

EUROPEAN COMMUNITY AID POLICY AND PRACTICE ON GOVERNANCE AND DEMOCRACY

Research in Azerbaijan

Elena Krylova

DPI Development Partnership International

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**Commissioned by:
One World Action
Bradley's Close
White Lion Street
London N1 9PF
Tel: 00 44 (0)20 7833 4075
Fax: 00 44 (0)20 7833 4102
Email: owa@oneworldaction.org
www.oneworldaction.org**

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Executive Summary

Azerbaijan differs from most other post-Soviet transition countries by its remarkable economy and growth of budget revenues resulting from a boom in the oil and gas sectors. Yet, the country has advanced little in the democratisation of its political and governance systems, or in the reduction of widespread poverty. The relations between Azerbaijan and the international community represent a delicate balancing act between promoting democratisation and keeping the stability of the current regime that is the guarantor of Western economic interests.

The enlargement of Europe brings the European boarder closer to the Caucasus and Azerbaijan, which requires assistance for Azerbaijan to become a safe neighbour, with its security guaranteed by a quality of governance and respect to human rights. Given the intensified commitment of the government and public aspirations with regards to European orientation, the EC should use the momentum to consolidate its contribution in the democratisation domain through better concentration of its programmes and focus on explicitly targeting and mainstreaming the issues of good governance in its development assistance.

The government's general commitment to bring the country to the club of European nations and recent developments indicating an increasing receptiveness to democratisation ideas, open a window of opportunities for EC technical assistance, which is the main instrument of development cooperation between the EC and Azerbaijan. There is a growing demand for know-how, intellectual involvement in dialogue and long-term patterns of cooperation as opposed to provision of financial aid and infliction of conditionality.

Promoting good governance practices in Azerbaijan is a challenging task that requires cultural sensitivity, understanding of local realities and long-term partnership commitment from the international actors, as well as a serious political commitment to accept gradual changes that would effect current power arrangements on the side of the government. To strengthen the impact of its assistance package on governance, democratisation and human rights, the EC should build on lessons learned from its past and current interventions.

At the programming level, the EC has increasingly stressed non-economic areas of cooperation with references to aspects of governance, but its programmes at this stage fail to appear as a consolidated package fully coherent with EC policies on good governance and democratisation, gender equality and human rights. While strengthening its efforts to address governance related themes and sectors (like judiciary, or institutional and administrative reform), the EC should live to its commitment to mainstreaming governance, human rights and gender concerns throughout its interventions. Other challenges at this level include a need to diversify partners and ensure support to different societal forces (in particular a more strategic and systematic engagement of civil society), to support decentralisation and democratisation from below and to link interventions with policy dialogue.

High expectations with regards to improving *policy dialogue* between Europe and Azerbaijan, as well as *coordination and synergies between European and other international actors* in the country are levied upon the establishment of the EC Delegation in Azerbaijan in 2007 and the introduction of a new aid implementation instrument under European Neighbourhood Policy. Ensuring that international priorities do not divert efforts from the country's real development agendas will require better focus on government capacities to formulate sound policies and, thus, improve aid coordination and build synergies between international aid and budgetary spending.

The advantages of the *EC's potential to draw on different instruments to increase the impact of interventions* remain under-utilised in Azerbaijan. There are potentials for building links between

technical assistance, policy advice, field activities, local research and education, as well as between regional and national initiatives, humanitarian interventions and development assistance.

The results of EC *technical assistance with regards to promoting good governance* are mixed. Experience shows that the success of technical assistance investments depends on such conditions as: the commitment of the benefiting institution and the level of ownership; the level of power and resources available to an institution to introduce changes and implement reforms; the relevance and timeliness of assistance to the real needs of the beneficiary institution and to general reform dynamic; the quality of expertise provided. Success in creating these conditions is linked to the beneficiaries' understanding of the advantages and limits of technical assistance as an instrument and the ability to use it for the benefits of the institution, the actual involvement of beneficiaries in project planning and implementation and the extent to which sustainable capacity building concerns are integrated into the project.

At the management level, high centralisation of responsibilities puts considerable demands on the management in Brussels. EC's management - due to its remoteness from the field, a high turn over of management staff, and limited institutional memory- is not always as secure as would be desirable. The EC should build capacities of its future delegation for de-centralised management. It should also adopt a more pro-active public relations strategy to allow reinforcement of messages with regards to democratisation values it promotes and to increase transparency and accountability of EC assistance vis-à-vis the society in Azerbaijan.

In terms of monitoring and evaluation, the introduction of more systematic approaches for evaluation of EC programmes and projects would be useful for both the EC and the government of Azerbaijan to learn their lessons and improve the quality of future cooperation. Due to insufficient attention to mainstreaming of governance, human rights and gender in EC interventions, impacts of its projects in these areas are often overlooked in monitoring and evaluations.

Introduction

This paper is a part of a one-year research programme implemented by One World Action (OWA), a UK-based NGO, and funded by the UK Government's Department for International Development (DFID). The programme goal is to identify lessons from the European Commission's experience with implementing European Union (EU) policies on governance, democratisation and human rights. The study embraces programmes and projects funded by the European Commission (EC) in nine countries.

This is a qualitative study based on a variety of research and evaluation methods and includes: a desk study of relevant EC policy documents and guidelines; content analysis of EC programmes and project documents that relate to Azerbaijan; review of national and international policies and analysis related to the theme; and field semi-structured individual and group interviews with the project implementing agencies, governmental and non-governmental beneficiaries and stakeholders, international community representatives, representatives of media, academic and intellectual circles. Information presented in this report draws on the principles of representation of different views and reflection on the complexity and multiplicity of issues involved.

The paper consists of four chapters. The first chapter briefly presents the general context in which EC assistance is provided in Azerbaijan, alongside the major governance, democratisation and human rights challenges that the country is facing.

The second chapter reflects on the background of the previous EC assistance to the country and its current commitment.

Chapter three analyses the extent to which a focus on governance and human rights issues has been present in EC programmes and projects in Azerbaijan. It looks not only at the levels of programmes and projects planning, implementation, policy dialogue, synergies and coordination, but also makes some remarks regarding management, monitoring and evaluation that affect the effectiveness of the EC assistance package. Several case studies are highlighted that contain more detailed information on projects contexts and activities with the aim to demonstrate how the projects promote democratisation and governance issues. The case studies reflect on both positive and negative experiences; they were selected by the researcher following consultations with different stakeholders.

The final chapter presents the main conclusions and recommendations for improving the impact of EC development assistance in Azerbaijan from good governance and human rights perspectives.

This research was made possible thanks to the assistance provided by the EC representatives in Brussels and facilitation and genuine interest in the results of this research of international and national experts involved in the coordination of TACIS projects in Azerbaijan. Many thanks go to all the representatives of government, non-governmental organisations and the international agencies in Azerbaijan who took part in the interviews and openly shared their views.

1 Brief Country Context

1.1 Delicate Political Situation

After the collapse of the Soviet Union, Azerbaijan became an independent state in 1991. Following the short presidency of the former communist leader Ayaz Mutalibov, the Popular Front leader, Abulfaz Elchibey was elected President in 1992. As a result of the Armenian military control over the region of Nagorno-Karabakh (NK), which had been a part of Azerbaijan with an Armenian ethnic majority, the President lost popularity among the public and fled. The presidential elections of October 1993 brought to power Heydar Aliyev, the former first secretary of the Communist Party of Azerbaijan, who ruled the country until his death in 2003.

A new Constitution of Azerbaijan was adopted in 1995, the same year when the parliamentary elections were held. In Azerbaijan, a highly centralised authority is concentrated in the hands of the President, who appoints not only the Prime-Minister and Council of Ministers, but also state administrators of municipalities and the judges of the court of first instance. Besides, two regional clans, the Nakhchivanis, and the Yeraz dominate the Azerbaijani government¹.

The state is currently headed by the President Ilham Aliyev; who, replacing his father, was elected for a five-year term in 2003. The Council of Ministers, appointed in 1998, with a few changes was retained by the current President.

The state's one-chamber Parliament (Milli Mejlis) consists of 125 members elected for 5 years term, in single mandate constituencies on a simple majority. As a result of the 2002 changes to the Constitution, the electoral vote required to become President has decreased from two-thirds to an absolute majority.

In the parliamentary elections of November 2005 international pressure on the government for democratisation has yielded less electoral manipulation than in the past. The Azerbaijani authorities have responded to the demands of international organisations, including the Council of Europe (CoE), which Azerbaijan joined in January 2001, by undertaking a number of measures towards ensuring fairer elections (the Presidential decree on the improvement of the electoral process). However, the implementation of changes to the Election Code discussed with the Venice Commission of the CoE was evaluated as unsatisfactory. Numerous problems in the electoral campaign and the election administration led the international observers to conclude that the elections failed to meet a number of international norms and standards. The ruling New Azerbaijan party won 63 of the 125 seats, with the leading opposition –Azadlig bloc– gained just five.

The election results were controversially discussed at the CoE. Under considerable international pressure, the Central Election Commission has sanctioned re-runs in 10 of the 125 constituencies, planned for 13 May 2006, this will be another important test of Azerbaijan's commitment to democracy. The difference in opinions among the international community with regards to the election in Azerbaijan can be represented by the following:

The elections were a lost opportunity for a bold step away from post-Soviet autocracy towards a democratic future” (ICG 2005:1), and “While criticism of the shortcomings of the elections is appropriate, Azerbaijan's elections does indicate that democratic development on former Soviet states can take place in evolutionary and not only revolutionary form (Cornell S. 2005:I).

¹ The Yeraz originally coming from Armenia.

Azerbaijan is of geopolitical importance for both the US and Europe, not only as a source of oil in a mid-term perspective but also as a long-term transit corridor from Central Asia to Europe.

In the past the international community has worked with the semi-authoritarian leadership, for the sake of stability and protection of its economic interests from political unrest. It is also in the interests of the Azerbaijani government to maintain good relations with the West for a number of reasons, including the dependency of Azerbaijan's economy on foreign investment and that the role the West can play in stabilising the country's relations with Russia, which have been problematic in the past. The US government's desire to support democracy in Azerbaijan is becoming an ever more important factor.

Increasingly the country has to balance its commitment to promote closer relations with the US, the need to maintain friendly ties with neighbouring Russia and Iran, and the necessity to avoid the animosity of smaller neighbours, like Armenia and Turkmenistan.

Thus, the relations between Azerbaijan and the West constitute a delicate balancing act between certain degrees of political openness acceptable to the West, and stable powers of the ruling clan that guarantees security of international economic interests.

Azerbaijan has favourable relations with its neighbours Georgia and Turkey with which it is linked through the Baku-Tbilisi-Ceyhan (BTC) pipeline and the Kars-Akhalkalaki-Baku railway projects. The issue of Caspian Sea border demarcation between Azerbaijan, Iran and Turkmenistan remains unresolved.

The "frozen" conflict in NK is heavily present in the country's domestic and foreign policy. In May 1994 a cease-fire was agreed. The conflict thus far having resulted in more than 30,000 deaths and occupation of part of the country's territory has caused displacement of more than half a million Azeris and some 300,000 Armenians, and a ban on official communication with Armenia. The efforts of the OSCE-tasked Minsk Group and its negotiations for a solution to the conflict have gained momentum over the past year with several rounds of high-level talks held and the Presidential level meeting in February 2006. Considerable progress in reaching the settlement acceptable to both sides has been acknowledged by insiders but the details of the agreement are closed to the wider public.

1.2 Booming Economy

During Soviet times, Azerbaijan's economy was based on oil, gas and cotton. Due to the unstable domestic situation in the first half of the 1990s, the country embarked on economic reforms later than most other countries of the former Soviet Union. However, today it is among the world's fastest growing economies thanks to the booming oil and gas sector. Its real Gross Domestic Product (GDP) growth is projected to reach 25% in 2006 (EIU 2005)².

The country is traditionally praised by the international community for having delivered some rapid achievements in transition to a market economy, including formal completion of both the privatisation process and land reform, and a commendable macro-economic performance (high GDP growth, large-scale inflow of foreign direct investments, relatively low inflation, rising gross international reserves and declining external and domestic debt ratios, appropriate mix of fiscal and monetary policies, etc.).

The government claims to have signed contracts for some 30 billion Euros with international oil companies for exploration and production concessions on the Caspian continental shelf. In 2005, the

² GDP grew by 16.5% year on year in the first half of 2005, compared to 10.6% growth the previous year (EIU 2005: 22). Already in 2004, the GDP per capita level was already \$950 (ibid.).

hydrocarbons sector brought more than 50% of public budget revenues and accounted to 82% of total exports.

However, over-reliance on oil and gas resources adversely affects the structure of the country's economy and exacerbates the differences between the oil and non-oil sectors. Strong growth is limited to oil and sectors benefiting from a spill-over effect, such as transport, construction, communication, hotels and the catering industry. From a sustainability perspective, diversification of the economy is an important concern.

The oil and gas boom also brought a number of serious problems resulting from hard currency inflows, including the nominal and real appreciation of the local currency, and consumer price inflation³. Along with massive currency inflows, monopolies hampering the emergence of competitive price structure and rapidly increasing wages are among factors pushing up prices. The weak and still undercapitalised financial sector presents a risk for the economy. Despite the introduction of some measures to enhance competition in the domestic market, it is to a large extent dominated by two state-owned banks.

Oil and gas production is forecasted to peak in 2010 and then decrease⁴. Thus, the country's further economic growth largely depends on the effective management of current hydrocarbon industry income. There is the expectation that the rise in oil revenues will be used to support sustainable development in the non-oil sectors and poverty reduction.

The bulk of the country's hard currency being deposited in the overseas State Oil Fund of Azerbaijan (SOFAZ) created by former President Heydar Aliiev in 2000. The Fund accumulates all oil revenues received above the oil export price targeted in the budget and amounts to some one billion \$. It operates under presidential authority and is managed by a committee of experts.

Azerbaijan hopes to secure enough revenue within five years to be able to free itself from international assistance. The authorities intend to consult the International Monetary Fund (IMF) when implementing policies but not to borrow money from it any longer. Azerbaijan continues borrowing from the World Bank (WB) under two umbrellas: poverty reduction support credit (\$20m on a concessional basis), and an upgrading of the power transmission loan (\$48m) from the European Bank for Reconstruction and Development (EBRD) – the Bank's non-concessional credit arm.

1.3 Poverty and Environmental Stress

As a result of economic growth the poverty level in the country fell from 49% in 2001 to 40% in 2004 (IMF 2005), and the average monthly wage reached \$ 116, rising in real terms by 11% year on year.

Nevertheless, the distribution of wealth is still problematic. The minimum wage is \$35 per month. There are serious discrepancies in living conditions between Baku and some other urban centres, on one side, and rural areas, on the other side. Some 40% of the population is working in poorly paying agriculture.

As in other post-Soviet countries, the transition period produced gendered results in Azerbaijan. Women's abilities to enjoy equal access to political, economic and social rights were generally affected.

³ Experts suggest there is a serious risk of the "Dutch disease", rise of prices to the detriment of the overall economy as a result of economy dependence on oil and gas.

⁴ The last presidential elections were important for defining who would manage the country's oil and gas wealth.

Health care services have considerably deteriorated since independence, and public expenditure on health care is extremely low. Access to services decreased particularly in rural areas. The health sector has a very low share in public expenditure budget and is based largely on out-of-pocket payments. The system is ineffective due to the overweight of secondary health care and negligence to primary health care services reflected in both people's perceptions and the old system of funds allocation.

Social benefits are very low, average pensions are still below the poverty line and security nets are not effective. Unemployment is around 10% (compared to 1.4% official rate), which is not as high as in some other transition countries but it affects women and youth in rural areas, and to a large degree displaced persons.

Azerbaijan has a high literacy rate (more than 99%) but the quality of education is rather poor at both school and post-school levels.

As the three-year *State Programme on Poverty Reduction and Economic Development* (SPPRED) expired in 2005, the SPPRED Secretariat concentrated on developing a new 10 year programme on poverty reduction with the support of the Asian Development Bank (ADB) and United National Development Programme (UNDP). The programme is aligned along 8 Millennium Development Goals (MDGs) and an additional goal of "good governance". Among other measures, the plans include the development of a safety net that would effectively protect vulnerable population groups through a system of targeted subsidies, and a health care reform that would shift focus towards primary health care.

The resources from the State Oil Fund are intended to be invested into anti-poverty and sustainable development measures, including infrastructure, health and education, agriculture and environment.

Another serious social problem is the situation of refugees and displaced people. The residents of the camps for the displaced find themselves in a very difficult situation. They are caught between the government's intention to show that it cares for its people, on the one hand, and its interest to keep the attention of the domestic electorate and the international community on the miserable situation of refugees and displaced people to maintain the acuteness of the conflict, on the other hand. These groups are assisted mainly by UN High Commissioner for Refugees (UNHCR) and World Food Programme (WFP), and this is seen as controversial by some in the international community who stress that the state possesses resources and the government should therefore take over the responsibility for securing the life of its citizens and settling the conflict swiftly.

Another problem is the growing prevalence of HIV/AIDS, which is linked to drugs addiction, illicit trafficking in drugs, and labour migration involving a large segment of rural male population, escaping from poverty.

The intensive and unsustainable exploitation of natural resources has led to ecological problems. The situation at the Apsheron Peninsula and the Caspian Sea is devastating with severe air, water, and soil pollution. In the transition period the ecological situation is becoming even more aggravated. The main ecological problems are linked to the hazardous effect of the oil industry, especially on water and soil. Serious water pollution is also caused by poor water treatment, use of obsolete methods and technology in water supply and sewerage. Long application of intensive agriculture with excessive use of fertilizers and pesticides, in particular in the cotton sector has resulted in pollution of soil, sub-soil, water, swamping and erosion of soil. Lakes in the country are being affected by thermal, biological and chemical changes. During the last few years the level of the Caspian Sea has risen significantly. The environmental situation in Sumgayit, an industrial city near Baku, is particularly serious because of the effect of the chemical industry. Solid waste and deforestation as a result of an increase in household use of wood as an energy source increasingly represents a problem.

In 2003 the government developed a National *Programme on Environmentally Sustainable Socio-Economic Development* and an *Action Plan 2003-2010*, which involves environment, industry, tourism, agriculture, education, science and culture. However, the plan is not yet integrated with sectoral policies and plans.

Currently, British Petroleum (BP) implements its *Community Investment Programme* (under a general *BP Regional Development Initiative* supported by UK Department for International Development - DFID), whereby development assistance is provided to 25 villages situated along the BP pipelines. NGOs involved in monitoring the rights of people residing along the pipeline have on a number of occasions raised the issues of rights violations linked to land allocation and compensations.

1.4 Overview of Key Governance Challenges and Major International Players

This section briefly looks at the major problems in the key governance domains that are of important concern in the context of Azerbaijan.

1.4.1 Separation of Powers

Separation of powers that would enable Parliament to fulfil its role effectively as legislator and overseer of the executive and to make judiciary independent from the executive implies the improvement of existing legislation, including constitutional amendments, and massive capacity building inputs for all three power branches on their new roles.

The CoE has suggested that the government should conduct a review of the Constitution. Currently, a number of organisations are focusing on updating the existing legislation and strengthening abilities of different power branches at different levels. Organisation for Security and Cooperation in Europe (OSCE) is assisting with further legal reform for elections and with enhancing capacities of national institutions and civil society in the electoral field. The United States Agency for International Development (USAID) has a programme for supporting the parliamentarians.

1.4.2 Rule of Law

The judiciary, security services and police forces have their loyalty to the president rather than to the law. Before implementing the rule of law, principal legislation in a number of areas has to be reformed or developed. This needs to include: revising the Criminal and Civil Codes, developing an Administrative Code and civil service related legislation, and legislation related to judiciary and law enforcement agencies, etc. Further reforms are needed in the judicial system, the public prosecutor's office, the bar, the police force and the penitentiary system.

Currently, public trust in the judiciary is very low. Until recently, up to 90% of cases in civil court were not represented by advocates. Amendments to the Law on Advocacy of 2005 allowed formerly licensed lawyers to join the Bar Association and go through a special bar exam. Legislation was also passed establishing a new selection process for judges, which was supported by a number of international organisations and is assessed by international observers as more professional.

Since Azerbaijan joined the CoE, another point of concern is bringing domestic legislation in line with European standards. Azerbaijan has signed most of the important conventions but their implementation remains problematic. Representatives of the international community recall cases when conventions were signed without being translated into the local language.

1.4.3 Restructuring and Institutional Reform

The government has been very reluctant to undertake unpopular structural reforms. It avoided comprehensive restructuring in industry and agriculture fearing large-scale unemployment. Despite

increased spending on infrastructure, most budgetary expenditure is still wage-related – a result of over-employment in the public sector on the background of public sector wage increases. The voucher privatisation programme never brought a significant contribution in terms of revenue, being a victim of corruption and vested interests.

Most institutional reforms that took place in the recent years concentrated on management of the economy, and included the abolition of the system of state orders, quotas, licensing of foreign trade; liberalisation of foreign economic activity, restrictions on state interference in the financial, economic and foreign trade, and restructuring in the energy and transport sectors. Some international observers fear that the rapidly developing oil and gas sector, coupled with high oil prices, enables the government to spread the benefits of the oil boom, allowing them to avoid restructuring the highly inefficient state sector (EIU 2005:9).

1.4.4 Corruption

In 2005, Azerbaijan was ranked as the 21st most corrupt nation (among 158 surveyed), according to *Transparency International Corruption Perception Index*. Corruption and patronage is wide-spread and pervasive. “Corruption” became synonymous to the word “government” in Azerbaijan but it is present at every level of society. A “culture” of bribery penetrated not only the government, but also the law enforcement institutions and the higher education system.

The issue of corruption is partly linked to the regulatory environment, which is still underdeveloped in many areas. Laws and regulations are often arbitrarily enforced. Anti-corruption legislation and legislation for combating economic crime and money laundering, needs to be introduced. The current criminal code does not suggest penalties for corrupt activities other than bribery.

Corruption remains an obstacle to attracting foreign investment, especially in the non-energy sector. According to US State Department the most corrupt institutions include the State Customs Committee and the Ministry of Taxes.

Following the President’s pledge to fight corruption, the government adopted the Law on Combating Corruption in 2004, the State Programme on Combating Corruption in 2005, and set up an anti-corruption commission chaired by the head of presidential administration. It has set up an ad hoc group to work on anti-corruption legislation. Observers note that some measures implemented, such as the recent increase of salaries for regular traffic police and police officers, had some positive effect (Abbasov: 2005). Yet, the closeness of committee’s work for civil society and media, and the insufficient staff in the anti-corruption division being attached to the Prosecutor office casts doubt on the effectiveness of the initiative.

1.4.5 Transparency of Oil and Gas Revenues Management

The mandate of the State Oil Fund is “to ensure intergenerational equality with regards to the country’s oil wealth, all this whilst improving the economic well being of the population today and safeguarding economic security for future generations” (WB 2005:10). The fund’s annual and quarterly statements are audited and released to the public through the State Oil Fund’s website. However, the fund disbursements are publicly controlled and the impact of projects it supports is questionable. For instance, the support to victims of NK conflict financed from the Fund (some \$100m), mainly dedicated to reconstruction of houses for refugees and displaced people, is known for its corruption cases, which casts doubt on the government’s ability to implement the Fund’s resources effectively.

BP is a leading group of companies that has been developing the BTC pipeline⁵ and since 2003 is involved in piloting the UK government's *Extractive Industry Transparency Initiative* (EITI) in Azerbaijan. Following the signing of a Memorandum of Understanding with the Azerbaijan government and establishment of a commission, the first Azerbaijani EITI report was published in May 2005. Agreement has been reached with all foreign and local companies within the BP group with regards to providing data on their payment to the government of Azerbaijan. Every six months, reports are published based on comparison of data received from the companies with the information on lifted oil profit from the government done by an independent aggregator. A coalition of 50 NGOs was established to oversee this process.

1.4.6 Development of Civil Society and Pluralism

The civil society is gradually emerging in Azerbaijan, partly as a result of massive support to the sector from the international community, including agencies such as USAID, Soros Foundation and the Eurasia Foundation.

Civil society in Azerbaijan is not diverse in its organisational forms and has a weak grass-roots base. As in many other transition countries, the third sector is still widely seen as an employment scheme for urban professionals rather than functioning as a social movement promoting important values, including voluntarism.

The NGO sector is concentrated in Baku and is polarised to pro-government and opposition sides, both supported by international community. Until recently, a number of international organisations were shifting their focus to the advancement of civil society organisations in provinces where only several years ago they were non-existent. Another trend in development assistance in the country is the facilitation of links and constructive cooperation between civil society and government.

Underdevelopment and the unsustainability of local civil society organisations is to a large degree blamed on a deficient regulatory base applied to legal persons, including NGOs. This refers mainly to difficulties with registration and inability to legally draw upon local sources of funding. Some observers also tend to connect this lack of sustainability to the current degree of NGO organisational underdevelopment and a rather low level of healthy competition between NGOs, amongst other issues which results in limited possibilities for new NGOs to enter the scene (due to registration difficulties, etc.)⁶. Internal transparency and accountability of civil society organisations is also a concern.

The lack of a societal base for political change is not only a problem for the depth of civil society but also contributes to the weakness of a political opposition that is far from united and does not rely upon a wide societal base. Support to the opposition is manifold, including and some opposition figures are associated with the leadership of the early 1990s that brought the country into a civil war.

Pluralism in the development of economic forces, including small and medium entrepreneurship, is often raised in discussions on local middle class. This is linked to establishment of a favourable legal and regulatory environment, attraction of domestic private sector investment and international direct investments in non-oil sectors, and schemes for loan provisioning for small and medium business. Despite the current economic boom in the oil sector (which is rather insensitive to the overall economic development climate due to its special pact with the authorities) creating conditions favourable to economic development is a challenge that still lies ahead.

⁵ BP is also involved in exploitation of the Azeri-Chirag-Gunashli (ACG) oil field, Shah Deniz natural gas project, Western and Northern Route Export Pipelines

⁶ According to OSCE, the adoption of the new Law on State Registration and State Register of Legal entities has not changed the situation substantively (OSCE: 2005)

Advancement of a pluralistic civil society and freedom of thought and expression are intrinsically linked to access to information and development of media.

1.4.7 Access to Information and Media

Although there is no official censorship of the media, most media organisations apply a principle of self-censorship to avoid the attention of the authorities. More pluralism has taken hold in printed press, but diversity does not extend much beyond the printed media that is generally characterised by rather low circulation, not very high professionalism and a weak financial base. Human rights activists refer to the 2005 murder of the editor of a popular weekly magazine, cases of violence against journalists during the elections, and legal and administrative harassment of opposition newspapers.

Television is still the major source of information for the population. Following the Presidential Decree and the adoption of a Law on the Public Broadcasting Service in 2004, a state TV channel was transformed last year into a public broadcaster. Those raising the problem of TV independence point to the following: public TV remains pro-governmental (e.g. two thirds of its prime-time programming during the election campaign was devoted to coverage of the ruling party); those TV channels and radio stations that are not pro-governmental are still either government-friendly or non-politically oriented; and the fact that no new TV licences has been issued since 2002.

Development of media in Azerbaijan is supported by various international organisations. There is a special Media Co-ordination Group established and chaired by OSCE and consisting of a number of international donor organizations, local and international media NGOs, and representatives from the embassies of OSCE participating states. The group serves as a forum for information exchange, discussion of problems, and collaboration in improving the media's situation in the country.

A draft Law on Access to Information (known as the Law on Obtaining Information) is currently being considered in the Parliament. It incorporates most of recommendations provided by the CoE and includes such principles as government transparency, guarantee for an independent review mechanism of state secrets (a provision for an Information Ombudsman), a duty to publish data on public interests, and a protection for officials who inform the press on issues of public interest. However, to implement access to information more profound changes are required in the culture of information exchange, including establishing of a practice of information dissemination by government and functioning mechanisms of information inquiry by public.

1.4.8 Conflict resolution

The regional conflict around NK, frozen but with continuing sporadic clashes along the ceasefire line, represents a serious danger for regional stability, development and promotion of democratisation, good governance and human rights issues. The international community sees the OSCE Minsk Group as the best mechanism for the settlement of the NK problem and expects that the agreement between Azerbaijan and Armenia will be reached as soon as 2006. The Minsk group claims that there are some promising signs that leadership in both countries are ready for compromises. However, some observers argue that a solution is unlikely to be reached as both Presidents have been successfully exploiting the conflict issue in electoral politics, and the notion of a compromise in the solution regarding the status of the region is anathema to domestic opinion in both countries (EIU 2005: 9).

1.4.9 Regional Development and Local Democracy

Following ratification of *the European Charter of Local Self-Government* the government introduced a number of minor amendments to existing laws related to local governance, but the country's leadership does not have a current strategy for the development of a local government system. Many

international organisations are disappointed in the lack of clearly articulated visions and policies that since recently, concentrate on community development, empowerment of municipalities, improvement of local services, and regional development.

Local self-governments have very weak capacities politically, administratively and fiscally, which entails an inability to provide adequate services to the population. The practice of democratically elected representative authority (self-government, i.e. legislature and executive)⁷ conflicts with the institute of vertically appointed local state administration⁸. Moreover, they are funded from the state budget, and are granted a right to issue local level regulations; they are not accountable to local elected councils and thus nor are they to the citizens (Usejnov, 2001). There is no clear delineation of functions and lines of relations between the state administration and local municipalities. Such practice, however, undermines the very notion of local democracy.

Under current circumstances local self-governments are not in a position to engage in policy dialogues with central authorities. The CoE is currently supporting the establishment of a national association of local governments. The responsibility for municipalities rests within the Ministry of Justice, however the Ministry sees its role in consulting local authorities rather than developing policies and strategies in the area of local government.

The principles of decentralisation and subsidiaries are at the core of the concept of democratisation and sustainable development. In Azerbaijan, some think that the issue of decentralisation is a sensitive one and can be linked to the NK problem. Others allege that the government has deliberate intention to keep municipalities multiple, weak, dependent and obedient.

1.4.10 Human Rights

Although the situation of displaced people and their level of deprivation is a serious human rights problem, human rights concerns in Azerbaijan are not limited to this area. Human rights are enshrined in any area of development. As a typical transition country with European orientation Azerbaijan is challenged by demands to ensure wide political, social, economic and cultural rights for its citizens. Rights that are often mentioned by international and local actors in Azerbaijan include: access to justice and fair trial; freedom of assembly; expression and association; citizen participation in political life and decision-making; access to information; interrogation practice in pre-trial detention⁹ and treatment of prisoners; right to non-discriminatory treatment and equal access to rights for disadvantaged groups, including women; the problem of trafficking; and the status of Chechen refugees in Azerbaijan.

The state does not seem to have a good record with regard to respecting citizens' political rights and the rule of law. Organised street protests of opposition groups continuously meet a forcible response from police. International Human Rights organisations continue to express concern over the operation of the judicial process and the abuse of detainees' rights by the police. Despite the processes underway in the reform of the judiciary and the penitential system, human rights abuses by the police and the use of torture, ill treatment of detainees and prisoners continue to be reported. As a result, a number of international organisations are encouraging initiatives for NGO monitoring in penitentiaries.

⁷ In case of Azerbaijan the elected councils are called "municipalities" and their executive is referred to as "executive apparatus of municipality".

⁸ Heads of state administration (in provinces, towns and town districts) are appointed directly by the President, who further recruit their apparatuses and further appoint heads of executive at village and settlement levels.

⁹ The situation in prisons reached a culmination in February 2005 when the Ministry of Interior troops violently repressed a number of riots.

Following the release of a large number of political prisoners in 2005, a task force with government and local human right NGO representatives was established to resolve the remaining political prisoners' cases, more than 40 of whom were estimated still to be detained in October 2005. Yet, the human right advocates claim that without access to fair justice it is not guaranteed that political activists are not prosecuted under criminal charges.

Concerns are raised with regards to restriction on bureaucratic and administrative harassment of people supporting the opposition or involved in civic actions (e.g. students at Universities).

The Azerbaijani government has ratified the framework Convention on National Minorities, and signed the Charter for Regional and Minority Languages, but it has not yet elaborated state policy on minorities. According to local human rights monitors, there are still about 30,000 Armenians resigning in Azerbaijan, mainly elderly women, who are cut off their pension allowance.

In 2004 the government adopted *the National Action Plan on Combating Traffic in Human Being*. Its implementation is on-going, particularly in the area of providing support to victims and the prosecuting of traffickers. The Action Plan was prepared with the support of International Organisation for Migration (IOM) and OSCE.

The Office of Ombudsperson, established and functioning with the supported of the UNDP, gradually takes a more active lead in oversight of human rights issues. Yet, its capacities still need to be enhanced to ensure its independent stance.

1.4.11 Gender

The Soviet system has considerably enhanced the social and economic role of women. Research on gender in post-Soviet countries points to the phenomena of decreasing opportunities for women and their roles being "re-traditionalised" in societies which often conflicts with their commitments to democratisation values. Among other reasons, this process is connected to a collapse in the social security systems, escalation of conflicts and the use of military powers, male domination in redistribution of property and assets in transition to market economies, health and life-style related risks that affect women, strengthening the role of religious authorities. There is also the emergence of new types of female disadvantage, such as trafficking.

Certain gender stereotypes while under-privilege women are being socially reinforced in Azerbaijan. Men clearly dominate in public and political life and in government positions at all levels¹⁰.

Formal employment among women has declined considerably, to the extent that more than a third of women between 20 and 49 years old are classified as "economically inactive" (ADB 2005: i). Despite some remarkable examples of women in business, an average woman's chances of access to credit and business skills are meagre. In rural areas women's access to decision-making and consultation processes are narrowed to some international projects that succeed in recognising the role of women. Gender based violence is wide-spread and is difficult to reveal due to its acceptance in families, especially in rural areas. In rural areas, harassment of younger women by mothers-in-law is also raised as a problem. Current trends of gender disparities are being registered in enrolment at tertiary and vocational education institutions and gender segregation in the choice of studies further widens the skills gap between men and women. Addressing gender disparities requires recognition and support of women's reproductive and productive roles, as well as their central role in the "care" economy (ADB 2005:xii).

Gender is addressed in three government policy documents: SPPRED, the *National Plan of Action on Women's Issues 2000-2005*, and the national *Millennium Development Goals* targets. The State

¹⁰ Exception is, probably, "social" ministries. However, even there most key positions are occupied by men.

Committee on Women's Issues is involved in a special working group dedicated to gender problems and established for the development of a *National Action Plan 2005-2015*.

Alongside traditional UN Children's Fund (UNICEF) activities, UN Development Fund for Women (UNIFEM) is active in Azerbaijan through its support of women's roles in conflict resolution. Women's NGOs are attracting the attention of some NGO grant schemes. OSCE assist with the introduction of the Law on Domestic Violence and with establishing women's counselling centres. The Office of Ombudspersons is also involved in awareness building with regards to violation of women's rights.

2 Background of the EC Assistance to Azerbaijan

2.1 Cooperation Frameworks

Azerbaijan is an important strategic and economic partner for Europe in the region, mainly in the area of oil, gas and cotton. It is one of the largest trading partners with the EU in the former Soviet Union and is strategically located between the EU and Central Asia. After extension of the European borders to encompass Turkey it will become a neighbouring country.

Azerbaijan confirmed its orientation to Europe by joining the CoE, which is interpreted as a precondition and a first step to a long-term perspective of European integration.

The EC's relations to Azerbaijan date back to 1992. Since then, the EC cooperates with the country under various frameworks.

These relations build on the *Partnership and Cooperation Agreement (PCA)* that provides frames for political, economic and trade cooperation¹¹. The PCA came into force at the Luxembourg Summit in June 1999, where a Joint Declaration on relations between the EU and the Caucasus countries was adopted. The PCA covers non-military cooperation between EU and Azerbaijan and aims at supporting the development effort of Azerbaijan in advancing the economy, promoting trade and investment, fostering cooperation in legislative, economic, social, financial, civil, scientific, technological and cultural fields.

On the trade side, the PCA provides for trade liberalisation and cooperation in a wide range of areas. In particular, the Parties apply most-favoured nation (MFN) status to one another with respect to tariffs. The agreements also contain provisions on elimination of quantitative restrictions and other trade-related matters, including competition and state aid. Azerbaijan is a beneficiary country of the EU's general system of Preferences scheme. It enjoys observer status in the World Trade Organisation (WTO) and the EU is providing assistance to help prepare the country for full-term membership.

The Country Strategy Paper (CSP) for Azerbaijan 2002-2006 adopted in December 2001 provides a strategic framework for planning EC assistance to the country. The CSP outlines EC cooperation areas as being: a) institutional, legal and administrative reforms, b) support to private sector and economic development, c) development of infrastructure networks.

Technical Assistance to the CIS (TACIS) is the main financial instrument supporting the implementation of the PCAs. It provides grant assistance for projects planned on a biannual basis (National Action Programme) in the framework of CSP priority areas.

2.2 Overview of EC Previous Assistance to Azerbaijan

Since 1992 Azerbaijan has benefited from more than 400m Euros of EC assistance. EC assistance has been delivered under the following main instruments:

Humanitarian Aid Office (ECHO) provided immediate post-conflict rehabilitation and humanitarian aid in the form of feeding programmes, shelter for IDPs and refugees, and medical projects. The programme was completed in 1999.

¹¹ PCAs are signed with countries of Eastern Europe, the Caucasus and Central Asia. They formalise bi-lateral relations and constitute legal framework based on the respect of democratic principles, the rule of law and human rights.

The Exceptional Assistance Programme (EU-EXAP) is a programme for budgetary relief funding existing budget commitments to infrastructure investments that have close links to TACIS activities including energy projects, transport, nuclear safety. The Programme is completed.

Food Security Programme (FSP) brought food aid and budgetary food security assistance in the form of direct food aid and financial assistance, supported structural adjustments in some related areas. The programme was completed at the beginning of 2006.

The Rehabilitation programme (EU-REHAB) helped with rehabilitation of infrastructure projects, mainly in territories damaged in the NK conflict. The programme was completed at the beginning of 2006.

An EU de-mining programme assists with de-mining and building local capacities for mine action in the areas of conflict.

Technical Assistance programme (TACIS) include:

- Projects on institutional, legal and administrative reforms,
- Projects support to private sector and economic development.

Other programmes under TACIS are:

- TEMPUS Programme and the Erasmus Mundus Programme supporting higher education institutions and students exchange, respectively,
- Institutional Building Partnership Programme (IBPP) building links between European and local organisations in the framework of implementing joint projects under general TACIS goals,
- Regional Action Programmes:
 - The Transport Corridors Europe Caucasus Central Asia (TRACECA),
 - Interstate Oil And Gas Transport To Europe (INOGATE),
 - Southern Caucasus Anti-Drug Programme (SCAD),
 - Regional environmental programmes assisting with sustainable development in the region.

European Initiative for Democratisation and Human Rights (EIDHR) supporting projects under democratisation and human rights umbrella implemented by non-governmental actors.

With the signing of PCA and as the economic situation in the country improved, EC assistance shifted its focus from humanitarian, reconstruction and rehabilitation interventions to more developmental concerns, including technical assistance.

2.3 Commitment to Closer Cooperation under ENP

There is no EC Delegation based in Azerbaijan. The initial intention of EC was to manage EC programmes from the regional Delegation in Tbilisi, which was not acceptable to the Azerbaijani government.

In 1998 the Commission decided to appoint a Special Envoy to the republic in Azerbaijan and Azerbaijan established its Permanent Mission to the EC in the year 2000. In July 2003 the EU appointed a Special Representative to the Southern Caucasus, with whom the EC was meant to cooperate closely, and whose mandate was to: a) help the countries carry out political and economic reforms, notably in the fields of rule of law, democratisation, human rights, good governance, development and poverty reduction; b) in accordance with existing mechanisms, to prevent conflicts in the region, to assist in the resolution of conflicts, and to prepare the return of peace, including through promoting the return of refugees and IDPs; c) to engage constructively with key national

actors neighbouring the region; d) to encourage and to support further cooperation between States of the region, in particular between the States of the South Caucasus, including on economic, energy and transport issues; e) to enhance EU effectiveness and visibility in the region.

In 2002 the EC established the Europa House in Baku with the mandate to support EU programmes and projects in Azerbaijan, including technical support in planning and programming, implementation, as well as to liaise with major donors and international organisations based in the country.

The Council decision of July 2004 to include Azerbaijan, Armenia and Georgia in its Neighbourhood Policy (ENP) is considered to be a remarkable development in relations between the EU and Azerbaijan. The ENP builds on the existing PCA but goes a step further in terms of building closer relationship with the EU, involving a significant degree of economic integration and clear political cooperation. The core idea of the ENP is to address one of the EU's strategic objectives of the European Security Strategy – to bolster security in the EU neighbourhood.

The commitment of the EU to develop closer relations with Azerbaijan was confirmed through several high level exchange visits in 2004: the visit of the President I. Aliev to Brussels and of Commissioner J. Potocnik and the President R. Prodi to Azerbaijan. The ENP Action Plan for Azerbaijan that would define key priorities in selected areas for the near future is currently being discussed with the government.

The new assistance instrument ENPI (European Neighbourhood Partnership Instrument) will replace TACIS in 2007. The ENPI intends to continue contributing to development of the market economy and the creation of a business climate that is attractive to investment particularly from the EU, on the economic side. In the social and political sphere, it widely aims at strengthening democracy and the respect for human rights.

The EC has decided to establish a full-term EC Delegation in Azerbaijan in 2007. A recently appointed Special Envoy to Azerbaijan, who has a status of an Ambassador and will head the EU Delegation in 2007, already spends half of his working time in the country.

3 Challenges in Implementing and Mainstreaming Governance and Human Rights

3.1 Programmes and Projects Planning

The CSP for Azerbaijan 2002-2006 defines the main challenges facing the country as poverty reduction, resolution of the NK conflict, economic diversification, improving governance including the reduction of widespread corruption, improvement of the country's infrastructure and reform of the banking and financial services sector, along with completing the adjustment to the challenges of the market economy including changes in attitudes, structures and educational systems (EC 2001a). In this context and based on PCA orientations, SCP suggests the EC TACIS programme focus on two priority areas: a) support for institutional, legal and administrative reform, and b) support to the private sector and assistance for economic development.

The strategy recognises the pivotal role of Azerbaijan in providing alternative transportation routes for trade and oil and gas resources from Caspian and Central Asia to Europe. In the relations with the country EU clearly pursues trade and indirect political interests. Some representatives of the international community noted ironically that European assistance to Azerbaijan is not so much about governance and human rights as about oil and gas.

Indeed, most of the EC early assistance went to the economic domain (mainly oil and gas sector, transport and linked areas), which was explained referring to the difficulties of working with the ruling regime in the previous years, the need for EU to establish presence in the country given its strategic importance, and a status quo the international community, to a large extent driven by economic and geo-political interests, chose to maintain in relations with the ruling regime. Another challenge is the fact that the TACIS Programme has to be agreed upon with the government and its content depends considerably on the receptiveness of the authorities. However, there is an implicit recognition among EC related actors in the country that both political and economic security is linked to the quality of governance, and content analysis of the TACIS National Indicative Programmes show that government is opening up to these ideas.

With the launch of the SPPRED the *Action Programmes* (of 2003 and 2005) increasingly reference was made to compliance with the national poverty reduction priorities. The difficulty of coordination of development assistance with SPPRED is that the strategy was limited to two years, lacked links to public budget and provided limited priority areas: environment for growth of income generation, access to basic health and education services, infrastructure, social protection reform, living conditions of refugees and IDPs. Basically, the EC assistance has contributed to SPPRED with two projects in the area of social protection (introduction of individual pension accounts system and introduction of targeted approach to social assistance). Until recently, the FSP remained one of the main instruments of EC involvement in poverty reduction.

The government is in the process of elaborating a new ten years development plan in coordination with the international community, including TACIS National Coordination Unit (NCU). However, some Ministries are rather sceptical about the level of coordination the SPPRED Secretariat with country systems, Ministerial policies and budgets. Another potential shortcoming of the new plan is that it "parks off" the issue of good governance to a separate domain rather than mainstreaming it in other development objectives.

Despite good analysis and a consultative approach adopted by Brussels in programming, the fact that there is no EC Delegation in Azerbaijan makes it somewhat difficult to ensure comprehensive approaches to programming and integration of wide governance concerns. Separate European actors and various EC projects in the country may have fragmented perspectives and their own agenda, while for the programmers from Brussels it is not easy to comprehend the whole complexity of country realities.

It would be the task of the Delegation to ensure that the guidelines on promoting good governance and the principles of human rights (declared in *Communication on governance and Development*, *Communication on Promoting human Rights and Democratisation* and *the Handbook on Promoting Good Governance in EC Development and Cooperation*) are put into practise. Since the NCU and NCU support project are assigned rather modest role in programming their staff is hardly acquainted with these guiding papers and it is left to planners in Brussels to ensure that governance and human rights domains are addressed and mainstreamed. Guidance provided by programme documents with regards to democratisation and human rights are limited to a standard clause at the end of each Action Programme: “Assistance in the period X is provided on the basis of the existence of the necessary elements for the continuation of cooperation through assistance, in particular respect of democratic principles and human rights, as well as the obligations of Azerbaijan as set out in the PCA”.

One can argue that the wide range of EC projects implemented and initiated in the period of 2000-2006 in Azerbaijan in some way refer to the core areas (six clusters) of good governance suggested by the *EC Good Governance Handbook*: democratisation, human rights, rule of law and administration of justice, civil society, public administration and decentralisation. However, this is rather superficial from the perspective of concentration of efforts and overall impact produced to date by EC projects in those areas. Aside from deficient concentration, another shortcoming of the EC programmes, as noted by local and international observers, is the fact that they put emphasis mainly on the work with governmental institutions and they lack focus and synergies among each other (which will be discussed later in the report).

Moreover, research found very little evidence of gender equality concerns integrated into EC programmes and projects.

The TACIS *National Action Programme 2005-2006* can be considered as a move to a more comprehensive and more impact oriented programming. It provides specific objectives, description of programmes, specific results and indicators. Yet, a lack of a mechanism of evaluation of Action Programmes reduces the value of this effort and affects general motivation for more comprehensive programming.

3.2. Governance and Human Rights Aspects in Different EC Projects

This section undertakes an attempt to trace the links between EC projects and democratisation and human rights concerns in Azerbaijan. It does not have the ambition to provide a systematic assessment of how all the different projects impact governance and human rights in the country (this would require a more substantive effort), rather it tries to reveal potentials and shortcoming of EC interventions in terms of promoting good governance, and elicit some lessons to be learned.

Neither the TACIS programme as a whole, nor any of its projects has ever experienced an assessment with regards to their potential or current impact on governance, human rights or gender.

3.2.1 TACIS Projects in institutional, legal and administrative reform

The table in Annex 1 presents a list of areas of TACIS involvement in Azerbaijan (national programme) since 2000.

In Azerbaijan, EC aid is primarily associated with technical assistance to governmental institutions. In the past, TACIS programme in Azerbaijan was criticized for its limited impact, largely a result of the weak policy, legislative, regulatory and institutional environment it operated in (EU: 1999). Some TACIS projects were premature and their impact was confined to immediate beneficiaries rather being broadly spread across sectors of intervention.

Changes in the context have occurred since then. They are linked to a general drive among the public and government officials for “Europe-isation” and modernisation, intensifying exposure of

government officials to Western practises, and, as a result, increasing receptiveness and openness of government institutions in a number of sectors to reform processes.

Since 2000 TACIS *Action Programmes* have been strongly focusing on institutional capacity building at government level. The list of TACIS beneficiaries includes the following governmental agencies: the Presidential Apparatus, the Cabinet of Ministers, Ministry of Economic Development, Ministry of Justice, Ministry of Social Affairs and Labour, Ministry of Finance, Ministry of Taxes, State Statistical Committee, Ministry of Fuel and Energy, Ministry of Transport.

Technical assistance projects to these institutions show mixed results in terms of impact and sustainability. In terms of institutional building they were more successful in the areas where technical assistance was linked to capital financing provided by TACIS and other sources, like in case of assistance to the establishing of the Ministry of Transport being linked to TRACECA, and the Ministry of Fuel and Energy linked to INOGATE. In these sectors, external pressure for liberalisation and restructuring was very high.

Sustainable achievements were also registered in a long-term support project with the Ministry of Finance, where EC invested in adoption of new *International Financial Reporting Standards* (IFRS) accounting standards and later the development and dissemination of *National Accounting Standards for Commercial Organisations* (NASCOs) based on IFRS. The project also has an additional important affect on governance as it contributes to legalisation of economic activities and transparency. An on-going project on improvement of capacities of the State Statistical Committee that a similar effect; it includes introduction of international statistical methodologies, classifications and standards, improvement of data availability for more effective monitoring and better informed decision making.

Institutional building investments were appreciated by the Ministry of Social Labour and Social Affairs. The Ministry has benefited from EC Programmes aimed at assisting the government to meet social protection reform conditionality under the FSP. In 2000 the Ministry were involved in the project on pension reform that aimed at creating individual accounts system. The responsibility for the pension system was later transferred from the Ministry to the Social Protection Fund, but the accounting system the project supported has been continuously used. Under another project on targeted social assistance, the EC contributed to the development of a software package that would be fully utilised this year with the country-wide introduction of targeted assistance system by the Ministry. In cooperation with the Ministry, good synergies took place between TA project and the FSP, where FSP supported the creation of a special department of targeted social assistance that is now fully integrated into the Ministry. A new EC project with the Ministry is about to be launched. It will support the Ministry in developing of a National Social Assistance Strategy. The Ministry's specialists were very closely involved in the elaboration of the ToR and feel themselves owners of the project. For successful cooperation between their institution and the EC they hold the following factors accountable: less hierarchical relations in the Ministry of Labour and Social Affairs compared to some other ministries, EC commitment to long-term support, respect and participatory approach applied by EC projects in relationships with the Ministry.

Less obvious success was achieved in projects with the Presidential Apparatus and the Cabinet of Ministries. Both projects seem to have failed to meet the expectations. Observers note that those projects were driven by those government institutions to the extent that it was over ambitious to expect any substantive changes.

A national legal database was created under the support to the Cabinet of Ministries project, but up to date has proved problematic. Moreover, the organisation failed to reform itself, and it still heavily overstaffed. Some argue that it was a mistake to choose the Cabinet of Ministries as a beneficiary in the reform project that affects its own interests, and that Cabinet reform would be better linked to the

commitment and the benefits of the Presidential Apparatus. The practical impact of the project with the President Apparatus on the development and implementation of civil service legislation turned to be limited to the set-up of a State Commission on Civil Service and a database on civil servants. However, some hope that the Commission will play its role in a badly needed civil service reform in Azerbaijan.

The Ministry of the Economic Development was the beneficiary of a 2-year project aiming at improving economic policy making capacity of the Ministry. The project has made human investment in the capacities of the Ministry staff by improving its broader knowledge about economic issues (like regional development, investment projects appraisal, informal economy) through trainings, study tours and experts advice. Project experts tend to consider such human capacity building as a longer-term investment with a potential to translate into practice at a later stage. The project has managed to introduce terms of reference for the staff in the Ministry and publish a wealth of reference materials on various topics on economic development and human resources management in public sector. However, the organisational changes it recommended (e.g. establishment of a full-fledged Human Resources Dept, or a Dept. for Social-Economic Forecasting within the Ministry) did not materialise. The Ministry is still lacking one of the currently most demanded capacities – long-term economic planning. There was a change of leadership in the Ministry recently and the project failures are being associated with a weak commitment of the former leadership, as well as lack of vision and over-centralised power relations within the Ministry.

Case Study 1 EC Involvement in Judiciary Sector

In 2002 the EC launched a 2-year project called “Modernization and Reform of the Legal and Judicial System in Azerbaijan” in order to provide some basic support to the process of implementation of legal and judicial reform. The 1.5 ml project implemented by GTZ aimed at the following objectives:

- “to strengthen the competence of the target groups in applying the legal and judicial framework in Azerbaijan”;
- “to promote increased exercise and enforcement of rights by the larger public”;
- “to render advice to the judiciary and court administration in the areas of management of the judicial apparatus by the chairmen of the courts”;
- “to promote a general culture of legal argumentation and interpretation”.

The project activities covered a number of areas. Firstly, it trained judiciary and court administrative staff, and provided training to prosecutors and public defenders, including those from the provinces. The training programme was meant to sensitise the trainees with regards to respect of the European Convention on Human Rights and Fundamental Freedoms, and to enhance the implementation of the newly introduced laws with a special focus on the Criminal and Procedural Code, which, according to the ToR, in the past was known by frequent rights violations. To ensure continuity in training, a team of local trainers from the Ministry of Justice Training Centre was trained. Additionally, a library with textbooks and legal literature was established at the Training Centre.

According to some observers, the breakthrough in the participants’ understanding and receptiveness was achieved with the study tours organised by the project for representatives of the Ministry of Justice, some members of the judiciary and court service administrators.

Secondly, as a part of its public information campaign concerning court organisation, and changes taking place in the law, courts and legal system, the project supported a number of publications in local media, produced and broadcasted a series of TV episodes to sensitise citizens about human rights violations in everyday life situations. Some representatives of the public recognise that the TV episodes were extremely successful in terms of outreach.

Thirdly, some support was provided in the area of judiciary and court administration, including modernisation of equipment, advice and training on court organisation, docket control, record preservation. Fourthly, commentaries on various aspects of judicial reform were produced and disseminated among the judiciary and legal community.

Generally, most project elements are assessed positively. Yet, the success was only partial due to failures of the EC to conduct timely tenders and secure timely implementation of the computerisation component. Observers believe that delay in delivery of hardware reduced the impact of other project components and undermined credibility and efficiency of the project and the funding agency vis-à-vis the government. Moreover, insufficient measures were undertaken to ensure sustainability and proper update of the legal database established in the framework of another project targeting the Cabinet of Ministers and meant to bring synergies with this project.

Furthermore, some local experts are rather sceptical about the projects’ achievements in terms of building local capacities to carry on with such crucial components as dissemination of information on reforms and rights related issues to a wider public. Some suggest that the project also failed to pay sufficient attention to generating abilities of local specialists to continue

commenting on the progress of the judicial reform and securing spaces for maintaining local debate (at the time the reform to a large extent was driven by international community). At the same time, there is a hope that with judiciary reform increasingly becoming an area of involvement for other international development projects these gaps will be filled in.

Observers note that a good monitoring and evaluation system might have been instrumental for determining the extent to which success in meeting such targets as “increased public participation in the legal reform process”, and “increased public exercise of newly established legal rights” were met by the project. Lessons learned in these areas might be important for further investments in increasing transparency of the judicial reforms process and promoting respect of human rights that could be built upon by other interventions in the sector.

Under a general umbrella of consolidating democracy and respect for human rights, since 2005 the EC has funded another project in the judiciary sector titled “Support to the Bailiffs and Ushers Services” implemented by UIHJ (*Union Internationale des Huissiers de Justice Officiers Judiciaires*). The project has the general goal of supporting effective, efficient and fair administration of justice in Azerbaijan and increasing citizen trust in the judiciary system.

More specifically, it contributed to the implementation of the *Recommendation (2003)17 of the Council of Europe Committee of Ministers* with regard to execution of decisions of justice enforcement. According to this Recommendation each member state has to guarantee any individual benefiting from a final decision of justice the right to see that this decision is implemented. Failure in execution renders the decision of justice and right recognised inoperative. The execution of the decisions of justice need to be defined by a legal framework more clearly regulating the daily practice and working procedures of bailiffs and ushers, an effective system and capabilities of professionals in charge of executing decisions of justice (bailiffs and ushers), as much as judiciary officers and the citizens understanding the system and legislation.

As the result of the analysis of problems in the bailiffs and ushers system in Azerbaijan the project revealed a number of serious shortcomings, including: a rather low status of the bailiffs and ushers; poor working conditions and insufficient capacities of bailiffs and ushers; poorly regulated relations between the bailiffs and ushers and the police; mixed functions of the bailiffs and ushers, including those of execution, debt recovery, security and police of hearings nature, that prevents effectiveness and quality of implementation; lack of access for bailiffs and ushers to sources of information enabling them to effectively pursue the execution of court decisions (e.g. patrimony or assets of the debtor).

To address these demands more effectively the implementing agency has made necessary adjustments to the project. Now it incorporates the following components:

- Improvement and implementation of law on the Bailiffs and Ushers. Specifically, the project assists the Department of Bailiffs and Ushers at the Ministry of Justice in drafting of new Code of Enforcement that would replace two existing laws (the Law on Bailiffs and Ushers, and the Law on Enforcement). The new law, apart from ensuring general compliance with relevant EU standards, would allow modifying current structure of the court system enhancing the position of bailiffs and ushers and addressing other problems identified at the project inception phase. The project provides training in writing court decisions and improving the quality of verdicts in order to achieve better and clearer enforcement instructions.
- The second project component provides training to bailiffs and ushers: initial training and training aimed at implementing the new legislation. Development of training manuals to guide the working practices of bailiffs and ushers and implementation of training will involve

the Judicial Training Centre, the body that would maintain the basic course for bailiffs and ushers. This component also foresees public awareness building through a monthly radio Programmes with project experts, production and dissemination of informational materials for public. Awareness building measures focus on familiarising citizens with the work of bailiffs and ushers, citizen rights related to security in the courts and the enforcement of judgements. Special brochures will be prepared for litigants, from which they can learn how to proceed and what to expect when applying to the bailiffs and ushers service.

- The third component of the programme deals with the design and implementation of an Enforcement Information System/Database (EIS) with preparation for replicating and extending the system to District Courts. The system will make it possible to track the processing of decisions and perform statistical analysis is indispensable for efficient enforcement of court judgements. This component will be implemented on a pilot basis in Baku and the regions of Lancaran, Quba, Ganja, and Sumqait.

According to local experts, cooperation between the donors involved in the judiciary in the past was not very effective. There are a number of other agencies engaged, including the WB that will start a large-scale project on courts capacity building in June 2006. In the context of intensified international attention to the sector in Azerbaijan recently a group of international agencies has been set up with the aim to improve coordination and information sharing. It is chaired by the CoE and, apart from the EC/UIHJ project representatives, includes members of such organisations as GTZ, American Bar Association, British Embassy, WB and OSCE.

The project is recent but is already appreciated by all partners involved. One of the project advantages is the commitment of the leadership of the Ministry of Justice and the support of the project from the Ministry at working level (particularly the Bailiffs and Ushers Department, and the Human Rights Department). The Ministry established a special working group to facilitate the implementation of the project. Some individuals involved in the project, including the Ministry staff, think that project success at this stage is to a large extent owes to intensive early consultations that took place between the EC and, later UIHJ, on one side, and the Ministry, on the other side.

To ensure smooth implementation the project requested that a Memorandums of Understanding between the Ministry of Justice and the Ministry of Internal Affairs be signed. Some in the Ministry think that the commitment of different governmental agencies is important, however the project should encourage inter-ministerial cooperation in the context of existing inter-governmental relation instead of creating "special arrangements". The project team members suggest that the relations between the two ministries are already regulated in the law in force, but they are not fully applied in practice.

Many say that the project presents a great potential in terms of EC assistance to human rights promotion and democratisation in Azerbaijan. However, it began less than year ago, and it is rather premature to judge its success.

Against the background of a general problem of access to justice among women in Azerbaijan, and other issues raised by local women rights advocates, no specific gender implications have been raised by the project so far.

According to the Ministry, another EC project on the reform of penitentiary system will be launched. It will be implemented by the CoE and proves the EU commitment to invest into the sector in the long-run, which is an extremely important asset in building partnerships with the Ministry. Mutual reinforcements between various EC projects and commitment to long-term

relations also encourage the Ministry to promote the issues of human rights in a more active manner.

This case study raises the following points of interest:

- The importance of investing in capacity building of local expertise and institutions to ensure continuity and sustainability of TA.
- The potential of study tours as a vehicle for building understanding and vision of changes/reforms required.
- Communication with the public as an important aspect for ensuring transparency and societal acceptance of reforms, along with a need to create spaces for debating reform ideas locally.
- The value of an effective monitoring and evaluation system, capable of providing lessons learned for new interventions to build upon.
- The importance of monitoring of projects impact on citizen rights in projects that have an ambition to improve the rights situation.
- The need for synchronisation between “software” and “hardware” components in EC projects.
- The need for cooperation between different international development projects.
- The significance of the government partners commitment to the project idea and working trust in the course of its implementation.
- Links between such commitment and the extent of partners involvement in the process of project development and planning.
- The value of synergies between different EC activities and perspectives and a focus on long-term involvement in building partnership and commitment of the governmental partners.

In their capacity building efforts, TACIS projects draw on a combination of tools such as training, study tours abroad, external advisory and consultancy support, provision of equipment or other “hardware” means. Each of these tools has its merits and disadvantages in the context of Azerbaijan but experience shows that in a right blend they can have a bearing on human and institutional capacities.

Study tours prove to be very effective for facilitating participants’ receptiveness and developing visions and commitment. Participants recognise their general strong impact and a training effect. However, when poorly targeted- in terms of both the type of participants and the focus- study tours become a type of tourism. Study tours seem to be instrumental when they represent a logical chain in a sequence of other measures in the process of planning or implementing concrete changes.

Training in-country is instrumental in developing new understanding, knowledge and skills, especially when it is organised in an interactive and participatory manner. Effective training seems to depend to a large extent on a practical nature and a high quality of trainers’ expertise. Training in-country with top government officials is ineffective. TACIS project on training top managers was not successful, among other factors, due to the impossibility of isolating high-level officials for more than a day from their working place.

Almost every TACIS project has a component on provision of equipment or other hardware. There is a widespread belief that purchase of such equipment is a trade-off for adequate attention to the leadership of targeted institutions in a project. The EC practise shows that this type of assistance can be important for “opening the ears” of the leadership to more substantive project ideas but delivery of hardware alone does not guarantee their commitment (especially in cases where purchase of hardware is not really critical for the implementation of a project). Yet, support to the organisation’s technical base still remains an important demand as it facilitates the introduction of know-how, new working methods, or enables the government to fulfil their functions more effectively. Withdrawal of technical assistance Programmes from delivery of hardware needs to be compensated by government commitment to ensuring an adequate technical base for a project’s implementation. There have been several cases in the past when the failure of EC to deliver planned hardware in a timely fashion reduced projects overall impact.

Some representatives from the international community criticise TACIS for its over-reliance on international expertise. According to these critics, such an approach contradicts general development ideas and the MDG orientations towards local capacity building. There are those that go as far as arguing that TACIS is an instrument conceived of for proliferation of the European consultancy business. The leadership of both NCU and the NCU support project are well aware of the problem and as much as possible are trying to draw on the use of local, regional and transition/East European expertise. Experience shows that, apart from cost-effectiveness, the regional and Eastern European expertise is often more relevant and sensitive to local development challenges.

TACIS does not draw upon instruments like on the job or peer training, which prove to be very effective institutional capacity-building tool when applied in some transition countries. Yet, the Action Programme 2006 allocates Euro €6.5 million for twinning projects that aim at promoting reforms through building partnership relations between European and Azerbaijani institutions. The twinning instrument also provides the possibility of supporting institutions where the commitment of leadership to changes is high and, thus, may have a positive impact on the civil service reform.

Experience of EC projects in institutional support in Azerbaijan shows that receptiveness of the government organisations to technical assistance is hindered by such factors as:

- a highly hierarchical structure that prevents departments and staff from effective functioning and slows down introduction of know-how;
- dependency of some contractors on the will of beneficiaries and fear of confronting them in order not to lose the contract, or on the other hand, fear of beneficiaries losing benefits by confronting contractors;
- difficulty with finding common language between a beneficiary and contractor, especially noted as a problem in the case of less flexible large consulting companies; relevance and quality of international expertise.

At the same time success factors include:

- political will and a high level of commitment from the benefiting institution, success is directly related the extent of actual involvement in project planning and implementation, a level of ownership and responsibility, along with the vision of desired changes on the part of the beneficiary;
- the leadership of the beneficiary institution having an understanding of advantages and limits the technical assistance instrument, and ability to use it for the benefits of the institution;

- the relevance of project ToR to the real needs of the beneficiary institution, also, as a rule it must be linked to the extent of beneficiary involvement;
- an institution having the power and resources to introduce changes and implement reforms;
- access for project staff to a beneficiary institution at a working level; qualification of managers and consultants, including social skills; an understanding of context of intervention and language abilities;
- timely project assistance in the context of on-going changes and reform dynamics;
- relevance, timeliness and quality of expertise provided;
- sustainable capacity building concerns well integrated into the project;
- EC long-term commitment to partnership.

3.2.2 TACIS projects promoting private sector and economic development

Where TACIS investments in the support of private sector and economic development are implemented under the umbrella of country's integration into global economic space they tend to be successful. There is an array of examples where EC projects contributed to sustainable capacity building, liberalisation and organisational development (e.g. Support to Investment Promotion and Advisory Fund, Development of Securities Market in Azerbaijan).

From the perspective of governance challenges in Azerbaijan, the interest of this study is on different type of initiatives – those promoting small and medium enterprise development, development of individual entrepreneurship, local and regional development.

In the past, TACIS has supported a number of projects in the area of small and medium business development, but these experiences remained unanalysed and the EC seem to have missed an opportunity to learn from them.

Self-reliant regional and local governance, including and first of all in economic and fiscal terms, is the basis of any democratic system. Until recently this area had been completely ignored by TACIS and the rest of international community – only now has the EC launched a programme on regional economic development. For this programme to be successful it will need to be adequately supported at the level of policy advice and enjoys synergies with other EC projects and instruments. It is also important that the project builds on democratic involvement of different stakeholders and forces to avoid capture of its achievements by regional and local elites.

3.2.3 Regional Programmes

The table in Annex 2 presents a list of areas of recent regional programmes involving Azerbaijan.

INOGATE, TRACECA and SCAD

The INOGATE Programme aims at improving the security of Europe's energy supply by promoting the regional integration of the oil and gas pipeline systems and facilitating their transport both within the region in question and towards the export markets of Europe and the West in general, while acting as a catalyst for attracting private investors and international financial institutions to these pipeline projects. The programme supports the Newly Independent States in: a) rehabilitating, rationalizing and modernizing existing regional oil and gas transmission systems and, b) assessing possible complementary options for the transport of hydrocarbons from the Caspian and Central Asian Regions to European and other Western markets.

The TRACECA Programme supports the implementation of the Multi-Lateral Agreement on Transport by helping partner countries to improve trade access to European and world markets via alternative transport routes.

Clearly, the EU pursues a strategic interest in both Programmes: in the case of INOGATE security of energy supplies to an enlarged Europe through the rehabilitation of the existing network and support of strategic new oil and gas routes, and in the case of TRACECA facilitation of trade with Europe. Azerbaijan also has an interest in these programmes, which are associated with the country's economic development through integration into European and world economy.

There is an understanding in both programmes that achieving their objectives would be impossible without rationalization and modernization of existing systems, deep structural changes, as part of "democratisation in economy" agenda¹². The programmes, with the support of projects funded under TACIS National Action Programmes, supported restructuring in energy and transport sectors (including creation and consolidation of the Ministry of Energy and the Ministry of Transport to replace an uncoordinated mass of various agencies and structures), facilitated the process of democratic division of some key roles and functions (e.g. policy making and execution, and in the case of the transport sector, operations.), improving efficiency and effectiveness, reducing the potential for corruption (computerization of customs clearance under TRACECA). INOGATE assisted the country in bringing its standards for maintenance, operations, safety and environment in compliance with the EU standards and industrial practices, and promote the investment projects for the rehabilitation of the network identified by the INOGATE audit. The programmes also facilitate a regional dialogue among the countries. The two projects are also an exceptional example of cooperation between the governments of Armenia and Azerbaijan around the technical issues and matters of mutual economic interest.

The projects demonstrate that government commitment is a key to success, and this commitment has to go beyond general political support. This commitment is more sustainable when the government makes a financial contribution. For instance, according to some observers, when participating governments started paying their membership fee to the inter-governmental TRACECA Secretariat their attitude changed and their sense of ownership increased.

The SCAD Programme assists the governments in the Southern Caucasus to fight drug abuse and trafficking in the context of a broad approach targeting organized and trans-border crime in the region. Among others, it tries to address prevention in high-risk sectors of the population. 90% of programme funds come from the EC and 10% from UNDP, whereby UNDP also assumes lead in project implementation.

SCAD works in several directions: improvement of legislation related to drugs abuse and trafficking; borders protection (cooperating with border service, customs, the Ministry of National Security); development of institutional and competence net for collecting drugs abuse and trafficking related information, awareness building and education (including schools education), and increase in capacities of intelligence related to drugs trafficking (cooperation with the ministry of Internal Affairs).

The programme experience in Azerbaijan indicates that government cooperation and receptiveness is of paramount importance for introducing change of practice, but it is not a given. Rather it evolves in meticulous awareness building and joint work. In the case of SCAD it was especially difficult given the traditionally closed nature of ministries and agencies it tried to engage. It reconfirms that there is a possibility of Azerbaijan and Armenia to cooperate around technical issues that are of concern to both

¹² The evaluation of TRACECA in 1999, among other things, strongly recommended a need for improving focus on institutional strengthening.

countries. It also shows the importance of the introduction of new management practice, and inter-agency coordination and cooperation for the resolution of complex issues (e.g. in the framework of the project a State Committee was created that includes 17 Ministries and governmental structures).

Among recent important developments of the project is the involvement of civil society sector in helping the government to resolve the problem. The programme has identified the NGOs working on problems related to drugs (about 1% of NGOs registered in the country), and on pilot basis it developed a competitive NGO grant scheme for addressing drug problems through education, treatment, and work with drug users. The latter is especially difficult and almost impossible for the government to undertake, since the drug users are criminals by the local law. Education was also among the components that the project was not very successful in addressing on its own. Besides, the project is not yet looking explicitly at gender aspect although it is known that women are increasingly being used in drugs trafficking.

According to some observers, as the programme started engaging NGOs the government began to realize the value of expertise the NGO have to contribute. As a result, the State Commission started inviting NGO experts to their meetings, and recently asked to organise a conference with NGOs participation on drugs related problems.

Regional Environmental Programmes

The Regional Environment Centre (REC) for the Caucasus, based in Georgia, and the REC for Central Asia, based in Kazakhstan, are implementing a number of projects in the region funded from EC resources. The Centres have the status of an NGO founded by the EC and the governments of countries included in a respective region. The REC for the Caucasus includes Armenia, Azerbaijan and Georgia. The government of Azerbaijan participated as a founding partner of REC but under the condition that this does not imply direct cooperation with Armenia.

This section will discuss the experience of two projects that are implemented at the grass roots level. These present an interest from a local development and local governance perspective: “Sustainable Development of Mountain Regions of the Caucasus – Local Agenda 21“ and the “Sustainable Development of Caspian Coastal Communities”. It goes on to a case study on a technical assistance project “Sustainable Management of Caspian Fisheries”.

The project on mountain communities involves awareness building among residents of selected mountain communities with regards to sustainable use and management of natural resources. It is meant to foster abilities of local communities to advance their social, economic and environmental development. Apart from general educational activities, the project assists local communities in self-mobilization and organization, in building cooperation between residents and local authorities in the elaboration of village development plans and in implementation of some projects aimed at resolution of communities priority development needs. From a good governance perspective the project enhances the rights of citizen for socio-economic development, clean environment and participation in decision-making that affects their lives.

The coastal communities’ development projects were launched with the goal of preventing over-exploitation of Caspian natural resources and creating alternative sources of income for the local population. The Sustainable Development of Caspian Coastal Communities project will be considered in detail, along with another EC funded initiative - the Sustainable Management of Caspian Fisheries Project – in the case study below.

Case Study 2 EC-Funded Projects on Sustainable Development in the Caspian Region

A The Sustainable Management of Caspian Fisheries Project (SMCFP) started in June 2004 with the aim of enabling the recovery and conservation of endangered fish stocks

(especially sturgeon) in the Caspian Sea through strengthening of national capacities in fishery research and management, provision of assistance in the development of regional management guidelines and advisory support on regulatory systems. Development of the Caspian region is in the interests of the five states: Azerbaijan, Russia, Turkmenistan, Kazakhstan, and Iran. Four of them, the countries of the former Soviet Union, were the specific focus of the SMCFP. The project was based in Baku and implemented by a UK-base company Landell Mills Ltd.

Five years previous to this project the EC made an attempt to support a project under a similar name that has failed. Those who had witnessed the previous programme think that it was ahead of its time and, more importantly, it tried to address the symptoms of the problem rather than its causes with regards to sustainable fisheries management. According to local experts, the precondition for developing effective regional management of the Caspian fisheries would require an integrated policy for conservation, rational use and management of fisheries by the Caspian states, adoption of standard fishing regulations and common methods for identification of the total allowance catch, agreed legislation on reproduction and conservation of fisheries, offshore surveys to study commercial stocks of fish, and agreement on the distribution of national quotas. This all can take place, given the countries are ready to sign the high level *Agreement for Conservation and Use of Aquatic Bio-resources of the Caspian Sea*.

Some argue that the second project has been developed without taking the lessons learned from the previous intervention into sufficient consideration. Among the critics raised by local experts and monitoring reports were: a failure of the project to voice strategic and conceptual problems and clearly define the problems, and, as a result, a weakly developed logical framework for the intervention.

Since the project start, a number of regional meetings have been organized, including a regional workshop where participating countries accepted a regional training programme proposed by the project and publicly recognized the two key problems (being illegal fishing and the distribution of unit stocks). It is agreed that the availability of adequate information from all Caspian countries is the key to building system of sustainable fishery management. At this regional workshop the participants also asked the project to identify the scope of the technical and scientific work that needs to be done by the project to achieve sustainable results.

According to some local observers, it was because the project is rather activity than results driven and focuses on scientific rather than technical assistance, which the countries' commitment for participation in SMCFP gradually declined. Also on the Azerbaijan side, the project attracted only nominal participation of the Ministry of Ecology and did not manage to extend participation to the state fishery institute of Azerbaijan (Azerfish).

As a result of the project's failure to establish relations with the Ministry, the project team leader was replaced in June 2005. The change of project leader did not improve the situation significantly since the Ministry lost its interest in the project and the project did not have sufficient funds for modifying the project format.

Already deficient relations between the project team and the Ministry were further strained by a survey on illegal catch of fish in Azerbaijan mandated by the project. The survey was part of an overall effort to develop a universally recognized methodology of fish stock assessment and catch quota allocation among the Caspian states. It was intended to determine the scale of unregistered coastal fishing in one of the countries to be further used as a model for the assessment of fisheries in the whole Caspian region. The fact that the survey was limited to Azerbaijan and not conducted in other littoral states was explained by limited resources available to the project.

According to the Ministry of Ecology, the government of Azerbaijan initially endorsed the project based on the understanding that it was implemented regionally and with a certain degree of sensitivity. The project team decided to disclose the survey findings and discuss them with other organizations, claiming a necessity for data transparency. The Ministry has taken this move with defiance since the information on fish stock assessment is of commercial nature.

According to some local observers, the circumstances in which the project found itself involved in one of the most sensitive matters (illegal fish catch) were a result of its non-participatory approach applied from the outset and inadequate consideration given to local political realities.

Following the incident with the survey the Minister of Ecology wrote a critical letter to the Council of Ministries and asking to initiate closure of the project. Apart from criticizing the sensitivity of the methodology applied in the survey (basing an estimate of the whole regional unregistered fishery on extrapolation of the data from Azerbaijan alone), the Ministry criticized the project's lack of regional dimensions due to withdrawal of Turkmenistan from the project and a reduced participation of Russia. As a result the project was closed. Some observers regret that in this critical situation no one from Brussels came to the field in an attempt to resolve the conflict.

B Experts involved in other EC funded regional projects, including the project "Sustainable Development of Caspian Coastal Communities", feel that the Ministry's frustration with the SMCFP experience may have influenced its stance towards their activities. On their side, the Ministerial experts have the impression that the project on communities' sustainable development was formed by Brussels and regional environmental centres in Kazakhstan and Georgia¹³ by-passing Azerbaijan. They recognize a certain degree of independence of REC as an NGO to plan and implement its own projects but have an expectation that projects in environment should be better coordinated with general policies of the Ministry.

The Ministry is also sceptical about the idea of managing a regional Caspian project from Georgia, a country that does not belong to the Caspian region. At the same time, the government refused a suggestion to establish a REC branch in Azerbaijan. Some tend to interpret this position of the Ministry as an attempt to keep control over the activities in the sector.

The project on coastal communities' sustainable development is a small grant scheme with a total budget of €290,000 executed by a local team based in Baku. It supported implementation of some 40 small-scale projects in 9 coastal regions of Azerbaijan with a rather wide thematic range: agriculture, environmental education, ecotourism, waste management, water and soil management, food production, fish farming, etc. The projects were selected by a panel of independent experts. Among the grant beneficiaries are two local NGOs and six municipal authorities, the rest being individual entrepreneurs. In the case of individual entrepreneurial activities preferences are given to those projects that generate employment for other community residents.

The project dedicated a year to conducting preparatory work among communities and potential applicants, supported by additional technical assistance project with a similar name funded under TACIS and implemented by IMC Consulting (UK). This "satellite" project assisted the main project in organising education and awareness building work among the population, providing guidance on sustainable development, helping people in preparing grant applications and conducting environmental impact assessment of projects-applicants.

¹³ Initially, contract on the management of the project is made between Brussels and REC Central Asia. The Central Asian REC, in its turn, sub-contracts the REC Russia and REC Caucasus.

Support at the preparatory phase implied meticulous work among the residents since, as decision-making was concentrated in the REC, the applications had to be submitted in Russian, not in Azeri language, and preparation of a grant proposal for €1,000 demanded the same amount of work as for €25,000. Some tend to see this as a lack of flexibility on the part of the regional programme.

EC ability to provide additional technical support through another instrument was appreciated, although some experts note that technical assistance could have been more valuable if it preceded the implementation of the grant scheme rather than being implemented in parallel.

The grant programme gained popularity and respect among the population as people saw concrete activities being implemented and yielding results. Among the obvious merits of the project from the point of view of beneficiaries were: the access to grant opportunities, a chance to receive assistance without bribing, increased capacity to develop own business ideas, or improving trust of residents in the abilities of their municipalities to care for the population and implement social projects, and, last but not the least, self-reliance and confidence building among the grant beneficiaries. Various criticisms were voiced: the focus on women was limited to traditional women handicraft activities; there was an emphasis on grants for individual income activities rather than improving collective social responsibility, and the regional dimension of the programme in such areas as ecotourism, know-how sharing and small trade was underutilised.

From a governance point of view, local experts see that by supporting local economic activism the grants projects decreases people's dependence on state or illegal income, promote people's self-reliance and dignity, challenge patterns of local authorities complete dependence on the state administration system, encourages NGO activities in underprivileged regions.

This case study reveals the following points of interest:

- The importance of the commitment of all states affected by a given regional problem to participate in regional projects.
- The importance of political realities in which projects operate.
- The value of qualitative pre-project analysis of the situation and main stakeholders whose interests involved.
- The detrimental effect of non-involvement of beneficiary institutions in decision making at the planning phase and further in the course of project implementation.
- Abilities of contractors to find a common language with government beneficiaries and ability to approach sensitive issues as preconditions to success.
- Adoption of a flexible approach in regional local action programmes in order to better respond to local demands.
- The ability of community development activities to weaken people's dependence on state or illegal income, promote people's self-reliance and dignity, challenge patterns of local authorities complete dependence on the state administration system

REHAB

The European Union's Rehabilitation Programme - REHAB in Azerbaijan was launched towards the end of 1996 with the objective of improving basic social and technical infrastructure in liberated areas

of the Fizuli, Agdam and Agjabedi regions neighbouring NK and severely damaged during the Armenian occupation.

The first REHAB was implemented in four phases and completed by 2006. It included the rehabilitation of houses, electricity transmission and distribution systems, drinking water supply, irrigation networks, a rail link, and schools in 22 villages in the region.

Following the establishment of the *State Commission on Reconstruction and Rehabilitation* in 1996, and the assessment of damage in the Terter, Fizuli, Agdam and Nakhichevan areas conducted by a special EU, UNDP and WB inter-agency advisory consulting group, the *Azerbaijan Rehabilitation and Reconstruction Agency* (ARRA) was formed for the coordination and implementation of all rehabilitation activities in the damaged areas. In 1997 an Emergency Pilot Programme was set up, funded by Azerbaijani government, EU, UNDP, UNHCR, IDB and WB.

The contribution to the project was some €16 million. Improvement of the basic technical infrastructure in 22 villages was funded by REHAB, while the re-establishment of some agricultural activities was financed from TACIS; both were implemented by ARRA. Additionally, rehabilitation of some housing and social infrastructure was funded by the *European Community Humanitarian Organisation* (ECHO) project, and implemented by European NGOs. In 1998 the EU added some funds to the rehabilitation effort from its EXHAB programme for financing capital investment projects, identified jointly with the government and included in the public budget of Azerbaijan.

The REHAB project was implemented through the para-governmental agency ARRA with the assistance of a supervising programme team funded by the EC. This supervision was instrumental in ensuring that the project was not government driven and that the important developmental concerns did not slip from the agenda. Furthermore, the government was fearful of conducting activities in front line areas and the programme staff went beyond their terms of reference (a pure monitoring function) and engaged in working with the communities. They travelled in the field to identify projects, participated in organising self help component and ensured participation of people in decision making and projects implementation.

The emphases in the reconstruction programme were on people contributing themselves to reconstruction of their houses and implementation of some community projects, a practice that did not exist before. Also, returnees were offered to choose for themselves the type of house they wanted. In governmental and some other international reconstruction projects it is usually the implementer who decides on all details (including the colour of the walls), which makes reconstructed settlements look like caserns with rows of identical houses.

The programme has also invested time and effort in creating decision-making committees, which, according to programme staff, had a surprisingly empowering effect, in particular on women. In the beginning committees were forced to include women and encourage them talking in front of male groups. Later, there were examples when women went to confront local authorities on some occasions, which never happened before. According to the programme team leader, people were proud to see the results of their work and showcase their capabilities to the authorities.

Community oversight also proved to be an important component in eliminating cases of misallocation of houses, or bribery (both often a feature in reconstruction and resettlement projects). Although it might be premature to attribute it to the programme's impact, some note that election results in the areas of the project are different from the mainstream. The project team regrets that EC and international assistance can not sufficiently reach the provinces, which should be a very important aspect of democratisation assistance.

The programme has also contributed to the rehabilitation of 10 orphanages and, following their requests, helped some of them to establish relations with local and international NGOs. The project

managed to convince the International Women Club to assist with mobilising Azeri women to work with the orphanages. The women later formed a special NGO and brought in doctors and therapists to work with children. Thus, the project generated other locally owned projects.

On the part of transparency and efficiency, the team worked with the ARRA to ensure that contracting was fair, all tender procedures were respected and contracts were distributed through a transparent completion based on technical and efficiency merits.

Thus, accidentally REHAB became a multi-faceted programme and started to tie in reconstruction with development concerns, including those linked to governance. However, the participants think that adopting a more systematic approach to mainstreaming rights, governance and gender concerns would be required in future similar interventions. There is no evidence that participatory skills acquired in the framework of internationally funded projects translate into formal governance process.

EHAB was recently completed; however, with the security being a cornerstone of the ENP and a probable settlement of the NK conflict in the near future, the EC will most likely continue its involvement in conflict areas.

Representatives of other EC projects think that the advantage of REHAB is that it produces tangible results and significantly contributes to the visibility of EC assistance.

TEMPUS and the Erasmus Mundus Programmes

The TEMPUS programme provides assistance for the development of the higher education systems in the New Independent States by supporting joint projects between higher education institutions in a given country and in Member States of the European Community. The TEMPUS has been present in Azerbaijan since 1995 and has supported about 20 projects since with average project value about €300,000. The main counterpart for the TEMPUS programme in Azerbaijan is the Ministry of Education. The programme is managed from Brussels by DG Education and Culture and has a local coordinator at Europa House.

Programme priorities are reviewed bi-annually and formulated with accordance of demand coming from the Ministry and the universities. The programme's 2004-2005 priority areas include: a) curriculum development in the areas of engineering in particular in oil and gas industries, environmental science, economics, telecommunications and IT, EU studies; b) quality assurance and self-evaluation systems for university management; c) training course in institution building in the field of public administration management; d) structural and complimentary measures in the part of design of quality assurance and evaluation systems.

Given the importance of education in democratisation, those who know TEMPUS in Azerbaijan think that its potential is not fully utilised.

The TEMPUS value lies in its ability to promote the reform of university governance and management systems, development of curriculum, and retraining of teachers in the fields traditionally underprivileged or ideologically coloured in the old Soviet system (mainly humanitarian and social sciences, law, international relations and applied economics). In Azerbaijan, thematically the projects are concentrated in environment, international relations, tourism, economics, and engineering. The main capacity building measures they employ is the introduction of new faculties, courses and specialities, assistance with equipment, development of training materials, exchange between teachers and students. Projects within the "University management" category are usually those involved in establishing additional facilities (two projects), curriculum update to EU standard (one project), quality assurance systems (one project).

The TEMPUS programme has recently been assessed by NCU however the evaluation report was not openly available. Among the major criticism raised with regards to the TEMPUS by those

interviewed were: “the project lives its own life and is isolated from the rest of EC assistance”, “the project’s impact on democratisation is very low if any”; “the project is known only to limited circles in the Ministry and in academic community”.

The TEMPUS has obviously limited capacities to negotiate areas of involvement with the Ministry of Education and include ideas of democratisation in its focus. Attempts on the part of NCU to assist in increasing effectiveness of TEMPUS met with some criticism from DG Education and Culture. Recently, NCU’s disagreement to let the project continue as it is ended up with a threat from Brussels to block the TACIS funding.

The funding for TEMPUS has been increased from 700,000 to 1.2 ml Euro last year. Additional priority areas for 2006 include curriculum development in EU studies and training courses in the field of public administration. Some representatives from academia think that it is a positive development on the part of the programme but the likeliness of effective projects in the area of public administration before the country develops a clear vision and strategy for public administration reform is low.

Erasmus Mundus is a co-operation and mobility programme in higher education, promoting the European Union as a centre of excellence in learning around the world. It is meant to support European top-quality Masters Courses and enhances the visibility and attractiveness of European higher education in third/transition countries. It also provides EU-funded scholarships for third country nationals participating in these Masters Courses, as well as scholarships for EU-nationals studying in third/transition countries. Although Azerbaijan is included in the programme, it is almost unknown in the country.

IBPP

In 2004, TACIS *National Action Programme* allocated 600,000 Euro for the IBPP - Support to Civil Society and Local Initiatives. The programme’s key objective is to stimulate citizens’ initiative and to strengthen the capacity of NGOs, not-for-profit professional organizations and local and regional authorities.

This was the first time that Azerbaijan was included in the IBPP. The programme has been de-concentrated to the EC delegations in the field, with the only exception of Azerbaijan and Uzbekistan where the programme is still managed from Brussels. In Azerbaijan the NCU and the NCU support project offices have invested much efforts into preparation for launching IBPP in the country, including a study tour to Russia, a similar project, inviting a Russian expert to organise a seminar for NCU in Azerbaijan, organised a seminar for potential applicants, hosted a short-term European expert to facilitate partnership between local and European organisations and to advice on the programme, etc. The preparation process generated high enthusiasm and high hopes, and there were a large number of applications submitted.

As a result of an open competition three projects have recently won grants: OXFAM for implementing a project on local governance; Consumers International UK for a project on increasing access to justice among consumers and improving the consumer rights situation; and the Ornithological Society of Azerbaijan for a project on carrier based training for nature based tourism and protected areas. These projects are not supported under specific goals but rather selected as a result of independent experts review based on their proposal quality merits.

Many consider Brussels’ decision not to include IBPP in the 2006 Action Programme in Azerbaijan is a mistake on the part of the EC.

European Initiative for Democracy and Human Rights

In the period of 1995-97 Azerbaijan was included in a number of regional projects supported under the EIDHR mechanism (for a list of EIDHR projects involving Azerbaijan see Annex 3). However, in Azerbaijan EIDHR has not been as active as in other countries of the region. Only four organisations have received grants for implementing projects exclusively in Azerbaijan since 1996:

- *European Institute for the Media* for the project “Media monitoring parliament elections in Azerbaijan” in 1995 (some €30,000);
- local NGO/Independent Centre “*For the Sake of Civil Society*” for the project “Election rights of citizens and preparation of observers for participation in elections” in 2000 (some 360,000 euro);
- *Baku Press Club* for a project on capacity building of journalists (project details are not available);
- UNICEF for the project “Child Welfare Reform in Azerbaijan: Capacity building and awareness raising” in 2005 (€300,000 Euro).

UNICEF’s project is not yet fully operational. It contributes to the reform of the child welfare system, which is gathering momentum in the country, and focuses on: 1) supporting the government in developing child care and family support schemes as alternatives to institutionalisation, 2) developing standards, guidelines and protocols for new social services, and 3) building the capacity of the district branches of Commission on Minors in case management, revision of legislation to facilitate alternative care, development of a monitoring and supervision system, awareness raising on the role of a family in the child’s development, and monitoring and evaluation of the project. Generally, the project addresses an important rights concern – children’s rights - but it is too early to judge its effectiveness.

The projects of the Independent Centre “*For the Sake of Civil Society*” seem to have been effective in terms of meeting their objectives. The Independent Centre has conducted important public awareness work, training of observers in election monitoring and education of electoral commission members on the eve of the Presidential elections of 2003.

The support to the Independent Centre was extremely appreciated. According to the Centre director, his organization was in trouble after having submitted an independent critical report on the Presidential elections of 1998. The EIDHR grant received in 1999 was very timely and provided the organization with an ability to concentrate on strengthening monitoring capacities between elections. With the support of the grant the organization managed to develop a network of its regional offices, improve its technical abilities, conduct more than 100 trainings in regions, send some of its specialists for training abroad, and develop and issue publication materials on election related issues that seem to be still in demand. The project was implemented in cooperation with the *Fridrich Naumann Foundation* sub-contracted by the Centre. The support of the EC and the Foundation at the time provided the organization with an important European umbrella for continuing its involvement in the election process.

All projects supported under IBPP had important human rights dimensions, and many local and international observers regret that the EC has been funding projects under EIDHR in Azerbaijan on a reduced scale.

Food Security Programme

FSP has provided more than €70 million in grants to Azerbaijan since its beginning in 1996. The programme’s general aim is to secure sustainable availability and access to food among the population. It was implemented in close cooperation with the government with the Cabinet Ministers being its main counterpart.

The programme is interesting from democratisation and governance perspective since it is a budgetary support instrument that also targets structural adjustments through conditionality established in compliance with the general conditions of the International Financial Institutions. These conditions are set up by a special Monitoring Group that also conducts regular analysis.

Initially the programme focused its conditionality on privatisation and land distribution. As these conditions were met, emphasis shifted to the development of agricultural sector, social security and social protection. Since the responsibility for social sector and other basic development concerns is gradually being transferred from international community donors to the public budget, the programme is completing its activities.

According to the FSP team, the government was rather successful in meeting conditionality. The programme tried to adopt a comprehensive approach to setting up conditions. For instance, in the agricultural sector, on civil society side, it included establishing water users and farmers associations, condition that was met by the government. Conditionality has been effective in pushing through some system/structural changes in social sector. According to the team members, for the success of conditionality it was important that not only the conditions are well negotiated and agreed with the government but also that concrete measures for fulfilling them are set up. In introducing new policies and implementing changes required under FSP the government was in several cases assisted by TACIS technical assistance projects (e.g. assistance with the pension reform, or support to introduction of targeted social assistance, support to agriculture crediting schemes).

Among other project contributions to democratisation and good governance are investments into rationalisation and restructuring of the Ministry of Agriculture, legal and regulatory provisions for insuring food security and land rights.

3.3 Policy and Management

3.3.1 Policy Dialogues

At the political level, dialogue between the EU and the government of Azerbaijan takes place in the framework on PCA and at various forums:

- The Cooperation Council is composed of members of the Azeri government and on the European side, of members of the Council of the EU and of the EC. The Cooperation Council is mandated to supervise the implementation of the PCA and to undertake the action required in order to attain its objectives. It meets at ministerial level once a year and the representatives of the parties rotate the chair.
- The Cooperation Committee composed of senior civil servants of the Azeri government and of the EU Council and EC Commission that prepares the meetings of the Cooperation Council, monitors the implementation of its recommendations, where appropriate, and ensures the functioning of the partnership and the agreement in general. There is a special sub-committee for discussion regarding trade and investment.
- The Parliamentary Cooperation Committee consisting of members of the National Assembly and the European Parliament is the forum for dialogue between members of the two bodies.

In addition, in 1999 the government of Azerbaijan established a special PCA Commission charged with ensuring coherence between the various governmental bodies in order to facilitate PCA implementation.

According to the PCA, the procedures and mechanisms for political dialogue are set up by the Parties and can take the following forms: regular meeting at senior official level, bi-lateral and multilateral

diplomatic channels, and expert meetings that contribute to consolidation and development of this dialogue.

Chapter 7 of a PCA publication titled “Cooperation on matters relating to democracy and human rights” stipulates that the parties must cooperate on all questions relevant to the establishment or reinforcement of democratic institutions, including those related to rule of law, and the protection of human rights and fundamental freedoms according to international laws and OSCE principals (EC 1999b). In this cooperation the central role is assigned to technical assistance programmes, which can facilitate development and implementation of national policies in specific areas.

Regular policy dialogue is meant to be an implicit part of any technical assistance programme aiming at reforms that help the EC to ensure that its programmes and projects address the key issues in the reform process. However, it is rather problematic to talk about systematic policy dialogue in the context of EC projects in Azerbaijan. Maintaining continuous dialogue is complicated by the fact that EC does not have a Delegation in the country yet.

Since the signing of PCA, the issue of EC representation in Azerbaijan has never been clearly defined. Not only the public, but also the government is somewhat confused by the roles and mandates of different EC related actors and bodies: first a Special Envoy to Azerbaijan, then a regional Special Representative, later a Europa House and soon an Ambassador to Azerbaijan. Other European actors present in Azerbaijan include the CoE Information Office, the Office of the OSCE Mission, and a number of Embassies of EU Member States.

The recently opened Europa House took upon itself some functions of a delegation. However, the Europa House is a “product” (an EC funded project), rather than a representative body: it fulfils a general facilitating role, i.e. coordination of EC activities, ensuring links between EC and the national government, supporting EC in planning and programming, follow up assistance, ensuring EC visibility, and logistical assistance to EC in the country, etc.

The lack of active policy dialogue between the EC and the government reduces the impact of EC projects and has been rather frustrating against a background of the increasing commitment of Azerbaijan to become considered a European nation. European orientation, strongly present in the rhetoric of the government and in the aspirations of the public, gives the EC substantive leverage to play a more active role in the policy arena.

Since the government is not dependant on financing from international financial organisations, these institutions have rather limited leverage in pushing for structural reforms. The country is not borrowing from the IMF, and the major official mechanism of the WB’s involvement in policy dialogue is its Poverty Reduction Support Credit¹⁴ that depends massively on the quality of programming under SPPRED and the commitment of line Ministries to operationalise the SPPRED¹⁵. According to some international community representatives, in a drive to be considered a modern European country the government may give the EC more weight than traditionally enjoyed by donors with large amounts of money.

Initially in the framework of many TACIS national programmes provision of technical assistance aims at policy changes, introduction or implementation of reforms. Among the EC funded projects in the country there are those with abilities to participate in policy dialogue in various sector specific

¹⁴ Strictly speaking, poverty alleviation is not within the Bank’s mandate, although support to this area is important for offsetting the consequences of adjustments towards market economy.

¹⁵ Although WB and EBRD were heavily involved in financing several large projects in the oil and gas sector. The WB has also financed the participation of State Oil Company of Azerbaijan in two large gas projects. Attaching conditionality to this type of support is being practised (e.g. transparency and commercialisation of the State Oil Company).

forums such as TRACECA or INOGATE. In the past, the EC also managed to influence some policies through application of conditionality, as in the case of FSP. Various coordination platforms and international working groups did not seem to have much effect on domestic policies as they either were limited to international community or, where they included the government of Azerbaijan (like in the SPPRED process), their links to Ministerial agendas were weak.

The EC has a specific project that is meant to support the implementation of PCA through policy advice and technical assistance in the economic and regulatory spheres (analysis of legislation, provision of advice with regards to existing gaps, translations of European laws and regulations, etc.). The project provides support in response to demand for different government institutions. The government is generally appreciative of PCA support, however the ability of the project to impact democratisation policies could be hindered by a number of factors:

- Prevalence of trade and economic issues brought to the focus of the PCA support project, and limited abilities of the project to bring policy issues to the attention of the government. Non-trade elements of the PCA include business and investment, administrative reform, democracy and human rights, culture and education. This problem is also related to the general lack of any system for monitoring and benchmarking in the process of PCA implementation.
- Divergence of policy issues coming to the attention of PCA support project from important development and democratisation agendas. Effective support to PCA implementation and reform processes is not guaranteed when there is no adequate support to both, government bodies that prioritise, plan, coordinate, and monitor policies (strategic planning capacities) and independent bodies that produce research, analysis and advice used in policy making.
- Lack of think tanks and research bodies in the country that explore policy options outside current government focus.
- Lack of transparency in policy-making process and mechanisms for ensuring wider policy consultations and debate in Azerbaijan, including involvement of the academic community and concerned civil society.

Past EC experience proves that mere use of technical assistance instruments in the framework of separate projects does not necessarily result in governmental commitment to policy development/changes.

Yet, coherent and complimentary policy dialogue based on comprehensive overview of development concerns, including important human rights and democratisation issues, cannot be replaced by fragmented policy agendas of different projects and left to be resolved with only the use of instruments available at the project level.

There is a hope among other European players in the country that this gap would be filled by the recent appointment of the EC Special Envoy and a would-be Ambassador to Azerbaijan, and the establishment of a fully-fledged EC Delegation in 2007. The establishment of the EC Delegation might help to consolidate the European forces in the country and make a better use of technical cooperation in policy dialogue. However, where instruments available to technical cooperation are not sufficient, due to the EC inability to exercise political powers, it will have to draw additionally on political forces of bi-lateral and multilateral European actors.

3.3.2 Synergies between EC Instruments and Projects

One of the general advantages of the EC assistance package is its ability to draw on a range of different instruments to ensure that the EC provides concentrated support to its focus areas and, thus, increases the likelihood of a positive impact. The impression one gets from reviewing the EC

programmes in Azerbaijan and from taking to different actors is that this potential remains underutilized.

There are a number of positive examples where the EC managed to reinforce its interventions by linking them. This includes the relations between the conditionality in FSP, on one side, and the TACIS assistance to the Ministry of Labour and Social Affairs on pension reform and targeted social assistance, and the support to rural credit institution, on the other side. Other examples are: the technical assistance given to the Ministries of Oil and Energy and the Ministry of Transport, which is a value added to INOGATE and TRACECA activities, or the technical assistance project that supported the regional project on sustainable development of coastal communities.

Despite these positive examples, the majority of interviewees involved in EC projects think that EC interventions still lack mutual reinforcement. The EC does not foresee any mechanism of cross-project communication and exchange, which many project managers said they would appreciate. Currently, communication builds on informal inter-personal relations between project staff. The EC assistance seems to lose a lot in terms of impact as a result of insufficient coordination and synergy among its interventions.

Sometimes this coordination is needed to ensure that the projects do not harm each other. For instance, some jokingly call TRACECA a “DRUGSECA” as, by promoting movement of goods and simplifying transport control at borders, it also contributes to drugs trafficking. At the same time, the EC SCAD project is addressing drug trafficking in the region. Given the complimentary intervention logic (while TRACECA focuses on simplification of control on borders, SCAD strengthens information and intelligence abilities), it would have been logical to have some mechanisms of coordination and exchange between the two.

There is an opinion that communication is important not only between projects that have something in common, but also for the sake of building a community spirit among EC funded initiatives that at the moment to a large extent operate in isolation from one another.

Another remark often made by representatives of the international community is that there is a need to diversify implementing partners and beneficiaries in EC assistance to Azerbaijan. On a number of occasions it was noted that EC’s ability to impact the situation in governance and human rights is limited to a focus on good government, which is not enough. The effectiveness of government institutions depends on their responsiveness to citizens’ demands and accountability to public.

3.3.3 Linkages with Other European and International Actors

There seems to have been division of labour between the major international actors involved in Azerbaijan. For instance, IFIs have been mainly concentrating on energy, economic and trade issues. UN system organisations (UNHCR, UNICEF, UNIFEM, IOM) were implementing projects within their traditional mandates and together with UNDP working to achieve MDGs. Since the preparation of SPPRED, the WB, ADB and UNDP have been providing support to PRSP process. The OSCE assistance has been spread broadly along such areas of security and stability concern such as human, political, economic and environmental aspects, meanwhile conflict mediation has been taken care of by the OSCE Minsk Group. Various Islamic funds have also been received and mainly invested in energy. American assistance was traditionally focusing on support to civil society and local level initiatives, due to limitations set by US Congress on aid relations with the Azerbaijan government. Civil society has been also supported by some large foundations, like Soros and Euroasia. International NGOs were funded to implement projects mainly in social or conflict resolution, rehabilitation domain. CoE has been providing rather ad hoc assistance to help Azerbaijan to meet its obligations linked to CoE membership. The EC was mainly concentrated on technical assistance to governmental institutions.

Apart from OSCE and CoE, there are Embassies of several Member States in Baku, including France, Germany, Greece, Italy and the United Kingdom.

In the past, co-ordination between different international actors was especially important in the fuel and energy sector that involved significant Western private investments and aid interests. Furthermore, for the EC, coordination with IFIs was vital in its technical assistance to governmental agencies linked to economy and trade. Support of the social domain and PRSP process had to be coordinated with the WB, ADB and UNDP.

At the programme/project preparation stage, as a rule the EC organises a round of consultations with other European and international actors involved in the relevant fields. On several occasions EC entered so-funding arrangements with UNDP in the framework of such projects as SCAD, Rehabilitation of Fizuli district, or Mine Action Programme. There were also instances of EC funded projects being implemented by CoE, UNICEF, or GTZ. There are also some cases of EC projects participating in thematic donors working groups, for example, FSP was represented in UN Poverty Theme Group, and the Bailiffs and Ushers project team members are included in the donors' legal working group.

However, according to many representatives of the international community cooperation and coordination among different donor organizations in Azerbaijan is insufficient, and synergies among the interventions of different European actors are still poor. Some believe that the situation can only improve when government shapes up its policies and strategies, providing a sensible framework for the coordination of different aid inputs and would reduce the multiplicity of development agendas. There are many sceptics, especially among local experts, who doubt the abilities of international community organizations to synergise and align their activities. They refer to that fact that some organizations are HQ-driven and have limited capacities to plan in a decentralized manner and react flexibly. They also note a certain level of competition among international institutions and donors. Many development organizations raise funds for their activities fully or partially from outside, which sustains this competition.

Currently, the government of Azerbaijan does not have a national aid coordination body. The possibility of converting NCU into a structure with a wider mandate for coordination of international assistance is currently being discussed.

As the country needs to concentrate efforts on elaboration and implementation of sensible long-term development strategies, the necessity of international coordination is greater than ever. Hopes of the European actors in this regard are associated with the new instrument for the establishment of fully-fledged EC Delegation and the introduction of a new implementation instrument under ENP.

3.3.4 Management Related Issues

This section does not intend to suggest a comprehensive assessment of management arrangements of EC programmes in Azerbaijan. Rather it highlights a number of managerial issues that are on the surface and seem to hinder EC abilities to maximise the impact of its development assistance.

These issues include:

Concentration of management in HQ.

Since the EC does not have a delegation in Azerbaijan, all its projects are managed from Brussels, and the de-concentration process that recently took place in most TACIS countries did not affect Azerbaijan. In the country implementation of TACIS projects is coordinated and supported by the NCU (an executing body of the TACIS National Coordinator, the Minister of Economic Development). The NCU is assisted by an NCU support project headed by an international team leader. There are highly qualified people working in the NCU but the Unit is understaffed and has

difficulties competing in the employment market as its staff, although funded from public budget, are not considered a part of civil service. An upgrading of the NCU's status is being discussed at the moment and the issue of appropriateness of having a special coordination unit for TACIS, along with the PCA Cooperation Council and Committee, when no such body exists for programmes of other international agencies. Despite an important role of the NCU in programming and filed management of TACIS programmes, it is not meant to have a management mandate and all managerial powers lie in the hands of the HQ in Brussels. The fact that the support provided from Brussels is more of an administrative rather than managerial nature enters into a conflict with the idea of centrally concentrated management authority. Qualitative management requires a good understanding of the situation in the field, and it can be problematic to ensure this is present from Brussels against the background of a rapid turn-over of managers.

The status of EC projects

This is a concern in Azerbaijan about the absence of the delegation. The fact that projects do not enjoy the status of legal bodies entails operational difficulties (opening bank accounts, registration of equipment and vehicles, freeing EC assistance from taxation and customs charges, etc.). Some project representatives find it uncomfortable to be in a situation where they are on their own to find formal and informal ways to deal with the problem. Although the NCU provides all possible support to the projects to resolve these inconveniences, the very situation is somewhat awkward.

Bureaucracy.

According to partners, the EC in Azerbaijan gives the impression of a slow bureaucracy machine. For instance, delays in delivery of hardware components, due to slow tendering processes managed from Brussels, has become symptomatic feature in EC technical assistance projects. There are a number of instances where equipment is not yet delivered at the time of project completion (recent examples include projects with the Ministry of Economic Development, and the Ministry of Justice). In this situation, the very idea of integrating equipment into a project (either to facilitate introduction of new working methods/know-how and facilitate implementation of changes related to provided technical assistance, or to trade-off receptiveness of the beneficiary institution to other project components as sometimes perceived by people in the field) is eroded. Besides, in these cases the EC's ability to ensure proper use of equipment is extremely limited. This shortcoming can considerably impact upon other project components. Another example of inefficiency was a delay in transfer of budgetary support under FSP, which instead of extinguishing public budget deficit at the end of fiscal year contributed to it increase.

Quality of project ToR.

The quality of project ToR has not been always satisfactory. Criticisms include: a lack of clarity about project idea, heavy delivery focus, or over detailed prescriptions that limit flexibility to introduce corrections following project inception phase. The challenge is to find a good balance between leaving space for flexibility of implementers on one side, and to ensuring that the ToR are clear and precise, on the other side.

Long project lead-in time.

Project lead-in time can take up to two years, which can affect government's commitment and reduce the relevance of the project. Similarly, a gap between project phases, caused by lengthy tendering procedures, leads to decline in beneficiary's interest and a loss of the momentum gained in the previous project phase.

Continuity in management.

Frequent turn over of managers in Brussels responsible for programmes and projects in Azerbaijan presents a problem regarding sustaining continuous and smooth management. New managers in EuropeAid may have their own visions and interpretations of the ToR, which are not necessarily in line with the ideas of project team leaders managing projects on behalf of EC contractors, beneficiary institutions, and the NCU. Similarly, natural developments that can make a project divert from its ToR. This is connected to another problem in EuropeAid – deficiency of institutional memory.

Deficiency of institutional memory.

The issue of institutional memory is related to a lack of mechanisms of regular and systematic evaluation of EC projects and programmes that limits the ability of the institution to learn its lessons and feed this information into its new strategies and interventions.

Continuity between project phases.

Sometimes continuity between the projects in the same area is problematic. When EC programmes move to the next phase of a particular project, current contractors cannot be involved in the planning (although they usually have good knowledge of the field and experience) since they would then lose their right to participate in tender according to EC procedures. This fact, coupled with a lack of analytical and critical final project reports, reduced potential of each next project phase to build on experiences and lessons learned in the previous phase. A gap between project phases is a problem (e.g. project with the Ministry of Taxes and a year gap between the phases) – momentum is lost; Brussels' tender is too long.

Visibility, information policy and transparency.

Since the establishment of Europa House, the EC is getting involved in more systematic PR activities. Promotion of the EC development activities is still to a large extent limited to the organisation of press releases and press conferences at the moment of launching new projects and publishing a general annual overview of EC activities in the country. Additionally, a visibility clause is included in the contract of all project implementers. However, many international and local actors think that EC contribution to development processes in Azerbaijan is not sufficiently promoted, compared to some other agencies “who are heard of more often although they do less”. There are also those who believe that the deficit of information on EC activities is linked to the fact that the EC is mainly working with the government, and transparency is not in its interests.

3.3.5 Monitoring and Evaluation

Systematic progress assessment of large TACIS projects (over 1 million Euros) is obligatory and is conducted by staff members of a special Monitoring Programme for TACIS and the Balkan countries. Progress in other TACIS projects can be accessed upon request. Obligatory monitoring assessments take place at project-inception phase and then every 6 months throughout the course of projects implementation. Monitoring is based on criteria such as relevance, efficiency, effectiveness, impact and sustainability. Monitoring is conducted by two monitors who then submit a monitoring report to the implementing agency and the NCU. The fact that often projects' logical frameworks are poorly formulated complicates the monitoring process. As a rule, monitors provide recommendation for their adjustments.

Organisation of country, programme and sector-wide evaluations is in the mandate of the EC Evaluation Unit in Brussels. The TACIS Programme in Azerbaijan was evaluated in 1999. Many of its recommendations remain relevant to current TACIS interventions. Currently, the NCU support project team is conducting a self-assessment exercise, which, among its other purposes, would feed valuable information to the process of development of new ENP instrument.

Evaluation of separate EC projects can be either foreseen by project implementers or initiated by Brussels. Managers in Brussels and in the field recognise that most of EC project evaluations are organised on an ad hoc basis and think that the EC should adopt a more systematic approach to evaluation of its activities.

On a number of occasions, several government representatives mentioned that impartial, systematic evaluations of technical assistance projects might also help find out the reasons for project failures and successes, and learn for the future. Sometimes government representatives are not satisfied with the quality of reports submitted by the implementing agency.

The EC does not seem to have a practice of cross-project sector-wide or thematic evaluations. Monitoring and evaluating the impact of EC projects on governance, democratisation, human rights and gender is limited to assessments of project effectiveness and impact indicators that may or may not reflect on these issues.

3 Conclusions and Recommendations

Although Azerbaijan is often referred to as a typical transition country, the country's development context is characterized by a number of features that differentiate it from many other transition states. While Azerbaijan experiences a rapid growth of its economy and budget revenues, due to a boom in oil and gas sector, it has advanced less in the democratisation of its political life and governance systems.

On one side, a multiplicity of Western private and other economic interests present in the country serves as a push for liberalization, rule of law and introduction of governance principles close to Western understanding of democracy. On the other side, political stability is the guarantor of international economic interests. Thus, the relations between Azerbaijan and the international community represent a delicate balancing act between promoting democratisation and keeping the status quo and stability of the current regime.

It is obvious that the country's economic growth linked to oil and gas industry is temporary. There is a need to ensure that the country develops a long-term strategy for economic development and uses its oil revenues to support sustainable development in non-oil sectors and for the reduction of widespread poverty. The country faces numerous democratisation challenges, including democratisation of the election system, separation of legislature, executive and judiciary powers stated in the Constitution but not yet translated into practice, strengthening of law enforcement systems, the continuation of restructuring and advancement of institutional reform; reducing pervasive corruption and elimination of out-of-pocket payments in public services and education system, transparency in revenue management, development of plural civil society, media and independent private sector, resolution of the NK conflict, and building local democracy – strengthening regions and municipalities, as well as ensuring respect to human rights and principles of gender equality.

For Europe Azerbaijan is an important strategic partner not only for economic reasons, but also due to the geographic proximity of the South Caucasus region to Europe. Since 1992, Azerbaijan benefited from EC assistance worth more than €400 million, a large part of which was delivered in the form of technical assistance.

The inclusion of Azerbaijan in the ENP is a remarkable development in relations between the country and the EU and opens a window of opportunities for both sides. It provides an opportunity for advancing democratisation is the strengthened commitment of Azerbaijani government to belong to a club of European nations and give the impression of a modern secular state. Orientation towards Europe is in the rhetoric of government as much as it is in public aspirations and thus European actors, including the EC, should build on this real opportunity and get a serious political commitment from the government regarding the acceptance of gradual changes that would effect current power arrangements.

Promoting good governance and democratisation practices in Azerbaijan proves to be difficult but possible. Issues of democratisation need to be approached with a certain level of cultural sensitivity and understanding of local realities. It is recognised that the situation changes slowly, and the government is gradually becoming more receptive and open. It is not the financial resources but the know-how that the country needs at the moment. There is a growing demand to involve the government intellectually, which puts the EC programmes with their technical assistance components and long-term commitment to cooperation and partnership, in a good position.

To strengthen the impact of its assistance package on governance, democratisation and human rights the EC should build on lessons learned from its past and current interventions. Based on the analysis

of the past and current experiences in terms of the impact of EC assistance on good governance and human rights the following conclusions and recommendations can be made:

3.1 Programmes and Projects Planning

The global objectives for EC development cooperation place great emphasis on poverty reduction, good governance and democratisation, gender equality and environment. Also from a security perspective its policies confirm the paramount importance of the quality of governance and respect to human rights.

The EC programmes do not yet leave the impression of a consolidating effort fully coherent with these policies. However, the recent EC Action Programme Documents have been increasingly stressing non-economic areas of cooperation and made references to aspects of governance.

One of the EC themes of intervention – institutional, legal and administrative reform – is directly related to governance (sectoral approach), but the programming documents do not provide any guidance with regard to general mainstreaming of governance concerns in EC interventions (governance as a cross-cutting theme). Operations financed under thematic lines should not replace the mainstreaming of crosscutting themes in programming, such as governance and human rights. Similarly, the present research found little evidence of gender equality concerns integrated into EC programmes and projects.

These shortcomings should be addressed in programming under the new ENP instrument. The EC should also sensitise the field staff involved in the process of development of programmes and projects on EC policy documents on governance, human rights and gender, and the principles of mainstreaming these issues in planning process. Project inception phases should preclude better analysis of project potential impact on good governance, rights and gender.

The EC should not shy from clearly stating its principles of good governance, while refraining from imposition. By clarifying its position and agendas as regarding democratisation, the EC can send important messages to both the government and the public about the values it promotes and the expectations levied on the country by Europe.

In its programmes and projects, the EC should find a good balance between supporting different societal forces and appreciating the role of civil society in democratisation – the latter of which has been overlooked in the past. It should also dedicate resources to capacity-building in regional and local self-governance systems, which are the very basis of a democratic state.

Through various community initiatives, the EC has started contributing to local development, but these interventions have limited impact on empowerment of local governance systems. Involvement in the development of a local democratic base in accordance with the principals of *European Charter on Local Self-Governments* should be combined with intensive policy dialogue on decentralisation. Technical assistance promoting governance models of European member states can instead have an adverse effect.

In the absence of clear national agendas in many areas it is premature to judge the extent to which EC activities comply with governmental policies and priorities. In the past, the EC made linkages between its interventions and the SPPRED being the main development cooperation framework, although more so for the international community than for the national government.

3.2 Implementation of Technical Assistance

By definition, technical assistance projects aim at improving governmental practices and policies in targeted areas. To date, the results of the EC funded projects in this respect are mixed. Experience shows that the success of technical assistance investments depends on such conditions as the

commitment of the benefiting institution and the level of ownership, the level of power and resources available to a partner institution to introduce changes and implement reforms, the relevance and timeliness of assistance to real needs of the beneficiary institution as well as to the general reform dynamic, and finally the quality of expertise provided.

Success in creating these conditions is linked to the beneficiaries' understanding of advantages and limits of technical assistance instrument and the ability to use it for the benefits of the institution, the actual involvement of beneficiaries in project planning and implementation and the extent to which sustainable capacity building concerns are integrated into the project.

Communication with the public proves to be an important aspect for ensuring transparency and societal acceptance of reforms. On the background of a low level of legal literacy and an underdeveloped information sharing culture within the government system, the experience of the EC with integrating citizen awareness and public education components in its technical assistance projects need to be built upon. Where possible, the EC should also facilitate wider debates about reform ideas.

The EC should continue relying on a mix of tools of technical assistance, including provision of advisory and legal support, trainings, study tours, and improvement of a technical base of the beneficiary institution. All these tools work well where they are an integral part of a change process. Study tours proved to be a vehicle for developing critical thinking, building understanding and vision of changes, given they have clear ToR and target appropriate participants. Effectiveness of training depends on the degree of the practical applicability and the quality of the trainers' expertise. In training, as much as in advisory and legal support, an increasing application of local expertise and expertise of professionals from other transition countries is highly recommendable.

Delivery of hardware can be an important enhancing factor of governmental receptiveness to other project ideas, but projects should not be driven by it. However, in cases of delayed delivery – something which has been frequently the case in EC projects – it neither serves the purpose of trade-offs nor allows the development of capacity building linked to the hardware. It may affect other components and cast doubts on the effectiveness and credibility of EC and its implementers.

A two-year project cycle is often not long enough for sustainable institutional capacity building. The EC commitment to long-term partnership building is important but unconvincing projects should not be prolonged with this argument.

3.3 Support to Non-State Actors

The EC should recognize the role of civil society in promoting human rights and democratisation more than it has done in the past. It should engage with civil society more strategically and systematically.

Given the insufficient level of coordination of interventions between different donors operating in Azerbaijan, it can hardly be expected that the involvement of non-governmental actors in governance could be taken by other international organizations. Besides, the advantage of international projects lies in their ability to allow different actors to intersect and cooperate around a concrete task and, thus, create conditions for practicing good governance.

Therefore, the introduction of a grant scheme for NGOs projects will not automatically lead to a strengthening of civil society. A proliferation of NGOs and a spread of “grant culture” may have an adverse effect on civil society capacities. Meaningful advancement of the civil society role in governance requires more subtle assistance strategies.

The strategies can include:

- linking civil society support to EC technical assistance, with the aim of improving transparency and accountability of the government vis-à-vis the public. This can be achieved through opening up the policy and decision making processes for civil society participation, enhancing public oversight of government activities, improving civil society capacity to engage in oversight, policy debate and decision making arena;
- supporting civil society organizations in building coalitions, development of NGOs membership base, improving their internal organisational capacities and internal transparency, accountability and governance;
- supporting the intersection between NGOs and government in service provision (e.g. in social domain);
- enhancing people's capacities to associate in joint protection of rights by supporting professional and small business associations, rights advocate groups (consumer rights, children rights), and labour unions;
- finding a balance in supporting civil society under both the programmes approved by government and those that do not require consents of the government authorities.

Given the importance of education for democratization and the high level of corruption in the higher education system of Azerbaijan it is essential that the EC develops an approach to enhancing more democratic practices, along with improving the quality of education. In the context of Azerbaijan's involvement in the Bologna process¹⁶, the EC should maximize the opportunity to use its TEMPUS programme to more actively promote the democratization of the education system in the country and the advancement of governance, human rights and gender related disciplines in education. The EC should invest in making TEMPUS more widely known in the country.

3.4 Synergies between Different Interventions

The ability to draw on different instruments to increase the impact of interventions is among the advantages of any EC assistance package. There are positive examples of mutual reinforcement between EC instruments and projects in Azerbaijan, but overall this potential remains under-utilised. Generally, coordination between different interventions seems to be a weak point of management in EuropeAid.

Currently, the EC does not suggest any mechanisms of cross-project communication, coordination and exchange at the country level. As a result, EC project teams often operate in isolation from each other and often do not know much about other EC initiatives in the country. Facilitating this exchange in the future would not only be important for projects that have something in common but would also contribute to building a "community spirit" among EC funded initiatives. This might additionally encourage projects to propagate common European democratic values.

The experience shows that EC involvement in the field and delivery of tangible results is beneficial for its visibility and might have leverage on democratisation from below. It would be important for the EC to continue working at the local level and further reinforce local level action with its policy and technical assistance support. By linking pilot activities at sub-national levels with policy support and technical assistance the EC would gain credibility.

From a governance and democratisation perspective, there are potentials for building links between technical assistance, policy advice, field activities, local research and education, as well as between regional and national initiatives, humanitarian interventions and development assistance.

¹⁶ The process is dedicated to reforms in higher education with the aim to establishing a European area of higher education by 2010

In building these synergies the EC should target those thematic areas where it has previous experience and which are critical for facilitating democratisation agenda in Azerbaijan such as: rule of law, public administration reform, regional and local development and governance, sustainable development and environment, and social security.

As the government more clearly articulates its policies and strategies, the EC should explore the possibility of applying a more programmatic approach in its interventions and invest in building sector programme management capacity in the field.

3.5 *Policy Dialogue*

Due to a number of factors, including the lack of a formal delegation in the country, a systematic and continuous policy dialogue is hardly possible in the context of EC projects in Azerbaijan. Regular policy dialogue is instrumental for the success of technical assistance aiming at democratisation reforms.

The fact that there is no Delegation in Azerbaijan is a handicap. The status of EC assistance projects to a large extent depends on relations between the implementer and the benefiting government institution, which by default limits the implementer's space for challenging policy discussions. Moreover, coherent policy dialogue based on comprehensive overview of development concerns, including important human rights and democratisation issues, cannot be replaced by fragmented policy agendas of different projects and left to be resolved with the use of instruments available to them.

Given the strengthened mutual commitment to closer cooperation under ENP in a number of areas, including improvement of governance system, the EC can play a more active role in leading policy dialogue with the government of Azerbaijan in a number of areas. As far as possible the EC should mobilise its policy advice instruments in reinforcement of its technical assistance activities in the country.

In its policy dialogue, EC will have to build on the government's aspirations to present Azerbaijan as a European country, and on building a long-term partnership that would provide the government with exposure to European democratic ideas and practises.

3.6 *Coordination with Other Actors*

Despite various consultation processes and examples of joint programmes, coordination among different donor organizations in Azerbaijan is still insufficient, and synergies among the interventions of different European actors are still poor. Given the deficiency of local agendas in many fields, the multiplicity of development agendas and organizational cultures represented by in international organizations and a certain level of competition, the EC should concentrate its efforts at support development of local development vision strategies and government capacities to coordinate international development assistance. This will require enhancing government abilities to build synergies between international aid and budgetary spending and to strengthen inter-ministerial and inter-agency cooperation and exchange. This would also imply strengthening of the EC role in policy dialogue.

The practice of thematic working groups that emerged in a number of areas might be an effective mechanism of coordination, especially where representation it is not limited to international organizations but includes local stakeholders.

As the country needs to concentrate efforts on elaboration and implementation of sensible long-term development strategies, the need for international coordination is greater than ever. It would be important to ensure that priorities promoted by European and other international actors do not divert from the country's real development agendas.

3.7 Management Issues

The highly centralised management of EC programmes and projects puts considerable demands on the quality of management provided by Brussels, which the EC, with its remoteness from the field, high turn over of management staff and limited institutional memory, is not always able to secure to the desirable extent. Delays in the past related to equipment procurement and project implementation tenders led to the impression, as voiced by some interlocutors, of the EC as somewhat bureaucratic and inefficient.

In this context, de-concentration of management with the establishment of the EC Delegation in Azerbaijan might be an important remedy. The EC should have a sensible strategy for gradually transferring management responsibilities to the field while ensuring experience and capacities of the field staff is sufficient.

The quality of project ToR is an important factor for the quality of implementation. The challenge is to find the right balance between leaving space for flexibility of implementers, on one side, and to ensure that the ToR are clear and outcomes oriented, on the other side. Relevance of ToR is also reduced by long project lead-in time.

To increase visibility of its assistance and to send clear messages with regards to its goals and principles, the EC should adopt a more systematic public relations strategy. This will allow the EC to better communicate and reinforce messages related to democratisation values it promotes and to increase transparency and accountability of EC assistance vis-à-vis the society in Azerbaijan. As a side effect, provided the EC is successful in improving government policies and practices, public awareness of the achievements may contribute to building trust of people in the government institutions.

3.8 Monitoring And Evaluation

The introduction of a more systematic evaluation practice for EC programmes and projects would be useful for both the EC and the government of Azerbaijan so that they may learn their lessons and improve the quality of future cooperation.

Mainstreaming of governance, human rights and gender concerns is not a mandatory part of the project planning and/or inception. Therefore, these issues are not always well reflected in projects impact indicators and, thus, are overlooked in monitoring and evaluations.

The EC should develop a sensible approach to ensure that the projects are sufficiently sensitised towards promoting democracy and human rights, and refrain from harming good governance concerns. It is also important that good governance, human rights and gender issues are well integrated in EC monitoring practises, as they may have important bearing on a project's relevance and sustainability.

Additionally, the EC should further develop a methodology of assessing progress and success in technical assistance interventions, which would allow adopting a more comprehensive overview of the situation and changes required at such basic levels as general legal and institutional conditions, organisational capacities and human resources capacities which in turn would be important to monitor changes in terms of people's knowledge, skills, behaviours and attitudes.

Acronyms

CIS	Commonwealth of Independent States
CSP	Country Strategy Paper
DFID	UK Department for International Development
EBRD	European Bank of Reconstruction and Development
EC	European Commission
ECHO	EC Humanitarian Aid Office
EDPRP	Economic Development and Poverty Reduction Programme
EIDHR	European Initiative for Democratisation and Human Rights
EFA	Exceptional Financial Assistance
ENP	European Neighbourhood Policy
ESDP	European Security and Defence Policy
EU	European Union
EUJUST THEMIS	The European Rule of Law mission
FSP	Food Security Programme
GDP	Gross Domestic Product
GEPLAC	Georgian-European Policy and Legal Advice Centre
IA	International Alert
ICRC	International Committee of the Red Cross
IBPP	Institutional Building Partnership Programme
IMF	International Monetary Fund
INOGATE	The Interstate Oil and Gas Transport to Europe
LIEN	Link Inter-European NGOs programme
MAF	Ministry of Agriculture and Food
MoF	Ministry of Finance
NATO	North-Atlantic Treaty Organisation
NGO	Non-governmental organisation
NHDR	National Human Development Report
OSCE	Organization for Security and Cooperation in Europe
PCA	Partnership and Cooperation Agreements
PHC	primary health care
REC	The Regional Environmental Centre
RELEX	European Commission External Relation Directorate-General
RRF	Rapid Reaction Fund
SCAD	The South Caucasus Action Plan against Drugs
TA	Technical assistance
TACIS	Technical Assistance to Commonwealth of Independent States
TRACECA	The Transport Corridors Europe Caucasus Central Asia
WB	World Bank
WTO	World Trade Organization
UK	United Kingdom
UNDP	United National Development Programme
UNOMIG	United Nations Observer Mission to Georgia
USA	United States of America
USAID	United States Agency for International Development

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Annex 1 Areas of TACIS Involvement in Azerbaijan

Action Programmes	2000-2001	2002-2003	2004-2005
Support for institutional, legal and administrative reform	Restructuring and modernisation of the Cabinet of Ministers, Implementation of an economic strategy and pay policy for the civil service, Modernisation and reform of the Legal and Judicial system. Statistical services and economic analysis PLAC	PCA (the EU-Azerbaijan Policy and Legal Advice Centre) Penitentiary Reform Judicial supervisors and executors (bailiffs)	PCA (the EU-Azerbaijan Policy and Legal Advice Centre) Integrated border management including modernisation of the State customs committee and combating trafficking in people Further support in improved targeting of social assistance system Support to the NCU Support to the transport sector reform
Support to the private sector and assistance for economic development	Introduction of International Standard Accounting systems to Azerbaijan Continuation of the management of the Rural Credit Institution Support to SMEs including value added processing Capital markets development	Support to the new Ministry of Fuel and Energy Capacity-building for the State Procurement Agency Modernisation of the taxation system Support to the Ministry of Economic Development	Support to regional economic development; Introduction of International Accounting Standards (IAS)
Development of infrastructure networks	Transport sector reform implementation task force and Construction of the Gasan Su Cay and Semkir bridges		
The Small Projects Programmes (SPPs)	The Policy Advice Programme High level advice and partnership programmes including Customs Tempus Managers Training	Tempus Customs Statistics Policy Advice Managers' Training Programme	Civil Society (IBPP) Policy Advice (PAP) programmes used the preparation of further administrative reforms Tempus Programme Statistics project

Annex 2 EIDHR Projects in Azerbaijan

<i>Project title</i>	<i>Beginning</i>	<i>Completion</i>	<i>Contractor</i>	<i>Amount, EU</i>	<i>Countries</i>
Regional Projects					
TACIS DP 1994	29/06/1995	29/10/1996	Helsinki Citizens' Assembly	146 392	AM+AZ+GE+MD+RU+TAC+UA
TACIS DP 1994	24/05/1995	24/08/1996	Geneva Initiative on Psychiatry	111 635	AZ+BY+GE+MD+RU+TAC+UA
T95/2036 Tacis Democracy Programme	26/02/1996	26/09/1997	Globe Europe	70 163	AM+AZ+BY+GE+MD+RU+TAC+UA+R22
TACIS DP 1995	22/02/1996	22/04/1997	Institute for War & Peace Studies	200 000	AM+AZ+GE+TAC+AZ+RU+TAC
Phare & Tacis Democracy Programme	28/01/1997	28/02/1998	International Confederation Of Free Trade Unions	72 000	AZ+RU+TAC
Trade Unions in Transition	05/12/1996	05/04/1999	International Federation of Chemical, Energy And G	113 233	AZ+KG+KZ+TAC
Dem Civil Society Dev Independent TV	19/10/1997	19/12/1999	Television Trust for the Env	96 468	AM+AZ+BY+GE+KG+KZ+MD+MN+RU+TAC+TJ+TM+UA+UZ+R22
Establishing Independent Media	06/11/1997	06/12/2000	Internews Europe	197 650	AM+AZ+GE+TAC+R22
Training the Media, Empowering Minorities	Info not available		Media diversity Institute	1 168 326	AM+AZ+GE
Media for Democracy in NIS	Info not available		European Institute for Media	750 141	NIS countries
EC-ODIHR 1st Joint Programme on Conflict Prevention and HR Capacity Building in the Caucasus 2002-03	Info not available		OSCE ODIHR	742 115	AM+AZ+GE
National Projects					
Media monitoring parliament election in Azerbaijan	03/11/1995	03/05/1996	European Institute For the Media	30 322	AZ
Election rights of citizens and preparation of observers for participation in elections	24/10/2000	01/11/2003	“For the Sake of Civil Society” Independent Centre	360 153	AZ
Project on journalists capacity building	Info not available		Baku Press Club	Info not available	AZ
Child Welfare Reform in Azerbaijan: capacity building and awareness raising	27/12/2005	28/12/2007	UNICEF	300 000	AZ