

AZƏRBAYCAN AVROİNTEQRASIYA
MİLLİ İCTİMAİ KOMİTƏSİ



AZERBAIJAN NATIONAL COMMITTEE
FOR EUROPEAN INTEGRATION

AZERBAIJAN

PROGRESS REPORT

on

Implementation of the European Neighbourhood Policy in 2010

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INTRODUCTION

The implementation of the ENP Action Plan by Azerbaijan in 2010

The implementation of the Action Plan by Azerbaijan government has been monitored by the experts of the Azerbaijan National Committee for European Integration.

The year 2010 confirmed the previously observed trend of a selective and uneven character of the Azerbaijan's government performance in implementation of the priorities, indicated in the National Action Plan of the European Neighborhood Policy.

Based on the nature of implementation process the priority areas could be divided in three groups: those priorities and sub-priorities, which showed improvement; those, which were implemented only partially or formally without influencing the real situation; and those, where the situation either remained unchanged or deteriorated.

The experts' monitoring confirms that in some priority areas there were positive developments.

This year the government has undertaken important steps both in terms of improvement of legislation and implementation of the priority area 6 *Support Balanced and sustained economic development*, in particular the activities related to implementation of the SPPRED (State Program on Poverty Reduction): the country joined three international conventions -Convention of Council of Europe "On Combating Trafficking in Human Beings", International Labor Organization Convention no. 156 "Men and Women – Equal Opportunities and Equal Treatment for Employees With Family Responsibilities", International Labor Organization's Convention no. 183 "On Protection of Motherhood" (reviewed) and adopted the number of domestic laws - on fight against AIDS, on Mandatory Insurance against Cases of Loss of Labor Capacity Due to Industrial Accidents and Occupational Diseases and on Prevention of Domestic Violence.

Besides legislative measures, the government approved a new program on health personnel, allocated resources to the health and education

sector programs, along with renovation and technical equipment, ambulance cars and hospitals, adopted a decision on stimulating the young specialists in the health sector to work in the rural areas and other.

The progress was also noted in certain aspects in the area 8 *Strengthening EU-Azerbaijan Energy Cooperation and Transport Regional Cooperation*. Azerbaijan signed a few agreements, such as on development of the Chirag -2, Asiman and Shafag fields and started drilling of the newly discovered gas field Umid. The expansion of the "Eastern corridor" for transporting oil and gas from the Caspian Sea was listed by experts as an important accomplishment of this year. On 16 November a very important agreement on transportation of the Azerbaijani LNG to Romania (AGRI) was signed by the Presidents of Azerbaijan, Georgia and Romania which was followed by the process of establishing a joint venture on transportation of the LNG from Azerbaijan to the port Constanta of Romania through Georgian ports. Azerbaijan remains committed to Nabucco project. Despite a number of commercial problems, negotiations between the consortia and "Nabucco" on "Shah Deniz" gas field went on intensely. In the summer 2010 an important package agreement with Turkey on capacities, prices and terms of the transit of the Azerbaijani natural gas through this country was reached.

Most importantly, in accordance with the Energy Memorandum this year the State Agency on Alternative Energy under the Ministry of Industry and Energy was created. The government plans to construct around 300 hydropower stations, along with the beginning of small solar and wind energy projects.

In spite of the continuing conflict and occupation of the Azerbaijan's territory, the country participates actively in the regional cooperation, thus implementing its obligations of the priority area 10. Azerbaijan

hosted the 21st meeting of the foreign ministers of the BSEC with participation of the Armenian official on 22 of October 2010, took part in the meeting of foreign ministers of Eastern partnership in Poland, and in inter parliamentary meeting of Armenia and Azerbaijan in State Duma in Moscow. The trilateral meeting in Astrakhan of Russia, Azerbaijan and Armenia resulted in decision to exchange of the POWs and the bodies of deceased between Armenia and Azerbaijan. The number of visits of Armenian politicians and public figures to Baku could be regarded as a significant contribution to the development of the regional cooperation. The opposition leaders of three Caucasus states on the 7 October 2010 signed trilateral declaration on cooperation in Potsdam, Germany.

The cooperation of all three South Caucasus states is developing in the area of environment in the framework of Environmental Resource Center of the South Caucasus and the number of other projects and fight against drugs within the SCAD programme. (The other joint projects include "Promoting Competitiveness and Efficiency of Small and Medium Enterprise Through Cleaner Production in the South Caucasus" "Creation of Enabling Environment for Integrated Management of the Kura-Araks Transboundary River Basin", "Fostering Community Forest Policy and Practice in Mountain Regions of the Caucasus", "Sustainable Land Management for Mitigating Land Degradation and Reducing Poverty in the South Caucasus Region").

Another positive development was in the area of legal basis for fighting terrorism and money laundering with the President's decree on amendments in accordance with the Law on Making Changes and Additions to Some Statutory Acts in order to Legalize Money Assets or Other Properties gained by Criminal Way and Strengthening Fight against Funding of Terrorism.

A number of important institutional changes were made in the area of tax administration. Structural reform of the Ministry of Taxes abolished 1,2 and 3 branches of Baku Tax Department and replaced them with Divisions of Forced Levy of Tax Liabilities, Declaration Reception and Processing and Tax Payers' Service, the government continues to

develop the electronic distance transmission devices into cash register machines and Centralized control over the cash registers. The improvement of the tax administration resulted in the increase of the tax collection rate.

In 2010 Azerbaijan continued its implementation of the obligations indicated in the priority number 1. *Contribute to the peaceful resolution of the Karabagh conflict* through participation in the negotiation process with Armenia under the Minsk Group of the OSCE, announcing in February 2010 about "accepting in principle" of the updated version of the Madrid principles. Azerbaijan also participated in the bilateral meetings at the level of presidents with the Russia mediation. In spite of the intense public diplomacy and number of mutual visits, the violations of the ceasefire increased since June of 2010 and by the fall the negotiation process stalled.

At the same time, a number of priority areas either did not show progress, or the implementation was partial. The progress in such areas is characterized by the formal adoption of certain rules or building of institutions, which, however, do not have any substantial effect on the real situation in this area or lead to the improvement. Such areas are characterized by the adoption of good laws, but with little impact on practice. For instance, while the conduct of tests on hiring personnel in the area 4 is considered a positive measure, the influence of the subjective factors in appointments to posts is still high, if not decisive. Such improvements like application of test examinations in admission to judiciary and prosecutor's office, along with transparency in this process co-exist with the violations of law, for instance, when firing people due to the pension age at the State Oil Company. The labor rights are frequently violated in the private sector, as the share of informal sector is high. At the same time the restoration of the labor rights through court is less than 1%.

Similar situation is observed in the implementation of energy sector obligations. While Azerbaijani government performed well in the area of energy extraction, and transportation projects, and started development of the alternative energy projects in line with the

Memorandum of Energy and the Action Plan, the energy sector moves towards greater centralization. Although the merger of various private energy industries under the State Oil Company is justified by the necessity of investments to revive them, the absence of anti-monopoly mechanisms and independent energy regulator would promote greater monopolization of the energy sector by one actor.

According to the experts' opinion, there is no significant progress in establishment of any new institutions or enhancement of existing ones to combat corruption. One of the few areas where at least some corruption related violations have been revealed and penalized is the management of state and property. However, these measures are not addressing the corruption as a systemic feature.

The third group of priority areas, most notably - 2 *Strengthening Democracy in the country, including through fair and transparent electoral process, in line with international requirements* and 3 *Ensuring the fundamental freedoms and rule of law in line with Azerbaijan's international obligations before OSCE, UN, COE, EU* - the areas of political reforms, where continuing stagnation or even deterioration, not unlike in 2009, was observed by the AIMK experts in 2010.

In spite of the continuing steps in implementation of the government-supported State Program on the Development of the Justice sector for the years of 2009-2013, alongside with the World Bank Modernization of Justice Project (2006-2011), the judiciary system remained corrupt and subservient to the executive in 2010, with often pronouncing politically-motivated judgments. In particular, until recently the authorities continued to refuse the implementation of the ECHR's April 2010 decision on the case of jailed journalist Eynulla Fatullayev, whose imprisonment was denounced by various international rights groups as a politically-motivated charge. Though the Supreme Court in Baku lifted several charges against him in November, including defamation and terrorism charges, but he remained imprisoned on highly controversial drug-possession charges, which has caused international outcry. Dozens of imprisoned persons that are considered

to be political prisoners in Azerbaijan remained in jail despite of several pardoning decrees during the year and the recent release of two bloggers. Witness reports suggest that torture and ill-treatment are still extensively used in prisons, military and police detention facilities. There was a dramatic increase in the number of cases where credible allegations of torture or inhuman or degrading treatment of accused and witnesses have been raised, but where the courts failed to ensure the conduction of a proper and adequate investigation of these allegations. The space for the civil society has continued to shrink during the year: the obstacles for the civil society ranged from registration to tax controls or absolute pressure or intimidation.

The situation with freedom of media remains unchanged: no practical steps were taken in regards of de-criminalization of defamation and adjustment of the legal procedures related to defamation to the standards of the European Court on Human Rights, the numerous cases of beating the journalists remained not investigated, the TV and radio remained under complete government control.

The year 2010 was a year of the fourth parliamentary elections in independent Azerbaijan. In spite of some technical improvements of the process, the election environment lacked political competition and was affected much by the June 2010 amendments to the Election Code, which reduced both election and campaign period, as well as abolished the state financing for candidates.

The competitiveness of the elections was further undermined by the refusals in registration of candidates running from political blocs (346 out of 394 rejected registrations were of those nominated by 5 political blocs). Due to the violations in the election day the complaints to cancel the results in 57 district constituencies were filed to the CEC in the aftermath of the parliamentary elections 2010. The CEC did not however cancel results in any of the named constituencies.

The analysis on the basis of monitoring of the Azerbaijan's government implementation of the Action Plan reveals that in 2010 it has been selective, incomplete and uneven with some areas showing progress, while others - remaining unchanged or deteriorating.

Priority area 1

Contribute to a peaceful solution of the Nagorno-Karabakh conflict

Increasing diplomatic efforts to achieve a peaceful resolution of the Nagorno-Karabakh conflict

Under implementation

Azerbaijan continued talks with Armenia aimed at agreeing on a document of Basic Principles for peaceful resolution of the Nagorno-Karabakh conflict. However, due to disagreements over some officially unspecified key issues, the last year's dynamism in the talks was not preserved.

This year, as of November 2010, there have been three meetings between the Azerbaijani and Armenian presidents Ilham Aliyev and Serzh Sarkisian, as opposed to six such meetings last year. These meetings took place in January, June and October in various Russian cities and were facilitated by Russian president Dmitry Medvedev, suggesting Russia's leading role in the international mediation efforts.

Soon after the January 2010 meeting between the two presidents held in Sochi, official Baku announced in mid-February that it "accepts in principle" the updated version of the Madrid proposals, as reportedly suggested by the Minsk Group co-chairs on the sidelines of the OSCE ministerial in Athens in December last year. This announcement came as the first formal endorsement of the basic principles by Azerbaijan.

However, further progress was stalled, as Baku accused Yerevan of not approaching the talks in good faith by failing to reveal its formal position on the proposed document and thus, seeking to indefinitely prolong the status quo.

In March Azerbaijan rejected Armenian president's call made in an interview to "Euronews" TV channel to sign an agreement on non-use of force. Official Baku denounced the proposal as a "political game" aimed at distracting attention from the basic principles document currently debated by the parties. Azerbaijani MFA, however, said Baku is ready to commit to non-use-of-force if Armenia withdraws from its occupied territories.

In June the presidents of the US, France and Russia – co-chairing the Minsk Group, issued a joint statement in Muskoka, Canada on the sidelines of the G-8 summit, in which they reiterated their commitment to the following points for future resolution:

- "the return of the occupied territories surrounding Nagorno-Karabakh";
- "interim status for Nagorno-Karabakh guaranteeing security and self-governance";
- "a corridor linking Armenia to Nagorno-Karabakh";

		<ul style="list-style-type: none"> - “final status of Nagorno-Karabakh to be determined in the future by a legally-binding expression of will”; - “the right of all internally-displaced persons and refugees to return”; - “and international security guarantees, including a peacekeeping operation.” <p>Beginning from June cease-fire violations across the Armenian-Azerbaijani frontline increased, with both sides accusing each other of violations. In October, under Russian mediation, Armenian and Azerbaijani presidents meeting in Astrakhan agreed to exchange prisoners of war and return the remains of those killed as confidence-building measures to reduce recent tensions in the frontline. Russian president Dmitry Medvedev said the general principles for settling the conflict could be drafted in time for the December OSCE summit in Astana, provided both sides demonstrate political will.</p>
Encourage people-to-people contacts	<u>Under implementation</u>	<p>This year was rich with officially sponsored events involving Armenians. Most of these events were facilitated by Russia and reflected a joint interest on the part of the mediators and the government to preserve positive dynamics in the peace process.</p> <p>In April Azerbaijan hosted Armenian boxers, who attended the World Youth Boxing Championship in Baku. Also in April Armenian Catholicos Garegin II came for the first time to Baku to attend a summit of world religious leaders and was also met by the president. In May Azerbaijan’s agriculture minister went to Yerevan to attend a UN regional conference.</p> <p>In September, under Russian sponsorship, Armenian and Azerbaijani musicians, playing jointly in the CIS Youth Symphonic Orchestra, flew to Baku and from there, in a rare direct flight, to Yerevan to give concerts. The orchestra was accompanied by Azerbaijan’s ambassador to Russia, his former Armenian counterpart and the Russian president’s special envoy. The visit echoed similar reciprocal visits to Armenia and Azerbaijan led by Armenian and Azerbaijani ambassadors to Russia in 2007 and 2009.</p> <p>In October, two members of Armenian Dashnaksutsiun party, which is known for its hard line positions, attended an international meeting of the Socialist International held in Baku.</p> <p>Many people still oppose the idea of engaging in a people-to-people level with the Armenians. While supporting such exchanges is a move in right direction, the government should do more to better communicate and explain to the public the rationale behind such public diplomacy efforts.</p>
Intensify the EU’s support to dialogue with the states concerned with a	<u>Under implementation</u>	<p>The EU maintained its low-profile, lacking both internal interest and external demand for involving itself to a greater extent in the Nagorno-Karabakh peace process. There is no consensus either within the EU or among its conflicting partners – Armenia and Azerbaijan – about what value added contribution could the EU make by its direct involvement at the present stage. Thus, the frequently used argument that the Nagorno-Karabakh</p>

<p>view of acceleration of the negotiations towards a political settlement</p>		<p>conflict is being dealt with by the Minsk Group of the OSCE has turned into a convenient excuse for the EU not to assume a more active role in the Nagorno-Karabakh conflict resolution process. Both conflicting parties and the EU, however, agree that the EU could be a major player once a political agreement is reached. The European Parliament has been traditionally more assertive in articulating future EU policies towards the Caucasus region.</p> <p>In May the European Parliament adopted a non-binding resolution on the need for a new EU strategy in South Caucasus. As part of this resolution, it demanded “withdrawal of Armenian forces from all occupied territories of Azerbaijan” and called on Armenia and Azerbaijan to “intensify their peace talk efforts for the purpose of a settlement in the coming months” as envisaged in the Madrid Document.</p>
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Priority area 2

Strengthen democracy in the country, including through fair and transparent electoral process, in line with international requirements

<p>Continued implementation of electoral reform, on the basis of the CoE Venice Commission and OSCE/ODIHR recommendations;</p>	<p><i>Not implemented</i></p>	<p>This year Azerbaijan held its fourth since independence parliamentary elections on the 7th of November. The Azerbaijan Parliament (Milli Mejlis) is unicameral with 125 deputies elected in the majority system every five years on the first Sunday of November. The previous parliamentary elections were held in 2005.</p> <p>The Election Code (adopted in 2003) constitutes the legislative basis of the elections in the country. The Election Code was changed and amended several times in 2005, 2007, 2008 and 2010, totally 14 times. Some of the amendments reflected recommendations by the OSCE/ODIHR and Venice Commissions, while some were not assessed as positive- in 2008 for instance the length of the election campaign period was shortened by 50%. from 120 days to 75 days. In June 2010 the amendments to the Election Code further reduced the length of the election period from 75 days to 60 days, while the campaign period from 28 and to 23 days. The amendments also abolished state financing for candidates. Earlier amendments in 2008 excluded state TV from involvement in election campaign, while recent changes further reduced the time period in which parties will have free airtime/space. As a result during the entire election period the state TV channel traditionally reported favorably of the government the ruling party..</p>
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<p>Ensure that elections are conducted in full compliance with OSCE commitments and other international standards for democratic elections</p>	<p><i>Not implemented</i></p>	<p>The current composition of the election commissions, which administer the election process, was established in 2005. Composition of Central Election Commission, Constituency Election Commissions and Precinct Election Commissions has been formed on a proportional basis from the representatives of the parties in majority and in minority in the Milli Mejlis, and independent members. The Central Election Commission has 18 members, while constituency and precinct election commissions 9 and 6 accordingly. In 2008 the Venice Commission of the Parliamentary Assembly of the Council of Europe (PACE) proposed to re-structure the composition of the election commissions in order to restore the trust of the society in election commissions. Although lacking a provision for a specific mechanism, the proposal recommended to find a balance between all political forces in Azerbaijan. In spite of the fact, that the Office for Democratic Institutions and Human Rights of the OSCE has also recommended to provide for a balance when forming the election commissions, so far none of the recommendations were taken into account.</p> <p>There are 54 registered political parties in Azerbaijan. The election year stimulated parties' unification in political blocs- "APFP-Musavat", "Garabagh", "Reform", "For the sake of human being", and "Democracy" were formed in 2010. Overall 5 political blocks and 22 political parties participated in elections.</p> <p>By the beginning of the election campaign there were 3 vacant seats in the Central Election Commission. In its session held on 8 October Milli Mejlis approved three new members of the Central Election Commission, one- representing Musavat party, one -The United Popular Front Party and one an independent member. Thus, only around one month prior to the elections the Central Election Commission started functioning in its full composition.</p> <p>CANDIDATE NOMINATION AND REGISTRATION</p> <p>According to the Election Code candidates may be nominated by the political parties, blocs of political parties, upon their own initiative and by the initiative groups of voters. After nomination of the candidacy is approved by the decision of the ConEC, 450 signatures should be collected in support of the candidate. These signatures together with other required documents shall be submitted to the relevant ConEC maximum 50 and minimum 30 days before the elections. A relevant ConEC within 7 days shall adopt a substantiated decision either on registration of the candidate or on rejecting to register his/her candidacy.</p> <p>According to the information obtained from the CEC 1,412 persons received signature sheets for becoming members of parliament, out of whom 297 did not return the signature sheets, and 1,115 collected necessary</p>
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number of signatures and submitted to the CEC. Out of them 721 candidates were registered while 394 were rejected in registration. Thus, registration of every 2 candidates out of 3 from the persons nominated by the political parties was rejected. 346 rejected candidates out of 394 were of those nominated by 5 political blocs. Thus the pluralism and competitiveness was provided only in terms of number of candidates, but not in terms of political diversity. The candidates from the ruling YAP party and so called independent: candidates exposed similar political attitudes. This was clearly observed during 4 minute air time allocated to each candidate in the Public TV during the campaign.

623 out of 721 registered candidates were males while 98 females. Statistics of the nomination and registration of candidates according to the parties was as follows:

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Candidates nominated by	The number of nominated candidates	The number of registered candidates
YAP	115	113
«APFP-Müsavat» bloc	92	35
«Garabagh» bloc	99	33
«Reform» bloc	106	31
«For the sake of human being» bloc	83	19
«Democracy» bloc	101	17
Independent		374

Other registered candidates were the representatives of the political parties, self-nominated and nominated by the initiative groups of voters. The following numbers of candidates were registered from the political parties: PFP (Classical) – 30, ANIP (AMIP) – 23, DADP – 20, Motherland Party – 7, Modern Musavat Party – 7, ANDP (AMDP) – 2, ASDP (ASDP) – 2, Azerbaijan National Statehood Party – 1, Azerbaijan Progress Party – 1.

7 registered candidates were nominated by the initiative groups.

The number of applications to run for elections was 35% less compared to the parliamentary elections of 2005. While in 2005 parliamentary elections the share of rejections in registration was 4%, in the current elections 30% of candidates were rejected from registration. “APFP-Musavat”, “Garabagh”, “For the Sake of Human being” blocs, including The Union for Democracy made several statements about interference of the

	<p>authorities into the signature collection and candidate registration processes, pressure on candidates and voters, and biased attitude and activities of the Constituency Election Commissions. At the same time, part of the self nominated and not registered candidates also informed that ConECes functioned in a biased and non-independent manner.</p> <p>Constituency Election Commissions considered invalid the signatures of the persons with the expired identity cards. At the same time, during the e-day the CEC did not consider the expired IDs an obstacle for voting. Thus, two different legal attitudes were demonstrated regarding the same issue and consequently active and passive election rights of the citizens were violated.</p> <p>The candidates informed that in some constituencies candidates themselves and their family and friends were intimidated and subjected to pressure by the representatives of the local executive powers and police to make them to withdraw their candidacies.</p> <p>When the election campaign started, only the ruling party YAP was entitled to use free of charge air time according to the requirement of the Election Code. Hence, the CEC adopted a decision in violation of the Election Code on granting 4-minute free air time to all candidates. The candidates had to squeeze a presentation of their 5 year platforms into 4 minutes during the entire campaign period.</p> <p>During the campaign mainly national TV broadcasters refused to allocate paid air time (for instance ANS, Lider TV, Spave TV, Khazar TV and others).</p> <p>Requests of political parties to hold street rallies within the pre-election campaign period were officially rejected and none of the political parties, including the ruling party, conducted street demonstrations during these elections.</p> <p>Many problems were created also for the candidates wishing to hold meetings with their voters. CEC unlawfully appointed venues for those meetings and the candidates attempting to organize meetings in other places failed to do so.</p> <p>On the election day various violations, such as ballot box stuffing, facts of “carousel” activities, interference of administrative representatives into elections, restriction of activities of observers and others representing candidates were reported. . The scale and nature of violations during the e -day gave serious grounds to question the results of the elections in a large number of constituencies. The CEC received appeals to invalidate results in 46 constituencies.</p> <p>In spite of that, results of the elections were not cancelled in any Constituency Election Commissions. The CEC invalidated the results of only 46 precincts which had an effect on the overall results of the elections. To compare, in 2005 the number of cancellations of the election results were 12 times more.</p>
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<p>Continue legislative and administrative reforms aimed at strengthening of local self-government</p>	<p><i><u>Not implemented</u></i></p>	<p>The election related complaints and appeals were handled in a perfunctory manner, as the Constitutional Court approved the results of elections even before the investigation of complaints was completed, thus demonstrating that investigation of complaints is rather a formal procedure.</p> <p>The fact that Milli Mejlis appointed its session and approved its Agenda before the Decision of the Constitutional Court was announced is also a serious breach of the law. In fact the session of the Milli Mejlis was appointed by the persons whose powers were not approved officially yet so indirect interference into the authorities of the Constitutional Court took place in violation of law.</p> <p>The conclusions of the international observation mission in their “Statement of Preliminary Findings and Conclusions” reflected the nature of elections, stating that: “While the November 7th 2010 parliamentary elections in the Republic of Azerbaijan were characterized by the peaceful atmosphere and all opposition parties participated in the political process, the conduct of these elections overall was not sufficient to constitute meaningful progress in democratic development of the country” (International Election Observation , Republic of Azerbaijan- Parliamentary Elections, 7 November 2010, Statement of Preliminary Findings and Conclusions, Baku 8 November 2010).</p> <p>Recommendations of the Council of Europe to the Government of Azerbaijan made in 2003 on development of municipalities imply conduct of certain legislative and administrative reforms in the country with the aim of strengthening local self-government.</p> <p>Realization of those reforms shall result in the number of institutional changes in Azerbaijan in the sphere of development of self-government.</p> <p>According to the Council of Europe there is a need in Azerbaijan to bring the status of municipalities in accordance with the standards of the “European Charter of Local Self-Government” The Council considers necessary to define municipalities in the legislation of Azerbaijan as institutions of power. Article 1 of the effective Law of the Republic of Azerbaijan “On Status of Municipalities” considers self-government merely as a form of organization of citizens’ activity. Nevertheless, the Council of Europe has made the following proposal regarding reflection of the status of municipalities in the legislation: «Municipalities are integral part of the state authority in the Republic of Azerbaijan as an independent link of the public administration”.</p>
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	<p>During the passed year no changes have taken place to reflect municipalities in the legislation as institutions of the state power. One of the key recommendations of the Council of Europe is to increase competences (powers) of municipalities. According to the European Charter on Local Self-Government realization of state powers at the local level shall be entrusted to municipalities as the bodies of self government close to citizens. The recommendations of the Council of Europe to the government of Azerbaijan stress that powers of municipalities in Azerbaijan are very restricted. In 2010 no institutional reforms were conducted and no amendments to legislation were made in Azerbaijan for increasing competencies of municipalities.</p> <p>Another important recommendation in regard with strengthening local self government is provision of exceptionality of existing powers of municipalities. As it is defined in the European Charter on Self-Government, the powers granted to the bodies of local self-government shall be, as a rule, complete and exceptional. According to the opinion of the Council of Europe, currently certain part of powers delegated to the institutions of self-government are not complete and there are uncertainties in the legislation regarding the powers of municipalities and executive powers to give orders pursuant to those powers. Besides, the circle of competences entrusted to municipalities is determined in a way that they either exist as an addition to the functions (powers) of the public administration institutions or are executed under full control of them (executive bodies). It has been recommended to the government of Azerbaijan in the national legislation to specify precisely the powers of the executive bodies - on the one hand, and that of the municipalities -on the other according to specific areas. Last year there were no changes made to the national legislation to provide exceptionality of powers of municipalities.</p> <p>Another significant recommendation of the Council of Europe is on increasing financial capacity of municipalities. Organization considers that on the one hand, funds collected as local taxes are limited which itself creates a problem, on the other hand there are no precise and transparent criteria on the basis of which allocations from the state budget may be transferred to municipalities. Currently Azerbaijani municipalities by their financial capacity are rated last among South Caucasus countries. Thus, the volume of overall expenditures through local budgets if compared to Azerbaijan is 10 times more in Georgia and 8 times more in Armenia.</p> <p>In 2010 no steps were made in the national legislation to increase financial capacity of municipalities, or to improve inter-budgetary transfer systems in Azerbaijan.</p> <p>Finally, establishment of an integrated local self-government institution – mayor’s office (municipality) in Baku city is considered to be among the main prerequisites for the development of self-government. Azerbaijan is the only Council of Europe’s member state where the capital city is not governed by an integrated local self-government institution, e.g. an elected Council. Pursuant to the recommendation of the Council of Europe to the government of Azerbaijan a law “On Capital City” envisaging establishment of an integrated elected local administration covering the entire capital city shall be adopted. Acting President of</p>
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		<p>the Council of Europe Congress of Local and Regional Authorities Ian Micallef visiting Azerbaijan in the end of 2009 mentioned in his negotiations with the officials of the country the need of immediate establishment of the elected Council in Baku.</p> <p>During last year no steps were made in the national legislation for determining the status of Baku city and establishment of an integrated elected local self-government Council in the capital.</p>

Priority area 3

Strengthen the protection of human rights and of fundamental freedoms and the rule of law, in compliance with international commitments of Azerbaijan (PCA, CoE, OSCE, UN)

<p>Improve the organisation of the judiciary, with a view to ensuring its independence, impartiality and efficiency, including with regard to the procedure for appointment and promotion, statutory rights and obligations of judges and prosecutors</p>	<p><i><u>Under implementation</u></i></p>	<p>The judiciary system remained corrupt and subservient to the executive in 2010, with often pronouncing ordered and politically-motivated judgments. Numerous courts cases during the year have demonstrated that the courts have been used as tools for the authorities in their repression of the media, political opposition and civil society. The independence of the courts is further compromised by a lack of professionalism, excessive bureaucratic requirements and corruption in the judiciary, which does not function independently of the executive branch. The government-supported State Program on the Development of the Justice sector for the years of 2009-1013 are underway, alongside with the World Bank Modernization of Justice Project (2006-20011).. The newly-adopted Administrative Procedure Code is aimed at to improve the courts' activities in general and to bring the administration of justice up to international standards. It is envisaged that new administrative courts will be established on the basis of specialized economic courts, which will become operational as of 1 January 2011 and is intended to contribute to the work efficiency of the courts and to decrease the current caseload of district courts.</p> <p>Authorities continued to refuse the implementation of the ECHR's April 2010 decision on the case of jailed journalist Eynulla Fatullayev, whose imprisonment was denounced by various international rights groups as a politically-motivated charge. The ECHR has found that the Azerbaijani government had violated Fatullayev's rights to freedom of expression and fair trial, declared his imprisonment illegal, and ordered that Fatullayev be freed and be paid 25,000 euros in compensation. Disagreeing with the verdict handed down by the ECHR, the Azerbaijani authorities appealed to the Upper Chamber of the ECHR in June 2010, but the verdict was upheld late October. Though the Supreme Court in Baku lifted several charges against him in November, including defamation and terrorism charges, but he remained imprisoned on highly controversial drug-possession charges, which has caused international outcry and dozens of international human rights organizations</p>
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<p>Ensure ratification and implementation of the Optional Protocol (2006) to the UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment</p>	<p><i><u>Not implemented</u></i></p>	<p>have denounced the imprisonment calling the charges politically motivated and stifling the government-critics.</p> <p>Dozens of imprisoned persons that are considered to be political prisoners in Azerbaijan remained in jail despite of several pardoning decrees during the year.</p> <p>Though the general reform measures in judiciary field taken by the authorities are a positive sign, but in many occasions, those reforms were seen cosmetic, inefficient and tentative.</p> <p>Witness reports suggest that torture and ill-treatment are extensively used in prisons, military and police detention facilities. Incidents are not investigated appropriately and law-enforcement officers suspected of being responsible for acts of torture, are not prosecuted for ill-treatment, but instead charged with “minor, serious harm to health”. The culture of impunity allows the perpetrators to go unpunished. In Nakhchivan district, the forcible confinement of persons for nonmedical reasons in psychiatric hospitals remained widespread.</p> <p>The definition of torture in the Criminal Code does not fully comply with article 1 of the Convention Against Torture despite the recommendations of UN CAT in 2003 and 2009. That prevents the proper identification of cases of torture.</p> <p>There was a dramatic increase in the number of cases where credible allegations of torture or inhuman or degrading treatment of accused and witnesses have been raised, but where the courts failed to ensure the conduction of a proper and adequate investigation of these allegations. Accordingly, the courts continue to accept tainted evidence without adequately ruling on the accused’s and defense motions. The Office of the Ombudsperson lacks the level of independence to be the national institution responsible for investigating complaints of torture and other human rights violations, as well as to serve as the National Prevention Mechanism. While UN and ECHR identified several cases of violations of CAT and CPT, the Ombudsman’s office failed to disclose even single case during 8 years of work. Local NGOs are concerned of the ineffectiveness of the Ombudsman’s Office as the National Preventive Mechanism under the UN OPCAT.</p> <p>The culture of impunity for torture will continue unless restrictions and better political control of police activity are put in place, and unless an independent judiciary starts holding perpetrators of violations for their acts.</p>
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Priority area 4

Improve the business and investment climate, particularly by strengthening the fight against corruption

<p>Strengthen enforcement and assess the impact and progress of the Anti-corruption law in force since January 2005 and the State Programme on fighting corruption (2004-2006); devise and implement appropriate follow-up upon its expiry</p>	<p><i>Not implemented</i></p>	<p>There is no significant progress in establishment of any new institutions or enhancement of existing ones to combat corruption with some minor exceptions. Eg., State Oil Company of Azerbaijan (SOCAR) opened Hotline of "Azerigaz" Industrial Union, and citizen can call 185 in connection with a any problems or complaints in gas supply.</p> <p>A special meeting of the Collegium of the Ministry discussed execution of the Presidential Decree dated 22 June 2009 on strengthening of the combat against corruption in management of the state and municipal property. This is one of the few areas where at least some corruption related violations have been revealed and penalized. Ministry of Justice sent materials in respect of corruption related offences in 21 municipality and annulled decision on allocation of some of the land plots (total of 4 hectares)¹.</p> <p>The area where anti-corruption activities are more or less visible is education, at both the formal and more frequently the informal level. All public stakeholders included anticorruption in the continuous training of their employees in the course of the implementation of the National Strategy. Anticorruption training for all law enforcement agencies is developed by the Working Group under Anti-corruption Commission. Furthermore, an ad hoc working group composed of representatives of the training centers, including the Prosecutor General, Ministry of Internal Affairs and Ministry of Taxes, as well as the Ministry of National Security develops curriculumms for law enforcement bodies in detail.² NGO representatives were involved in training seminars - run jointly or within individual institutions. Also</p>
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¹ Source www.day.az, 6 July 2010

² Internal order of the Prosecutor General

		<p>organization of quarterly training programs on issues of ethics and integrity is envisioned in the Action Plan of the Civil Service Commission. A series of training courses was organized by the Commission on its own and jointly in cooperation with international organizations, such as Council of Europe and UNDP, covering all of the country.³</p> <p>As for research activities, the Prosecutor’s Office continues to compile a survey based on the communication of citizens to its’ Hotline. Additionally, an on-going survey is conducted by the Commission on Combating Corruption, based on information received from stakeholders, public institutions and civil society. No actions following these surveys’ findings are known. The Information and Cooperation Network of Anticorruption NGOs has been commissioned to assess the anticorruption measures nationwide. The assessment was performed through a survey published at their website⁴.</p> <p style="text-align: center;"><i>Legal framework</i></p> <p>There are no considerable achievements in the year of 2010 in enhancement of the anti-corruption legal framework. The Law on Approval of Rules for Submission of Financial Information by Officials is not being implemented, inter alia, because of absence of supporting legal acts, i.e., the Cabinet of Ministers was instructed to draw up forms and rules for both elected and appointed types of officials⁵, which so far has not been carried out.</p> <p>There is neither any progress with adoption of the Conflict of Interest Law, which was passed by the Parliament in the first reading in mid-2006 but has been stuck ever since, which has drawn much criticism from civil society.</p> <p>Pursuant to adoption of legislation regulating ethical behavior of public servants, a number of civil servants have been punished for violations of rules of ethical behavior and underwent administrative actions. As a result, four officers of the Ministry of Labor and Social Protection of Population, one officer of Ministry of Economic Development, and one officer of the Executive Committee of Sheki city have been fired for violations of rules of ethical behavior.⁶</p>
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³ Source: Letter from B.Xalilov, chairman, Civil Service Commission dated 23 April 2010

⁴ www.anticornet.az

⁵ Presidential Decree No 278 dated 9 August 2005

⁶ <http://www.day.az/print/news/society/189483.html> 11 January 2010

<p>Ensure that the Criminal Code, and in particular the definition of bribery and corruption related offences, are in line with international standards such as the UN Convention against Corruption, the Council of Europe Criminal Law Convention on Corruption and Civil Law Convention on Corruption, and the OECD Convention on combating bribery of Foreign Public Officials in International Business Transactions, in order to ensure adequate prosecution and conviction</p>	<p><i><u>Under implementation</u></i></p>	<p>Amendments to Code of Administrative Violations and Criminal Code have been made in order to enforce activities in the sphere of prevention of laundering of proceeds of crime and financing of terrorism mainly.⁷</p>
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⁷ Source: Azerbaijan newspaper, 15 August 2010. Azerbaijan is doing reasonably well on this GRECO recommendation

<p>Improve the normative-legislative framework for the fight against corruption, in conformity with the UN Convention against Corruption, the CoE Criminal Law Convention on Corruption and the Council of Europe Civil Law Convention on Corruption</p>	<p><i><u>Implemented</u></i></p>	<p>President of Azerbaijan Republic issued a decree on making amendments and additions to some previous decrees with regards to application of the Law on Making Changes and Additions to Some Statutory Acts in order to Legalize Money Assets or Other Properties gained by Criminal Way and Strengthening Fight against Terror Funding⁸.</p> <p>Overall, the legal basis for fighting terrorism and money laundering has been successfully created in Azerbaijan – this is one of the obligations assumed by Azerbaijan under European Neighborhood Policy program.</p> <p>Background note: Azerbaijan is a member of UNCAC as of 2005 (signed on the 27/02/2004 and ratified on the 1/11/2005, entered into force on 9/12/2005), both European Conventions as of 2004: Criminal Law Convention on Corruption – signed on 21/5/2003, ratified on 11/2/2004 and entered into force on 1/6/2004; Civil Law Convention on Corruption - signed on 21/5/2003, ratified on 11/2/2004 and entered into force on 1/6/2004.</p>
<p>Develop and implement a comprehensive programme to improve the business climate, in particular by</p>	<p><i><u>Under implementation</u></i></p>	<p>In 2010 the tests have been conducted for admission to civil service, including to the central executive bodies, prosecution bodies, and judiciary institutions. The process of testing was observed by international and local civil society representatives. According to the common opinion of the observers the process of testing is conducted in line with the legislation and norms, nevertheless, the subjective factors influence appointment to posts. The section 20 of the Action Plan on implementation of the National Strategy on Increasing Transparency and Combating Corruption in the years 2007-2011 envisages improvement of the civil service and increase of transparency. This implies informing society</p>

⁸ Source: Azerbaijan newspaper, 15 August 2010.

<p>improving the conditions to starting a business, hiring and firing workers...</p>		<p>about terms and conditions of admission to the civil service. During 2010 all terms and conditions regarding admission to various state institutions have been placed in the official web sites of the relevant institutions.</p> <p>Test examination was held during 2010 for admission to judiciary and prosecution bodies in the manner envisaged in the national strategy. Exams were observed by international and local observers during which no violations have been detected. Another stage of tests for candidate judges was completed and 78 new judges have been appointed by the President as judges of first instance courts upon recommendation of the Judiciary Legal Council.</p> <p>The process of hiring workers in the private sector went on with serious violations of legislation. Thus, the practice of concluding short term labor contracts with persons admitted to jobs is exercised, despite this is a violation of the Labor Code.</p> <p>In the number of enterprises cases of massive dismissal of workers on the grounds of redundancy were registered. State Oil Company has massively dismissed those reaching pension age which is contradictory to the Labor Code.</p> <p>Approximately 40% of the labor market in the country constitutes informal (illegal) labor market. This leads to admission of tens thousands of people to work without signing labor contracts. Such persons are deprived of the right to social protection and become dependent on the employers.</p> <p>At the same time, termed (fix term) labor agreements are concluded with workers in violation of the Labor Code which put them in dependence on employers. However, according to the Para 4 of the Article 45 of the Labor Code “in cases when due to the conditions of implementation of the labor function it is known in advance that works or rendered services are of permanent nature, a labor agreement shall be concluded without determining a fixed term”.</p> <p>In practice no serious changes have taken place for establishment of fair and appropriate work conditions. During first 6 months of 2010 in 92 industrial accidents and those considered to be industrial accidents 23 persons have died and 77 persons received corporal injuries with various degrees. Analyses of occupational accidents shows that such accidents take place mostly in industry (44), construction (22), and in the field of transportation and communications (9). These are the official statistics of the Ministry of Labor and Social Protection of Population. Number of cases of occupational diseases is for 10 times more than official statistics.</p> <p>Improvements of legislation were related to the ratification of the two International Labor Organization Conventions. These are the following: Convention No 183 on Maternity Protection (revised) and Convention156 concerning Equal</p>
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<p>... registering a property, getting credit, protecting investing,</p>	<p><i>Partly implemented</i></p>	<p>Opportunities and Equal Treatment for Men and Women Workers: Workers with Family Responsibilities</p> <p>Several changes have been made to the Labor Code. These amendments are mainly of technical nature. Amendments to the Article 25 of the Code contained some changes regarding right to conduct collective negotiations which relates to precise specification of the notification period for concluding collective agreements and powers of representatives (proxies) representing employers in collective negotiations. Other amendments related to labor protection and changes to provisions on social leaves. Amendments have been positive particularly from the viewpoint of workers' rights.</p> <p>On the basis of the inquiry of the Human Rights Commissioner (Ombudsman) the Constitutional Court of the Republic of Azerbaijan has included imperative clauses to the Labor Code imposing on employers preservation of salaries of juveniles during their vocational and in service training.</p> <p>The Law "On Compulsory Insurance against Occupational Accidents and Lost of the Ability to work as a Result of the Professional Diseases" has been adopted. The Law is of utmost importance from the viewpoint of completion of the Labor Code.</p> <p>The social category applied in the Republic of Azerbaijan for minimum level of payment for work is not a minimum hour based rate. Monthly minimum payment category applied in the country is similar to one that existed in the past. Upon Decree of the President of the Republic of Azerbaijan since 1 September the amount of the minimum salary has been determined as AZN85. This amount is two times less than minimum consumer basket in the country.</p> <p>The rate for restoration of violated labor rights through courts is less than 1%. The right of workers to join trade unions is being roughly violated. Transnational oil companies seriously persecute any attempt to create a trade union. Rights of labor migrants are not protected and the Republic of Azerbaijan has not implemented its obligations and commitments in this direction.</p> <p>Despite the government took certain steps to improve the environment for business and investments, and strengthen the system of protection of properties and investments in the country in 2010, in general no serious improvements in these spheres have been observed.</p> <p>On April 10, 2010 the Law of the Republic of Azerbaijan on "Purchase of Lands for State Needs" (no.</p>
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**enforcement
contracts and closing
a business**

987-IIIQ) was adopted. This Law elaborates on purchase of lands for state needs in the Republic of Azerbaijan, regulation of rules of calculation and payment of the amounts of compensation to be given to the property (land) owners as well as regulation of other relations among the parties that appear in regards to this subject. Considering that currently various infrastructural buildings are constructed in both the capital and the regions of the country, the law regulating relations regarding land purchases for state needs has been a long-awaited solution to the issues related to protection of people's property rights. Unfortunately the content of the law as well as the innovations it brought to the legislation do not make it likely that it will meet the expectations of the society. The fact that this law touching upon the interests of millions of people, has not been sufficiently justified from the social, economical, political, legal or pure logics point of view and contains many contradictions and gaps is a matter of serious concern. The incidents taking place around the territory between Fizuli and Mirzagha Aliyev streets of Sabail district of Baku, where the apartment owners' rights are violated because of the government's "Winter Boulevard" project is a proof that this concern is well grounded. The tensions related to the issue of protection of the property owners' rights did not decrease, but rather increased after the Law was adopted.

In order to develop a unified state cadastre of real estate in the country, technical inventory and evaluation of real estate regardless of its type as well as inclusion of the real estate into the unified state registration, "The Rules of Developing and Maintenance of a Unified State Cadastre of Real Estate in the Republic of Azerbaijan" were approved by the Decree of the President of the Republic of Azerbaijan on July 27, 2010. Establishing such a cadastre is important in the light of strengthening property rights of citizens, as well as improving access to property related information.

Upon the Law no. 1052-IIIQD of the Republic of Azerbaijan "On International Registration of Industrial Product Samples" dated June 22 2010 Azerbaijan has joined the Geneva Act (dated July 2, 1999) of the Hague Agreement. This step can also be listed among the governments' actions towards recognition and protection of property rights.

In the area of intergovernmental agreements on mutual protection of investments The Agreement "On Encouragement and Mutual Protection of Investments between the Government of the Republic of Azerbaijan and the Government of the Estonian Republic" signed in Tallinn on April 7, 2010 was approved by the Law of the Republic of Azerbaijan of 8 June 2010. According to this Agreement both countries have undertaken commitments on mutual protection of investments.

During the period covered by this report no serious progress was observed either in the field of improving the country's business environment through bettering conditions for establishing and closing businesses, hiring and dismissing employees, registration of property and enforcement of laws, improving the legislative basis, or improving the existing practice. The Competition Code, if adopted would become

<p>Continue the modernization, simplification and the use of information and communication technologies by the tax administration</p>	<p><i><u>Under implementation</u></i></p>	<p>an important achievement in this direction. Despite that this Code passed second reading in the Milli Mejlis (The Parliament) in 2009, it was not included into the agenda of the Milli Mejlis's discussions in 2010, and its adoption has been postponed due to unknown reasons. The reason of this postponement was not explained to the public.</p> <p>The progress in Azerbaijan's process of entrance to the World Trade Organization (WTO). would be another important step forward. But, regrettably, even though bilateral and multilateral negotiations continued with some countries, no serious progress was noted in the overall process. If there are no serious changes in this area this year, the issue of Azerbaijan's accession to the WTO most probably will remain unresolved into the year 2011.</p> <p>A number of institutional changes have taken place in 2010 in the tax system of the country. These changes mainly encompassed the application of the elements of e-government in the tax system. Alongside with this, tax burden remains heavy in the country.</p> <p>During recent years a number of successful steps have been made from the viewpoint of application of the e-government elements in the tax system. As a result of the structural reforms held in the Ministry of Taxes in early 2010, branches No 1, 2 and 3 of the Baku Tax Department have been dissolved and the Divisions of Forced Levy of Tax Liabilities, Declaration Reception and Processing and Tax Payers' Service were established instead. Since now, the tax payers registered in Baku city will submit their declarations to the Declarations Reception and Processing Division of the Baku city Tax Department. Ministry has already installed electronic distance transmission devices into cash register machines of more than 50 facilities (shops). It is expected to install such devices in all enterprises in the country having cash register machines by the end of the year. According to the info obtained from the Ministry of Taxes the cost of this device that will be installed into a cash register machine is approximately 100 manats which will be covered from the budget of the Ministry. With the help of these devices the information will be instantly transmitted to the central data base of the relevant tax authority when a cash receipt will be issued. As a result of this it will be possible to conduct checks (controls) in a timekeeping manner. Realization of this rule (or of this device) providing prompt checking system will allow to keep shops under constant control. It should be mentioned that a newly established center will be more flexible in conducting operations. Establishment of an integrated center as a result of the structural changes permitting to eliminate institutions duplicating each other's functions is a positive step. It is important from the viewpoint of easier coordination of this sphere.</p>
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<p>Ensure the smooth and transparent enforcement of the Tax Code also by defining all necessary administrative structures, procedures and policies, including the co-operation with the tax payers and tax compliance, ethics policy, a fiscal control strategy, audit and investigation methods</p>	<p><i><u>Not implemented</u></i></p>	<p>Centralized control over cash registers exists in the majority of countries. The main essence of this is ability to control all commercial facilities from single location. It will allow determining promptly whether commercial facilities evade tax payment, as well as conduct on spot checks. It means that sometimes in one shop only one or two cash registration may be processed a day. When report is submitted it reflects the information about the number of the use of the cash register during a month. Yet, the new rules will make it possible to find out how many times was the cash register used every moment or every hour. This type of data will allow identifying the tax evasions.</p> <p>Survey conducted by the International Finance Corporation shows that every fifth entrepreneur in Azerbaijan hides some 30% of his/her income from the tax authorities and every third entrepreneur spends 20% of his/her income for covering unofficial expenses, which in fact increases the cases of corruption. Usually corruption affects SMEs more than the large enterprises making them to feel it stronger as they are, as a rule, are more vulnerable against corruption. Besides, in many countries influence of corruption on SMEs is more obvious, as the share of SMEs in the country's economy, particularly in providing population with jobs is much bigger than that of large enterprises as well. As it is seen from the abovementioned figures and analyses, procedures of tax report submission and tax payment, particularly those concerning individual entrepreneurs and SMEs, shall be more simplified. In the majority of the developed countries comparatively smaller enterprises submit their tax reports in a simplified manner. It is considered that a simplified report is sufficient for covering business activities of such enterprises. Application of simplified tax report submission reports both allow the entrepreneurs to reduce their expenses for abiding to the requirements of the tax legislation and increases tax returns of the state through reduction of the public expenses on tax administration.</p> <p>Drastic growth has been recorded during recent years in the number of tax payers as a result of the reforms in the tax system. Along with this, surveys conducted among tax payers show that high tax rates lead to cases of tax evasion. Particularly tax rates for natural persons (entrepreneurs) and social payments create conditions for tax evasions.</p>
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Priority area 5

Improve functioning of customs

<p>Continue the improvement of customs legislation and the simplification of procedures in line with EU and international standards including the review of the new Customs Code and the adoption and enforcement of new norms in this field</p>	<p><i><u>Under implementation</u></i></p>	<p>The new Customs Code of Azerbaijan has been worked on for some time now. Serious changes are expected in customs payments, customs formalities, customs control, customs regimes and storing, foreign currency control and customs facilities, and investigational operations in the field of customs.</p> <p>Upon the Law of the Republic of Azerbaijan of 22 June, 2010 a number of changes and amendments have been made to the Statute “On the Service in Customs Administration” approved by the Law of 7 December, 1999. As it is known, the Statute “On the Service in Customs Administration”, initially approved upon the Law of 7 December, 1999 is one of the main legal normative acts in the area of customs, which defines rules of service in customs bodies and organizations of the Republic of Azerbaijan and the bases of the legal status of the customs officials⁹.</p> <p>Thus, after adoption of the abovementioned Statute, analogical statutes and laws regulating rules and legal bases of the service in other law enforcement bodies, as well as additions and amendments to these documents were adapted. These include Laws of the Republic of Azerbaijan “On Civil Service”, “On Combating Corruption”, “On Changes and Amendments to the Labor Code of the Republic of Azerbaijan”, “On Changes and Amendments to Certain Legal Acts of the Republic of Azerbaijan” among others. For this reason the current Statute “On Service in Custom Administration” should be adapted to the legal acts accepted later. One of the main changes and amendments made to the Statute mentioned above is about the legal status of customs officials..</p> <p>According to this amendment, labor relations of the certain part of the employees of the customs entities, who are not classified as civil servants (such as cleaning personnel, janitors, gardeners, other workers with no degree of specialization, such as guards, etc.) are regulated by the Labor Code of the Republic of Azerbaijan, while that of the another part (occupying posts without customs ranks) by the Law of the Republic of Azerbaijan “On Civil Service”. Yet another group’s (occupying positions with</p>
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⁹ <http://www.customs.gov.az>

	<p>special ranks) service is regulated by the Statute. Another amendment assumes that new employees are admitted to the service in customs entities through competition which includes test exams and an interview. This competition is held in the order established by the President of the Republic of Azerbaijan.</p> <p>Another amendment is about admission to the service in customs entities. According to the amendment to the Article 15 of the Statute, persons with dual citizenship, having commitments before other states, clerics, persons fully or partly incapacitated according to the existing valid court decisions, persons serving sentence or having sentence in force, persons whose inability to work for customs entities was proved by a medical reference, persons who were previously fired from their service at the customs or other law enforcement bodies or public institutions for their serious misconduct or actions that do not fit with the service cannot be admitted to the service at the customs bodies. While previously only citizens with corresponding higher education could be hired to all positions within the customs bodies, the amendment made to the second part of the Statue makes it possible for persons with at least complete secondary and secondary vocational education to get the position of the junior staff. Only persons with corresponding education can be hired to the posts of the middle, senior and senior chief personnel.</p> <p>Other changes and amendments to the Statute deal with special ranks and the rules for their conferring. As according to new changes and amendments the Medical Service Office was added to the structure of the Committee, several ranks were also added to the existing special ranks of the customs officials. These special ranks are the following: major-general of medical service, colonel of medical service, lieutenant-colonel of medical service, major of medical service, captain of medical service, senior lieutenant of medical service, lieutenant of medical service, junior lieutenant of medical service, senior warrant officer of medical service and warrant officer of medical service.</p> <p>According to the amendment made to the Articles 22 and 29 of the Statute, special ranks are given to the customs officials individually, in successive manner (as mentioned in Article 29 of the Statue, with the exception of cases when the special rank is conferred before due time, but never more than one rank higher than the assumed special rank) in accordance with their education, period of service in their current special rank, the period of work, special rank limits in their positions as well as other conditions provided for in the Statue.</p> <p>According to the amendment made to the Article 38 of the Statue, a special rank is given to a customs official for life and it can be taken from him/her only in the manner set forth by the legislation. According to the Decision of the Plenum of the Constitutional Court of the Republic of Azerbaijan dated 23 July, 2004 “On Verification of the Compliance of the Article 48 of the Criminal Code of the Republic of Azerbaijan to the Constitution of the Republic of Azerbaijan” the provisions of the Article 48 of the Criminal Code of the Republic of Azerbaijan providing for the manner in which forfeiture of specific and</p>
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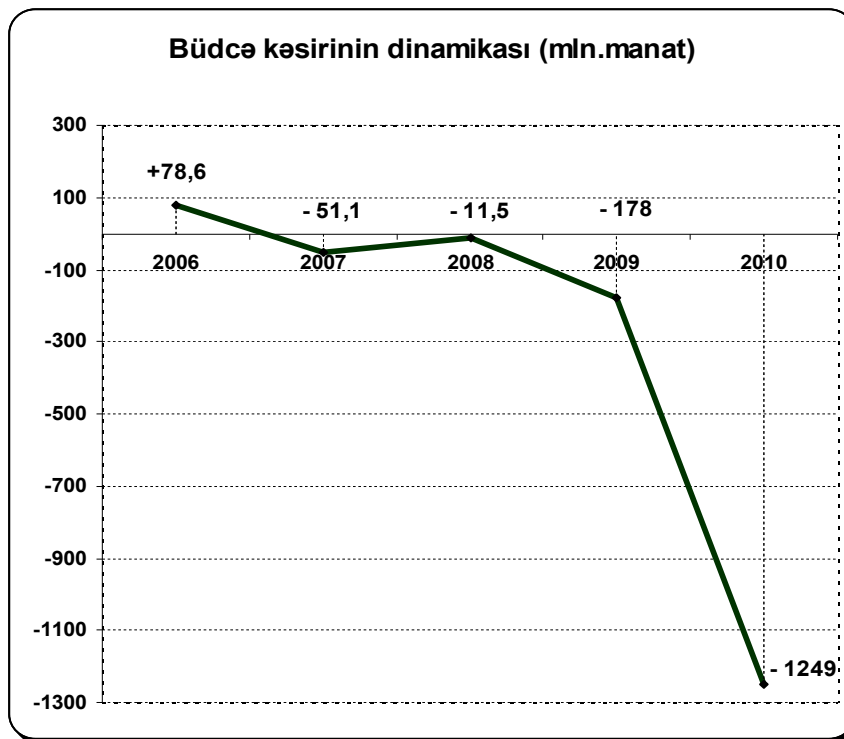
		<p>military ranks shall take place are applied only to military and senior specific ranks. The abovementioned decision recommends to the Milli Mejlis of the Republic of Azerbaijan to identify the order for forfeiture the military and special ranks as punishment.</p> <p>One of the most important changes and amendments made to the Statute is the amendments made to the Chapters 4 and 5 regulating service of customs officials and rules of their service discipline. According to these amendments, in cases when a customs official is transferred to a lower position due to a health condition (based on a reference from a medical commission); or reduction in the staff size due to the impossibility of transferring him/her to an equal position; and if the attestation proves that this employee does not fit the position he/she holds, as well as when he/she is demoted for the purpose of punishment, this person is considered to be shifted to another service position.</p> <p>According to the additions made to the “Service Discipline” chapter of the Statue a new category of disciplinary punishments was added to the list of the disciplinary punishments to be applied to the officials of the customs entities described in Article 69. This new disciplinary punishment envisages “dismissal from customs bodies with forfeiture of the special ranks in the order and according to the rules set forth by the legislation”.</p> <p>Moreover, new cases were added to the Article 120, which regulates bases for termination of services of the customs officials. These include incapacity or limited capacity upon the effective court decision, as well as valid court verdict on conviction of the person or a court decision on necessity of application of mandatory medical actions.</p> <p>Other changes and amendments to the Statue provide for payment of compensations for the annual vacation days not used in the course of the year due to any reason. In these cases customs officials receive compensations for the unused leave days of the working year(s). These amendments also include definition of salaries, additional payments for uninterrupted service years. There are also changes and amendments to the articles regulating the compulsory insurance of the officials’ lives and health.</p>
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Priority area 6

Support balanced and sustained economic development, with a particular focus on diversification of economic activities, development of rural areas, poverty reduction and social/territorial cohesion; promote sustainable development including the protection of the environment

<p>Pursue stable economic growth through prudent fiscal and monetary policies, with a particular focus on keeping a stable non-oil fiscal deficit and low inflation</p> <p>6.2. Continue process of public finance reform to improve efficiency, accountability, transparency and predictability</p>	<p><i>Not implemented</i></p>	<p>The situation in this area in 2010 can be better assessed in the context of the deficit and surplus dynamics of the state budget in the previous years. The fact that the revenue part of the budget for 2006 had only 0,2% increase while expenditures were executed with 5,8% deficit created a surplus of AZN 78.6 mln. (EUR 74, 5 mln) This indicates that this surplus was created not due to the increase of the revenues but rather insufficient (incomplete) implementation of the expenditures. Despite the fact, that improvements have been made to the budgetary legislation in regard with the allocation of the budgetary surplus, there is no information in the budgetary documents about destination of AZN 78,6 mln which was the surplus of the budget for 2006. After changes and amendments to the budget, the budgetary deficit increased for 4,5% as to the preliminary draft of the state budget for 2007 and projected to be AZN 0,5 bln or EUR 0,47 bln and its share in the expected annual GDP supposed to be close to 2,5%.</p> <p>In practice, the deficit of the state budget for 2007 was only AZN 51,1 mln. or EUR 48,4 mln. In the budgetary projections for 2008 the amount of deficit was shown as AZN 11,5 mln, (EUR 10, 89) nonetheless, in the end the volume of the budgetary deficit for 2008 was AZN 11,5 mln. (EUR 10, 89) Budgetary deficit for 2009 was envisaged to be AZN 178 mln. (EUR 168, 67 mln).</p> <p>One of the features of the budget for 2010 is a very large deficit (AZN 1.249 bln or EUR 1, 183 or 4% of the GDP) against budgetary surpluses of the recent years. For the first time, the investments financed by means of foreign loans have also been included in these expenditures. The source of the investment projects that will be financed from foreign loans is not the state budget but rather foreign loans and based on this logic, then the real budgetary deficit shall not exceed 1,8% of the GDP. In such a case, it is not clear on the basis of which grounds the aforementioned investment projects with the cost of AZN 701.424 mln. (EUR 664 ,64) financed from foreign sources have been included into the expenditures part of the budget. Another unusual source in financing the deficit is the paid funds of the budgetary organizations.</p>
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Budget deficit behavior (mln. manat)



Source: <http://www.nbg.az>; <http://www.maliyye.gov.az>, calculations of the author

In 2009 the upper ceiling of the domestic sources for covering the deficit of the state budget for the same year was also raised upon the special Presidential decree. This in fact is the factor which resulted in the increase of the internal resources' use and the indicator for the completion of 2009 with a real budgetary deficit. Foreign debt, which usually grows in parallel with the financing of the fiscal deficit, remained in the similar trend also during the years of fiscal surplus in the country's economy. Foreign debt of Azerbaijan demonstrated dynamics of growth also in 2009, the year characterized as a

<p>Continue commitment to SPPRED priorities and to the achievement of the Millennium Development Goals</p>	<p><i>Partly implemented</i></p>	<p>crisis year. Foreign debt per capita as of 1 October 2009 reached USD 380,6 which means a 44% growth in comparison with the similar period of 2007.</p> <p>Ratio of the state budget deficit to GDP was 0,5% in 2009, 2,4% in 2010 and forecasted to be 1,7% (AZN 687 mln, or EUR 651 mln) in 2011. Ceiling for the state budget deficit envisaged for 2011 is for 10,8% (AZN 770,3 mln – EUR 729, 90 mln) less than the budgetary deficit envisaged for 2010, nevertheless it is 3,9 times more than the factual sum of the state budget deficit of 2009¹⁰. Proceeds from the privatization of the state-owned property which is considered to be one of the main directions of financing are projected in the budget of the next year at the level of AZN 35 mln – EUR 33, 16 mln; this is 36,4% less than the forecasted figure of the state budget for 2010 and for 40,3% less than the execution of the state budget for 2009. Deficit of the consolidated budget for 2011 is identified as AZN 8,7 bln- EUR 8, 2 bln without taking into account the revenues of the State Oil Fund.</p> <p>“The State Program on Poverty Reduction and Sustainable Development for the years 2008-2015” was approved by the Decree of the President of the Republic of Azerbaijan no. 3043 dated 15 September 2008. The program includes the commitments of the government of Azerbaijan on achievement of the Millennium Development Goals (MDGs). The entire set of activities of the government of Azerbaijan for the year of 2010 can be divided into 3 groups:</p> <p>1) <u>The country’s joining to the international Conventions:</u></p> <ul style="list-style-type: none"> -The Republic of Azerbaijan joined the Convention of Council of Europe “On Combating Trafficking in Human Beings” upon the Law of the Republic of Azerbaijan no. 1002-IIIQ dated 11 May, 2010; -Upon the Law no. 1003-IIIQ of the Republic of Azerbaijan of 11 May , 2010 the country joined the International Labor Organization Convention no. 156 “Men and Women – Equal Opportunities and Equal Treatment for Employees With Family Responsibilities” which was adopted in Geneva on June 23, 1981; -Upon the Law no. 1004-IIIQ of the Republic of Azerbaijan of 11 May, 2010 the country joined the International Labor Organization’s Convention no. 183 “On Protection of Motherhood” (reviewed),
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¹⁰ State budget package for 2011 (Volumines 1 and 3), Baku 2010

		<p>adopted in Geneva on June 15, 2000.</p> <p>2) <u>Improving the country's existing legislative framework in this field:</u> The Law of the Republic of Azerbaijan no. 1001-IIIQ of 11 May 2010 on fight against AIDS was adopted. This Law sets forth the legal framework for prevention, diagnostics and treatment of AIDS (HIV infection) as well as socio-psychological assistance to HIV- positive people, and regulates relations appearing in this sphere.;</p> <ul style="list-style-type: none"> - The Law of the Republic of Azerbaijan (no. 999-IIIQ, of 11 May , 2010) On Mandatory Insurance against Cases of Loss of Labor Capacity Due to Industrial Accidents and Occupational Diseases. This Law regulates relations in the field of mandatory insurance against cases of loss of labor capacity due to industrial accidents and occupational diseases, and establishes legal, economic and organizational bases of these relations; - The Law of the Republic of Azerbaijan on Prevention of Domestic Violence (no. 1058-IIIQ, 22 June, 2010). This Law defines and regulates actions to prevent violence committed as a result of misuse of close family relations, current or former joint living, prevention of negative legal, medical and social consequences of this kind of violence, social protection of and legal assistance to people who suffered from family violence, as well as prevention of cases that cause domestic violence. <p>3) <u>practical steps:</u></p> <ul style="list-style-type: none"> - In the state budget of the FY 2010 resources were allocated for a number of health programs, including “the State Program on Protection of Health of Mothers and Children”, “Program of Action on Preventing and Fighting against HIV/AIDS in the Republic of Azerbaijan”, documents on fighting against contagious, and oncological diseases, tuberculosis, etc.); - Resources were allocated from the state budget of FY 2010 to finance a number of educational programs (such as distribution of free textbooks to the students, education of children who require special treatment, etc.); - Resources were allocated from the state budget of the FY 2010 to finance building, renovating and improving material and technical maintenance of education and healthcare facilities. These activities are going on during this year; - AZN 2,0 mln (around 1, 89 mln Euro) were allocated from the Reserve Fund of the President of the Republic of Azerbaijan to improve healthcare services to the population of the country. These funds will be spent on completion of the construction of the new hospitals in Sheki and Aghdash
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		<p>towns (Presidential Decree of 5 November, 2010). Besides, AZN 7,0 mln (around 6 mln 605 thousands Euro) were allocated for the purchase of modern ambulance cars (Presidential Decree no.784 of 4 March, 2010) from the same Fund;</p> <ul style="list-style-type: none"> - Upon Decree no. 116 of the Cabinet of Ministers of the Republic of Azerbaijan of 24 June, 2010 “ A Development Program on Medical Personnel in the Healthcare Facilities in the Republic of Azerbaijan for the period of 2010 - 2014” was approved. The program envisages a set of actions to improve provision of the healthcare facilities with health personnel; - An amendment was made to the “Actions Program on Protection of Mothers’ and Children’s Health” upon the Decree no. 178 of the Cabinet of Ministers of the Republic of Azerbaijan of 15 October , 2010. (The initial program was approved with the Decree no.211 of the Cabinet of Ministers on 15 September 2006.) This addendum envisages reconstruction and renovation of maternity hospital no. 4 located in Lokbatan settlement of the Garadagh district and its provision with medical equipment.; - The Cabinet of Ministers of the Republic of Azerbaijan adopted a decision “On Defining Actions Regarding Additional Privileges and Stimuli for Young Specialists Who Graduated from Higher and Middle Vocational Schools and Colleges with Pedagogical Specializations and Started to Work in Public Secondary Schools” (Decision no.67 of 14 April 2010). The decision assumes stimulating young specialists’ work in public education entities located in rural districts after graduating from universities and colleges with pedagogical specializations. <p>Notwithstanding all the abovementioned, it should be reminded that in 2010 10 years passed since the UN’s Declaration of the Millennium Development Goals. The “State Program on Poverty Reduction and Sustainable Development in the Republic of Azerbaijan for the years of 2008-2015” determines the target of achieving average indicators on child mortality under the age of 1 year among the European countries until the end of 2015. However, the indicators of child and maternal mortality in Azerbaijan are far from the assumed target. According to the official information provided by the State Statistics Committee, the coefficient of maternal mortality (for every 100 thousand infants born alive) in our country has decreased down to 24.3 in 2009 from 37.6 in 2000. The child mortality under the age of 1 year has dropped down to 11.4 in 2009 from 16.4 in 2000. However this information is different from the information provided by UNICEF (the coefficient of child mortality under the age of 1 year is 34) (source: http://www.unicef.org). Even though Azerbaijan was supposed to complete transition to UNICEF’s respective criteria in 2010, this did not happen. Despite the fact that the state budget allocations on healthcare have increased 10 times within the last 10 years the expenditures of the state on healthcare have not gone up from only 1 per cent of GDP. (www.budget.az). Spending from the population’s own pockets for healthcare and education services keep rising. No serious progress was made in application of mandatory health insurance in the</p>
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<p>Continue the reform of the health sector; improve quality coverage and efficiency and establish effective management systems</p>	<p><i><u>Not implemented</u></i></p>	<p>country in 2010.</p> <p>Even though the size of the state budget allocations on financing education and improving material and technical maintenance of education has increased many times, the research of the Center for Support to Economic Initiatives shows that decrease in the average level of the secondary education in the country is continuing. Particularly, the level of knowledge of children who study in regions and rural areas keeps going down. (http://www.sei.az/news-953.html).</p> <p>Despite it was planned that application of compulsory medical insurance and other crucial reforms would have been conducted in 2010, no serious changes took place in the course of the year in the abovementioned sector. On the contrary, in 2010 situation in this sector with its traditional problems, such as illegal (unofficial payments), quality of health care services deteriorated.</p> <p>As a result of this neither local experts, nor international organizations and citizens are satisfied with the level of reforming the health care system in Azerbaijan. Main concerns in this sector are the inefficient financing method and low quality of services. Under such circumstances, despite the need to eliminate the aforementioned problems emerged long time before, the government has not yet undertaken any real steps for resolution of these problems. Thus, despite the fact that improvement of the primary health care service quality and transition to per person financing from per bed financing in health care were among main objectives of both, the State Program on Poverty Reduction and Sustainable Development (SPPRS) for the years 2003 – 2005 and health care section of the new program, their implementation did not take place. First steps in the field of application of the compulsory insurance system were made only since this year (www.health.gov.az) .</p> <p>According to the information provided to mass media by the Head of the Social Policy Commission of the Milli Mejlis (Parliament), the Cabinet of Ministers and the Ministry of Health have created a list of citizens who will be covered by the compulsory medical insurance on primary health care service. 190 types of services have been included into the package of medical aid that will be provided free of charge. It is expected that the new method will be applied in Ismailli and Sheki regions by the end of the year and cover the entire territory of the country since next year. (www.cesd.az) .</p> <p>May we remind you that Compulsory Medical Insurance Agency under the Cabinet of Ministers was established in 2007. Compulsory Medical Insurance fee in the size of 3-4 percent of citizens' salaries will be collected by this agency. Relations of this agency with prevention and rehabilitation institutions will be</p>
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<p>Continue the restructuring of SOCAR (State Oil Company of the Azerbaijani Republic) and of other major state-owned corporations, in line with good international practices</p>	<p><i><u>Not implemented</u></i></p>	<p>based on agreements. Modification of the existing mechanism of management the funds allocated from the state budget and creation of new economic principles are the main prerequisites for application of the compulsory medical insurance system and at the same time, is the necessary step toward more efficient use of state allocations to the health care system. After application of this system health care services provided to population will be conditionally divided into two parts. The first part consists of the services guaranteed by the state and provided to citizens free of charge (services included into basic package). The second part includes additional health care services. The services included into the basic package are primary health care, emergency medical care and services of certain profile physicians and they will be paid from the state budget and compulsory medical insurance fees while the additional services will be paid by citizens themselves, from voluntary insurance funds and various financial aids.</p> <p>As it is seen, application of a compulsory medical insurance system means foundation of totally new relations and creation of a new financing system in the health care sector of Azerbaijan. In this view it is very important to find out pros and cons of the new system in the very first stage of its application, as well as identify shortcoming and problems in the work of the institutions that will apply this new system, to receive opinion and feedback from citizens and develop recommendation and proposals on the basis of them to eliminate those problems.</p> <p>Analyses show that 2010 has become a lost year from the viewpoint of health care reforms. Moreover, certain facts related to licensing becoming a stricter procedure, increasing administrative interferences in the sector were observed.</p> <p>No serious steps have been made in Azerbaijan during recent years aiming at growing the private sector, developing small and medium sized entrepreneurship, and denationalizing (privatization) of the economy, despite the declaration of the Azerbaijani government since November 2009 about completion of the “transition period” in the country and the establishment of the market economy.</p> <p>It should be taken into account that when assessing the share of private sector in GDP the State Statistic Committee includes also the oil and gas produced by the foreign companies within PSAs (production sharing agreements). In fact, in 2010, 45 out of 52 million tons or 86,5% of the oil that will be produced will be extracted within PSAs. 80% of the profit oil belonging to Azerbaijan is produced by the State (State Oil Company) and has nothing to do with the private sector. Annually 50% of the oil revenues (approximately 7 – 7,5 billion manats, 13 – 14 billion manats if to take account also the expenditures of the State Oil Company) are spent and all these activities are carried out by the State. It means that the real</p>
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	<p>weight of the private sector in the economy of Azerbaijan remains still low as it used to be.</p> <p>Moreover, the government of Azerbaijan does not support the denationalization policy (the energy sector is still fully under the state monopoly, in the field of communications the state owns a very large portion of resources and has been postponing privatization of the “Aztelecom” company for more than 10 years now) and has been actively implementing during the last year creation of a monopolist and mega state-run company.</p> <p>In July 2009 the state-run “Azerigaz” closed joint stock company (was responsible for transportation and distribution of the gas in the country and had 8 thousand employees) was liquidated and joined to SOCAR. In 2 April 2010 upon the Decree of the President, the state-run “Azerkimya” (Azerchemistry) Company (a monopolist company in the sphere of chemistry, had 6 thousand employees) was liquidated and subordinated to SOCAR. Thus, a state-run company having 75 thousand employees has been created. The taxes paid only by the SOCAR constitute more than 35% of the overall collections of the Ministry of Taxes. Generally, it has been forecasted that 67,6% of the budgetary revenues of 2010 will come to the share of the oil sector. The weight of the oil and gas sectors in export (including oil products as well) reaches 96%.</p> <p>Besides, SOCAR is intensely investing abroad, and its assets outside of the country are increasing day by day. SOCAR has spent \$2,04 billion to acquire 51% of the shares of PETKIM chemistry complex of Turkey; received a license for construction of a new oil processing plant in Izmir (Turkey) and has made a decision to invest \$5 billion in 2011 – 2014 for this purpose. The Company also spent some \$400 million on purchase of a Kulevi oil terminal in Georgia, and planned to allocate \$250 million on reconstruction of the 31 gas distribution network in Georgia (half of it has already been implemented). Currently SOCAR operates 53 gas stations in Georgia and planning to increase their number up to 60 till the end of the year. Approximately \$50 million have been invested so far for the development of this sphere. Moreover, SOCAR has purchased a part of the Fujeyra oil terminal in the United Arab Emirates (the cost of this purchase was not disclosed to the society), started construction of 30 gas stations in Odessa province of Ukraine (costs are unknown).</p> <p>Indeed, under such circumstances, the implementation of the abovementioned projects with the SOCAR funding is a problematic issue, as SOCAR’s annual profit does not allow this (according to the results of 2009 its profit was AZN 1,297 billion or \$1,6 billion). This is the reason why SOCAR pursues a policy of benefitting from state financial recourses through various means. For instance, the President allocated, upon his Decree in 2009, AZN600 million from the state budget to increase the Charter capital of the SOCAR. On December 29, 2009 again upon the Decree of the President AZN327 million or \$402 million according to the existing exchange rate at that time, were allocated to SOCAR for writing off the debts of the population for utilization of the natural gas (it is still not known for which period of time).</p>
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State-run companies	Area	Opening for privatization
SOCAR	Geological-exploration, extraction, transportation, processing, wholesale and retail sales of oil and natural gas, chemical products	Not opened
Azerbaijan rail Roads	Monopolist of passenger transportation and rail roads construction and exploitation	Not opened
AZAL	Monopolist in air transport	Not opened
AzTeleCom	Monopolist in fixed telephone communications	For 5 years it has been periodically opened for privatization, nevertheless so far not even 1% has been privatized
Caspian Sea Navigation Department	State-run company in sea transport	Not opened
Azerenergy	State-run company having control over production and transportation of energy and distribution networks in more than 80% of the country's territory	Not opened

<p>Strengthen administrative structures and procedures to ensure strategic planning of environment issues and coordination between relevant actors</p>	<p><u>Under implementation</u></p>	<p>President of Azerbaijan declared the year of 2010 as “The Year of Environmental Protection in Azerbaijan” and defined an objective to plant 30 million trees for environmental restoration. This decision had a stimulating effect on the relevant structures -environmental activities has been observed throughout the year.</p> <p>The Ministry of Ecology and Natural Resources of Azerbaijan have been very active in the international arena. A number of international events directed toward solution of global and regional environmental problems took place in Azerbaijan. Top ones among these events were the European Conference on Biodiversity held on 5-7 July, 2010 in Gabala jointly by the UNEP (United Nations Environmental Program), the Secretariat of the Convention on Biodiversity and Ministry of Ecology and Natural Resources of Azerbaijan within the framework of the preparation for the 10th anniversary of the Convention. The conference has had a significant impact on intensifying nature protection activities and improvement of the works on preservation of biodiversity in Azerbaijan.</p> <p>The next significant event was the conduct of the 22nd session of CIS Intergovernmental Council on Hydrometeorology in Baku on 5-6 October, which was attended by the Secretary General of the WMO (World Meteorological Organization) Mr Michel Jarraud. This event was assessed as a significant contribution to the work on reduction of negative consequences of the climate change.</p> <p>On 18 November a Summit of Caspian Littoral States was held in Baku where new steps in determination of the legal status of the Caspian Sea were taken. The achievement of final status would meet modern geopolitical realities and assist the preservation of ecosystem and reduction of pollution.</p> <p>The regional seminar “On reinforcement of the capacity for conducting transboundary and strategic assessment on environment” was held on 16-18 June in the course of which the importance of strengthening the expertise in development of the legal framework for realization of the methodology of strategic assessment in Azerbaijan was discussed.</p> <p>In July the Regional Ecological Center for Caucasus (REC Caucasus) jointly with the Ministry of Ecology and Natural Resources organized a seminar –training for representatives of small and medium enterprises on organic (ecologically clean) production and energy efficiency within the framework of the project “Support to competitiveness and efficiency of small and medium sized enterprises on the basis of organic production in Caucasus”. Organization of the event was funded by the Ministry of Housing,</p>
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	<p>Territorial Planning and Environment of the Netherlands. The seminar aimed at provision of support to sustainable development of industry and minimizing its environmental impact through stimulation of the development of small and medium sized enterprises. SMEs are encouraged to apply high technologies to increase economic efficiency and ecologically clean production.</p> <p>The Caucasus Regional Ecological center continued its work on several projects; first of all, this is “Development of Road Map on sustainable management of the Kura and Araz rivers basin in light of application of the EU Directives”, on the basis of the development of the National Action Plans on ENP policy, as well as agreement and adoption of the National Road Maps. This project is directed toward establishment of Road Maps and provision of support to governments first of all in coordination of existing and potential projects at national and regional levels. The following significant project within the framework of the “Mountain program” was “Fostering to the Development of the Policy and Practice of the Community Forest Management in Caucasus Mountainous Regions” . These projects help to apply EU directives at the local level, nevertheless, so far there had been little achievements at national and regional levels.</p> <p>Organization of the Second Environmental Performance Review in Azerbaijan (second review-ese/cep/158/ISSN 1020-4563) upon the initiative of the Government of Azerbaijan can be considered as a significant activity. Review was developed on the basis of the work of a group of experts in Azerbaijan during 12 – 21 April, 2010. It was considered by the Ecological Policy Committee during November session with the presence of high rank officials from Azerbaijan. Ecological performance received sufficiently high evaluation, nevertheless the following shortcomings were also noted: weak interagency cooperation and gaps in the legislative framework used for decision making. Recommendations of experts contained the necessity of the urgent development and application of the legal mechanisms envisaged for strategic ecological assessment and public ecological expertise.</p> <p>It should be noted that necessary works for the development and adoption of the Law “On Public Ecological Expertise” have been carried out this year. A developed draft was reviewed by the experts several times, significantly changed and submitted to the relevant structures of the Ministry of Ecology. Nevertheless, it is worth to mention that so far the draft law has not been opened for public debates.</p> <p>Comprehensive analyses of the programs and projects implemented by other agencies allow to assert that the key large projects planned for realization have in their structure main requirements on ecology and</p>
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		<p>nature conservation. The following may be shown as examples of such projects:</p> <ul style="list-style-type: none"> • Construction and reconstruction of the transport infrastructure of Azerbaijan implemented by the Ministry of Transport; environmental impact assessment procedure and in the majority of cases public debates are held on all implemented projects. Nonetheless, reconstruction and maintenance of the transport infrastructure carried out by the local authorities do not have such documents and public debates on them are not held. • Development of the strategy on and solution of the problems of solid waste management implemented by the “Clean city” firm with the support of the Ministry of Economic Development is carried out with the use of all procedures and on the basis of the public tender utilizing best practices of the developed countries on waste management. • The Committee on Urban Planning implements the project on “Development of the plan on territorial- functional development of the economic zones of Azerbaijan” which also encompasses all main procedures on environmental assessment. <p>Thus, the analyses show that the situation regarding this assessment may be evaluated in Azerbaijan as “under implementation”. Together with this it should be noted that implementation of the fundamental procedures and ecological expertise still remains a prerogative of large projects which are implemented with the financial support of international financial sources. It would be expedient to mention in recommendations the necessity of acceleration of the process of development and adoption of the legal norms in this sphere, using existing experience in the country on strategic assessment and procedures of conduct EIA and ecological expertise.</p>
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<p><u>Priority area 7</u> Further convergence of economic legislation and administrative practices</p>

<p>Continue reforms in the field of public investment policy</p>	<p><i>Partly implemented</i></p>	<p>As the financial strength of the Republic of Azerbaijan has been increasing due to the large oil revenues, the government expenses are also increasing. As a result the government investment spending also increases. The state investments are directed towards building, renovating and rebuilding of production and social infrastructure facilities. State investments are allocated from the state budget as well</p>
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		<p>as from the State Oil Fund. Moreover, large state companies, particularly SOCAR, spend funds on these projects. The money allocated for investment spending from the state budget of the Republic of Azerbaijan has been AZN 4.2 bln, (around 3.9 bln Euro) which is 34 per cent of the budgetary expenditures. Allocation of AZN 3.4 bln (around 3.2 bln Euro), which is 26.6 per cent of the total budgetary expenditures in the FY 2011 was planned. (sources: www.maliyye.gov.az ; www.budget.az). However, despite this high proportion of the investment expenses allocated from the state budget the state investment projects are not submitted to the review of Milli Mejlis together with the relevant budgetary documents. When Milli Mejlis discusses and approves the state budget, it approves the investment spending in the general manner. Distribution of spending among different projects is done according to the Decree of the Cabinet of Ministers. The research conducted by the National Budget Group revealed that the respective decrees on distribution of investment spending are not submitted either to the members of the Milli Mejlis or disclosed to the public (source: www.nbg.az; www.budget.az).</p> <p>In addition to the aforementioned, the following actions should be noted in the area of state investment policy in 2010:</p> <ul style="list-style-type: none"> - Upon the decree of the President of the Republic of Azerbaijan of 17 March 2010 “The Rules of Development, Implementation, Monitoring and Evaluation of the State Investment Program of the Republic of Azerbaijan” were approved. The Rules define the organizational, legal and economic bases for development, implementation, monitoring and evaluation of the State Investment Program in the Republic of Azerbaijan. According to the Rules, the proposal of the State Investment Program is developed by the Ministry of Economic Development, who takes the prognoses of the country’s main macroeconomic indicators, mid-term socio-economic development concept as well as the main directions and priorities of the investment policy based on the state programs. The document includes the rules of inclusion of investment projects to the priority state investment projects. However, this document was not meant to make serious changes in the already formed practice of decision making in the field of the state investment policy and investment projects in general. The Rules do not include any parliamentary or civil control mechanisms on development of the state investment projects, adoption of certain decisions, as well as implementation of projects. - The Cabinet of Ministers of the Republic of Azerbaijan has adopted a decree no 183 on “On Directing Large Investments Allocated from the State Budget and Extra-Budgetary State Funds towards Increase in the Charter Capital of the State Companies” on 22 November 2010. According to this decree, starting from 2010 the state-supported budget allocations for improvement of the work of the state-run enterprises, strengthening their material and technical facilities as well as
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		<p>restructuring and development of the infrastructure of the facilities they own, that provide different services will be included into the charter capital of those enterprises. This will be done in accordance with the legislation. Moreover, the allocated large investments from the state budget and extra-budgetary state funds were considered during the period of 2007-2009 as allocations directed towards increasing the charter capital of the state-run enterprises. This Decision is important from the view point of finding out what happens to the finances allocated from the state financial resources to the state-run enterprises.</p> <p>In 2010 no steps on improving the legislative framework in the sphere of control over the use of the state budgetary resources (including the state investments), strengthening financial control over spending budgetary resources, improving the legislative framework on state purchases as well as strengthening the monitoring system over state purchases were undertaken. Budget Code has not been developed. Despite the Draft Law on financial control was added to the agenda of Milli Mejlis back in 2008, afterwards, due to unknown reasons it was taken out of the agenda.</p>
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Priority area 8

Strengthening EU-Azerbaijan energy bilateral cooperation and energy and transport regional cooperation, in order to achieve the objectives of the November 2004 Baku Ministerial Conferences

<p>Implement and monitor regularly the level of implementation of the Memorandum of Understanding on the establishment of a Strategic Partnership between the European Union and the Republic of Azerbaijan in the</p>	<p><i><u>Under implementation</u></i></p>	<p>In 2010 implementation of the number of provisions of the Memorandum of Understanding on Energy Cooperation between the EC and Azerbaijan undersigned in 2006 progressed. As Azerbaijan is both producer and transit country, it is important to mention several agreements signed this year, namely the agreement on development of “Chirag-2”, as well as the contracts on development of “Asiman” and “Shafag” fields. Drilling of the exploration well in “Umid” was completed successfully in November. Preliminary reserves of gas and LNG in “Umid” are estimated as 200 BCM of gas and 50 mln tons of LNG. One of the major accomplishments of this year has become the expansion of the “Eastern corridor” for transporting oil and gas from the Caspian Sea. On 16 November a very important agreement on transportation of the Azerbaijani LNG to Romania (AGRI) was signed by the Presidents of Azerbaijan, Georgia and Romania. Immediately after signing this political agreement the process of establishing a JV on transportation of the LNG from Azerbaijan to the port Constanta of Romania through Georgian ports started. Minister of Energy of Azerbaijan declared step-by-step increase of the capacity of this new</p>
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<p>Continue cooperation on Caspian and Black Sea regional energy issues, including in the context of INOGATE and the follow-up to the EU-Black Sea-Caspian Basin Ministerial Conference held in Baku in November 2004</p>	<p><i>Implemented</i></p>	<p>is USD 1.2 billion for upcoming several years. The structures of the “Azerchemistry” also remained linked with the largest petrochemical complex PetChem one of the owners of which also became SOCAR. It is not excluded, that “Azerchemistry” will function with the support of small private enterprises, established around the former concern until a new petrochemical complex is created.</p> <p>As a whole, all sectors of the FEC with no exception moved from denationalization toward centralization. But each attempt to push development of “satellite” private sector in this sector will require necessary changes and amendments to laws, which should draw borderlines between competitive and monopolistic activities in the sector, provide access to direct clients to increase their number in the market, create mechanisms for regulation of the monopolistic services, provide protection of public interests and identify commitments, implementation of which would provide transparency. The independent energy regulator, important for setting up and optimization of tariffs has not been established yet in the country this year. In the end of October, first meeting of the Executive Board within the EU program “Support to reforms in the area of energy ” was held. The first tranche of the EU with the amount of EUR 3 mln (out of EUR 13 mln) has already been transferred to Azerbaijan. These funds will be used to support the efforts of the government of Azerbaijan directed toward development of the national energy strategy, as well as toward provision of energy efficiency and development of renewable energy resources in Azerbaijan.</p> <p>Successful steps have been undertaken to develop energy cooperation between the countries of the Black Sea and Caspian Sea regions.</p> <p>Construction works of the new terminal envisaged for the transfer of oil to the west coast were continued in the Kazakh port Aktau. There was a positive development in the terminal in Kulevi port which belongs to Azerbaijan: in May of this year transfer of crude oil started from Kazakhstan through Kulevi port for the first time. Future construction of LNG plants in the Black Sea coast of Georgia and Romania may stimulate construction of such plants in the sea costs of Azerbaijan and Turkmenistan too. Ukraine is going to construct a LNG plant to in the Odessa region with the capacity of 10 BCM of natural gas, while Azerbaijan promised to supply Ukraine 1 mln tons of oil to support development of the oil pipeline Odessa-Brody. Thus, Azerbaijan has implemented its commitments on development of this corridor including construction of industrial and logistical structures in it. Particularly, the SOCAR acquired significant assets in Georgia and Ukraine which makes this corridor more sustainable.</p>
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Support the development of cooperation in accordance with the documents adopted at the EU Black Sea-Caspian Basin Ministerial Transport Conference held in Baku in November 2004

Under implementation

Efforts to join Black Sea and Caspian Sea littoral states in the single transport hub have become more intensive in 2010. Discussions held during recent times have focused on sea shipments and development of logistics in the Caspian-Black Sea corridor. In October, first investment forum of the TRACECA was held in Brussels where 2 projects from different countries were presented. Azerbaijan introduced a project of International logistical center in Alat port, construction of which has just started. European investors from Germany, Italy, European Investment Bank and number of other investors have been involved in this project. One of the reasons for such interest of investors was the fact that the first free economic zone in Azerbaijan is planned to be created in the territory of this future port.

In essence, this project is going to become a substantial contribution to the synergy of the Black Sea and Caspian Sea basins to promote their greater cooperation Earlier the project “Motorways of the Black Sea and the Caspian Sea” was developed within ENP, which was enriched this year with the supplementary project “Provision of services in logistics processes and the motorways of the sea”. The project aims to promote the development of comprehensive, efficient and multimodal freight transportation which are the basis for maritime transport between TRACECA and inter-modal transport chains that support integrated multimodal transport maritime routes, promoting the development of trade relations between the states participating in the concept of the integrated supply chain. The countries of the region continued intensive development of bilateral relations, particularly between Azerbaijan and Georgia and Azerbaijan and Kazakhstan. For example, a Memorandum undersigned between Georgia and Azerbaijan envisages development of competitiveness of the Georgia-Azerbaijan corridor. Nonetheless, there are also proposals to create consortium on TRACECA project in order to provide institutional additions to it.

Modernization of Azerbaijani and Georgian railroads started. Since this year, implementation of the state program on development of railroads starts in Azerbaijan. Cost of this project is AZN 1.2 bln. Finally, all the aforementioned shall lead to establishment of efficient and comprehensive inter-modal transport chains enabling new type of trade relations between the member-states of the project. The Azerbaijani side assumes that in the presence of long term agreements this may foster investment injections into the TRACECA project. Process is going on and for this reason evaluation here is needed.

Priority area 9

Enhancement of cooperation in the field of Justice, Freedom and Security, including in the field of border management

<p>Develop by 2006 an integrated border management strategy and enhance inter-agency cooperation among State authorities involved in border management as well as cooperation with neighbouring countries, including proper border demarcation and full implementation of existing bilateral border co-operation agreements and protocols (notably with Georgia, Iran, the Russian Federation and Turkey)</p>	<p><i>Partly under implementation</i></p>	<p>As of September of 2010, the project on “Support to Integrated Border Management Systems in the South Caucasus” (SCIBM) has officially started to be implemented jointly with the government of Azerbaijan, which is financed by European Union and is implemented by UNDP.¹¹ The project is aimed to improve the cooperation among the national agencies in the area of border management, expand bilateral and regional cooperation with neighboring border states, EU member countries and other international organizations, ensure border security and development of strategic management capacity and develop a proper document taking into account the Azerbaijani legislation. The project worth 6.3 million euros is expected to be completed by 2012. Within the frame of the project it is envisaged to create “a green zone” at the border of Azerbaijan with Georgia and to set up a system of integrated border management. Although the project is regional in nature, however, only two countries of the South Caucasus have been involved into the project activities – Azerbaijan and Georgia. The cooperation with Armenia is out of the question before the Armenian-Azerbaijani conflict over Nagorno-Karabakh is settled and the occupied Azerbaijani lands are liberated, said Farhad Tagizadeh, deputy chief of the state Frontier Service of Azerbaijan.¹² 'Due to the Armenian occupation of 20% of Azerbaijani lands, we are unable to control 132 km of borders with Iran and 733 km with Armenia and this complicates the program implementation. Therefore, we will implement it only on the national level and within the framework of cooperation with Georgia'</p> <p>Thus, developing integrated border management system by Azerbaijan is limited and the project does not cover all the countries bordering with Azerbaijan.</p>
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<p>Review the implementation of the National Action Plan for Combating the Trafficking of Persons as adopted in 2003; assess progress made and envisage follow-up measures</p>	<p><u>Under implementation</u></p>	<p>The first National Action Plan of 2004 – 2007 envisaged establishment of necessary infrastructure for fighting trafficking in human beings and adoption of necessary laws for this purpose, while the second National Action Plan covering the years 2009 – 2013 envisages improvement of these legislative acts, as well as other activities related to prevention of trafficking in human beings and protection of rights of its potential victims.</p> <p>Thus, Article 1 of the National Action Plan for the years 2009-2013 envisages improvement of the legislation in the sphere of fight against trafficking in human beings. According to this Article it has been planned to undertake all necessary steps in the course of 2009 for joining the Council of Europe Convention on Action against Trafficking in Human Beings.</p> <p>This activity started in 2009. On 24 February 2010 the Republic of Azerbaijan signed the “Council of Europe Convention on Action against Trafficking in Human Beings” and Explanatory Note to it. On 11 May 2010 the Convention was ratified.</p> <p>1.Paragraph “b” envisages determination of necessary changes and amendments to the legislation on the basis of the analyses of the relevant legislative framework and taking into account international experience for the purpose of improving laws and regulations in the field of fighting trafficking in human beings. Establishment of a working group for this purpose is among plans as well.</p> <p>Currently implementation of this Paragraph is entrusted to the Cabinet of Ministers, Ministry of Internal Affairs, Ministry of Justice, and Ministry of Foreign Affairs. Inter-agency commission established for implementation of the National Orientation Mechanism related to victims of trafficking in human beings has been included into the composition abovementioned working group.</p> <p>Despite the Paragraph ”c” of the Article 1 provides for carrying out actions envisaged in the Action Plan for development of a draft law on prescribing criminal liability of legal persons for involvement in human trafficking related crimes in 2009, no work have been carried out so far in regard of this Law.</p> <p>Article 2 of the Plan of Actions of the NAP provides for strengthening prevention of trafficking in human beings. In the Paragraph “g” of this Article development and implementation of programs directed toward elimination of social problems creating conditions for trafficking in human beings have been elaborated.</p> <p>The Law of the Republic of Azerbaijan on Prevention of Domestic Violence adopted on 1 October 2010 may become an example from the viewpoint of execution of this Article. Thus, currently one of the most serious problems leading to trafficking in human beings is the domestic violence. Appropriate application of this Law and mutual coordination may play crucial role for prevention of trafficking in human beings.</p>
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	<p>The following issues were discussed in the meetings of the Commission on implementation of the National Orientation Mechanism on development of programs directed toward elimination of social problems creating conditions for trafficking in human beings: assistance provided to victims of trafficking of human beings, works done for protection of their rights, forthcoming obligations, the ways of solving existing problems and so on. Draft documents on implementation of programs for elimination of social problems creating conditions for trafficking of human beings related crimes have been developed by the Ministry of Labor and Social Protection of Population and submitted to the Cabinet of Ministers.</p> <p>Paragraph “h” of the Article 3 provides for implementation of actions to secure employment for victims of trafficking in human beings. Nevertheless, it should be regretfully noted that works for provision employment to victims of trafficking in human beings is not carried out in a serious manner in line with the NAP and Decree of the President of the Republic of Azerbaijan on Rehabilitation and Reintegration of Victims. Thus out of 32 identified victims only 12 were provided with jobs. 7 out of them have found jobs with the support of the Clean World Public Union of Support to Women.</p> <p>g Development and efficient use of a packages of social, legal, pedagogical, and other actions directed toward detection and elimination of reasons creating conditions for child neglect.</p> <p>x. Development and implementation in educational institutions, orphanages, boarding schools, commissions on affairs and protection of rights of juveniles, and other relevant agencies specific programs on prevention of child neglect and violations of their rights.</p> <p>Paragraph “c” of the Article 7 provides for rehabilitation and reintegration of victims of trafficking in human beings.</p> <p>In the beginning of 2010 according to the step-by-step increase of the compensation paid to victims of trafficking in human beings in the reintegration period provided for in the Paragraph “c” of the Article 7 the amount of compensation paid to victims of trafficking in human beings in the period of reintegration was raised and reached 200 from 33 manats. 27 out 32 victims of trafficking in human beings received in 2010 commutation payment.</p> <p>Despite Paragraph “d” of the Article 7 provides for stimulation of entrepreneurs to hire victims of trafficking in human beings to jobs, no serious changes have been observed also in this sphere. This creates obstacles for the victims to completely overcome their vulnerable situation.</p> <p>In line with the National Orientation Mechanism developed on the basis of the recommendations of international organizations and approved by the Decree of the Cabinet of Ministers dated 11 August 2009 an inter-agency working group has been established. Representatives of NGOs and international organizations partake in the work of this group. For instance, on 27 may 2010 another meeting of the group discussing the issues related to the current year was held. Main topics discussed in this meeting were dedicated to protection of rights of victims of trafficking in human beings.</p>
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Priority area 10
Strengthen regional cooperation

<p>Enhance participation in regional cooperation initiatives, e.g. environment, education, border management, transport as well as in the parliamentary</p>	<p><i><u>Under implementation</u></i></p>	<p>As a whole, South Caucasus is in the process of active involvement into world’s political and economical life thanks to the multiple programs in which either individual or all states of the region are participating.</p> <p>On 22 October 21st meeting of the Ministers of Foreign Affairs of the Black Sea Economic Cooperation (BSEC) was held in Baku (with participation of Armenia) where chairmanship was rotated to Bulgaria from Azerbaijan.</p> <p>On 24 May the meeting of the Ministers of Foreign Affairs of the member-states of the “Eastern Partnership” program was held in Poland. The issues discussed there were expansion of the program in the future, increasing financing, visa facilitation, and cooperation in the field of transport.</p>
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<p>sphere</p>		<p>Meeting between Members of Parliaments of Armenia and Azerbaijan was conducted in Moscow in the State Duma of the Russian Federation.</p> <p>As a result of the trilateral meeting of the Presidents of Russia, Armenia and Azerbaijan in Astrakhan, the first practical statement on immediate exchange of the military prisoners and return of bodies of the diseased was made.</p> <p>Armenia and Azerbaijan, represented by their officials, party and public figures paid mutual visits to each other. These visits have become notable events:</p> <p>Katolikos of all Armenians Garegin II participated in inter-religious summit in Baku. On 10 of May delegation of Azerbaijan headed by the Minister of Agriculture of the RA participated in the 27th regional conference of the UN agricultural and food organization (UN FAO) held in Armenia.</p> <p>On 11 October K. Manoian, the head of the Erevan “Ay dat” office of the Armenian Revolutionary Federation “Dashnaksutyun” participated in the regional conference of the Socialist International started in Baku. Another sensational event which resulted in dissatisfaction of the authorities was the meeting of the oppositional parties from three countries which was accomplished with signing the first trilateral document of the political parties from South Caucasus. On 7 October a Declaration between oppositional “Musavat” party of Azerbaijan, Armenian National Movement and Republican Party of Georgia was signed in Potsdam. Leaders of these parties, I. Gambar, A. Manukian and D. Usupashvili undersigned this document.</p>
<p>Strengthen Azerbaijan participation in regional law enforcement cooperation initiatives in Southern Caucasus, including through EC-funded regional assistance initiatives such as SCAD</p>	<p><i><u>Under implementation</u></i></p>	<p>The South Caucasus countries jointly participate in various international and European programs directed toward elimination of existing and emerging social-economic risks and challenges. One of such programs is the SCAD which is directed toward combating spread and use of drugs in South Caucasus. This program is implemented jointly by the UN and EU. Currently a drug control program in South Caucasus (SCAD) is going on. Nevertheless, according to experts and relevant public and civil society institutions, the situation with the use of drugs in the region has more deteriorated than improved. The combat against drugs is one of the rare fields where cooperation among South Caucasus states is successful.</p>
<p>Support the Caucasus Regional Environmental Centre in meeting its</p>	<p><i><u>Under implementation</u></i></p>	<p>Another similar field for cooperation is the activity of the Environmental Resource Center of South Caucasus. Other joint regional projects are: "Promoting Competitiveness and Efficiency of Small and Medium Enterprise Through Cleaner Production in the South Caucasus" "Creation of Enabling Environment for Integrated Management of the Kura-Araks Transboundary River Basin", "Fostering Community Forest</p>

<p>objective to promote cooperation between Governmental and non-Governmental actors in the region, as well as enhance participation in its work</p>		<p>Policy and Practice in Mountain Regions of the Caucasus”, " Sustainable Land Management for Mitigating Land Degradation and Reducing Poverty in the South Caucasus Region" in Armenia, Azerbaijan and Georgia.</p>
<p>Enhance bilateral and multilateral cooperation in the Black Sea region – including strengthened regional economic cooperation through continued engagement with the Black Sea Economic Cooperation Organisation (BSEC) – and between the Black Sea and the Baltic Sea regions</p>	<p><i><u>Under implementation</u></i></p>	<p>Azerbaijan is actively involved in discussions around international transport corridor project North-South which implies creation of the modern infrastructure consisting of rail, marine and motor ways with access to the transport system of the Caspian littoral states. One of the alternative rail road routes within this project assumes to connect Voronej, Baku, Tehran and the Bender-Abbas port.</p> <p>Relations between Baku and Kiev have become more intensive. The Heads of the two states signed on 28 October in Kiev a joint Declaration, as well as the Protocol II of the meeting of the Council of Presidents of Ukraine and Azerbaijan. It is expected that signing the Strategic Partnership Agreement between Azerbaijan and Ukraine for the years of 2011-2015 will be the natural (logical) continuation of the partnership and friendly relations between these countries based on common interests and mutual benefits. Activeness of Ukraine, the largest country of GUAM has notably diminished against this background. An Association of support to member-states of GUAM was established in the USA in May, within which a consultative group bringing together the heads of Diaspora organizations of Azerbaijan, Ukraine, Georgia and Moldova functioning in America is being created. Delegations of GUAM member-states in Washington will discuss till the end of the year a new two-year cooperation plan with USA.</p> <p>Cooperation within the region: SOCAR investments in Georgia have reached \$470 mln. Recent suggestion of Saakashvili about creating a confederation of Georgia and Azerbaijan was a sensation.</p> <p>Turkey and Iran launched negotiations on establishment of free economic (trade) zone in the border of two countries. After realization of the project neighboring countries may join it also. Turkey, Georgia and Azerbaijan commenced construction of an integrated power system; analogical work is carried out by Iran and Armenia.</p> <p>Strategic Partnership Agreement signed between Baku and Ankara in August envisages military support to Azerbaijan. The Azerbaijani side considers it as an adequate reaction to Armenian-Russian military agreement.</p>

<p>Enhance youth exchanges and cooperation on a regional level</p>	<p><i><u>Partly under implementation</u></i></p>	<p>Cooperation between the youth of the region is carried out mainly by the NGOs; public institutions are either very inactive, or even have negative attitude to this type of contacts as it is the case in Armenia. Establishment of the “Republic of Citizens of the South Caucasus” (RCSC) on 27 February 2010 became a prominent event in the cooperation of societies of the SC countries.</p> <p>RCSC is a regional NGO objective of which is to create in the region a territory of citizen cooperation free from state monopoly in peaceful processes. Tegali, the Azerbaijani village in Georgia has been selected as a territory for this project. The village is located in the cross-borders of Armenia, Azerbaijan and Georgia. This is a place where all kind of conferences and meetings that are being organized today elsewhere outside of the region may be shifted to. It has been assumed to hold here citizen events, including with participation of youth, joint exhibitions, concerts, and festivals. The Organization has been registered with the Ministry of Justice of Georgia.</p>
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