>	Sector Statistics WB database – Education Statistics indicators UNESCO institute for statistics
R. 3.2.3 Increased coordination between labour policies and the education sector	<ul style="list-style-type: none"> <li>- Existence/ status of skills and qualification needs of the workforce monitoring mechanism</li> <li>- % of VET establishments covered by the monitoring mechanism</li> </ul>	National budget Sector Statistics WB database – Education Statistics indicators UNESCO institute for statistics
R 3.2.4 Functioning multi-level governance of VET (national, sectoral, regional and local level)	<ul style="list-style-type: none"> <li>- Number of inclusive employer engagement strategies/plans in place for VET schools and regional authorities</li> </ul>	Sector studies, Administrative reports WB database – Education Statistics indicators

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

**ANNEX 3 - Donor Support in Azerbaijan 2014-2020 –  
EU and Member States (Provisional)**

Area of Intervention	EC	AT	BG	CZ	DE	DK	ES	FI	FR	HU	LT	NL	PL	RO	SE	UK
<b>Political dialogue and reform</b>																
Governance and democracy	■	■			■				■			■				
Rule of law (judicial reform)	■				■							■				
Human Rights	■														■	
Cooperation with civil society	■	■		■	■	■		■	■			■				■
<b>Peace and Security</b>																
Conflict Prevention	■															
Crises management																
Justice and Home Affairs	■				■											
Border Management	■															
Migration and readmission	■															
Refugees and IDPs																
Organised Crime																
Police and Judicial Cooperation	■															
<b>Economic and social reform</b>																
Macro-economic reform																
Employment, poverty reduction & social policy	■				■											
Agriculture, forestry and fisheries	■									■						
Water and sanitation																
Rural development	■				■											
Regional cooperation	■				■											
<b>Trade Issues, market and regulatory reform</b>																
Enterprise policy/private sector				■	■											
Public finance management and procurement	■				■		■		■							
Banking Sector. Securities	■												■			
Technical standards and regulations	■															■
<b>Sector Support</b>																
Transport	■				■											
Energy	■	■		■	■											■
Environment and climate change	■			■	■											
Information society																
Research and innovation	■															
<b>People to people contacts</b>																
Education	■				■		■		■			■		■		
Culture and Recreation					■		■		■							
Social Sector			■	■					■		■					
Health				■					■							
Tourism and antiquities	■	■														
Other																

## Donor Support in Azerbaijan 2014-2020 – Non EU

Area of Intervention											
	Non EU Countries					Banks				International organisations	
	Switzerland	Japan	Korea	Norway	United States	ADB	EBRD	IsDB	WB	CoE	UN
<b>Political dialogue and reform</b>											
Governance and democracy											
Rule of law (judicial reform)											
Human Rights											
Cooperation with civil society											
<b>Peace and Security</b>											
Conflict Prevention											
Crises management											
<b>Justice and Home Affairs</b>											
Border Management											
Migration and readmission											
Refugees and IDPs											
Organised Crime											
Police and Judicial Cooperation											
<b>Economic and social reform</b>											
Macro-economic reform											
Employment, poverty reduction & social policy											
Agriculture, forestry and fisheries											
Water and sanitation											
Rural development											
Regional cooperation											
<b>Trade Issues, market and regulatory reform</b>											
Enterprise policy/private sector											

Public finance management and procurement											
Technical standards and regulations											
<b>Sector Support</b>											
Transport											
Energy											
Environment and climate change											
Information society											
Research and innovation											
<b>People to people contacts</b>											
Education											
Culture and Recreation											
Health											
Tourism and antiquities											
Other											