



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26.10.2006  
COM(2006) 637 final

Proposal for a

**COUNCIL DECISION**

**on the position to be adopted by the Communities and its Member States within the Cooperation Council established by the Partnership and Cooperation Agreement establishing a partnership between the European Communities and its Member States, of the one part, and the Republic of Azerbaijan, of the other part, with regard to the adoption of a Recommendation on the implementation of the EU-Azerbaijan Action Plan**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

The 2002 Copenhagen European Council, closing accession negotiations with ten new States, recognised that enlargement presented an important opportunity to take forward relations with neighbouring countries based on shared values, and stated that the Union remained determined to avoid new dividing lines in Europe and to promote stability and prosperity within and beyond the new borders of the Union.

The Commission Communication “Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours” of March 2003<sup>1</sup> proposed the establishment of Action Plans with partner countries. On 16 June 2003, the Council welcomed this Communication and invited the Commission, with the contribution, where appropriate, of the High Representative, to present proposals for Action Plans for all countries concerned as appropriate, commencing with Ukraine, Moldova, and Southern Mediterranean partners with Association Agreements.

On 14 June 2004, the Council welcomed the Commission Communication “European Neighbourhood Policy – Strategy Paper”<sup>2</sup>. The Council also welcomed the Commission proposal to pursue the European Neighbourhood Policy (ENP) through Action Plans to be agreed jointly with the neighbouring countries concerned and invited the Commission to propose such Action Plans. The Council also defined how to advance and monitor implementation of such Action Plans.

The Commission Communication of December 2004<sup>3</sup> submitted to the Council for approval a first set of draft Action Plans while the Commission Communication of March 2005<sup>4</sup> submitted the Country Reports for Armenia, Azerbaijan, Egypt, Georgia and Lebanon recommending the starting of negotiations for the drawing up of Action Plans with these countries. On 16 and 17 June 2005, the Council welcomed the decision to establish Action Plans with the above mentioned countries.

The Commission, in close cooperation with the Presidency and the High Representative on issues related to political cooperation and the CFSP, has held exploratory talks with Azerbaijan which have resulted in agreement on a draft Action Plan. It covers a timeframe of five years. Its implementation will help fulfil the provisions in the Partnership and Cooperation Agreement and will contribute to an increasingly close relationship with Azerbaijan, involving a significant degree of economic integration and a deepening of political co-operation. Implementation of the Action Plan will significantly advance the approximation of Azerbaijani legislation, norms and standards to those of the European Union.

The Action Plan is a broad tool for economic and political co-operation, carrying to a further stage the commitments and objectives contained in the Partnership and Cooperation Agreement.

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<sup>1</sup> COM(2003) 104

<sup>2</sup> COM(2004) 373

<sup>3</sup> COM(2004) 795

<sup>4</sup> COM(2005) 72

In accordance with the Council Conclusions of 14 June 2004, stipulating that the Action Plans will be approved by the Council and subsequently endorsed by the respective Association or Co-operation Councils, the Commission attaches the text of a proposal for a Council Decision on the position to be taken by the Communities and their Member States within the EU-Azerbaijan Cooperation Council with regard to the adoption of a Recommendation on the implementation of the Action Plan in annex.

The Commission therefore requests the Council to adopt the attached proposal for a Council Decision.

Proposal for a

## COUNCIL DECISION

**on the position to be adopted by the Communities and its Member States within the Cooperation Council established by the Partnership and Cooperation Agreement establishing a partnership between the European Communities and its Member States, of the one part, and the Republic of Azerbaijan, of the other part, with regard to the adoption of a Recommendation on the implementation of the EU-Azerbaijan Action Plan**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to Article 2(1) of the Council and Commission Decision 1999/614/EC, ECSC, Euratom of 31.05.1999<sup>5</sup> on the conclusion of the Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and the Republic of Azerbaijan, of the other part,

Having regard to the Treaty on European Union, in particular Article 15 thereof;

Having regard to the proposal from the Commission<sup>6</sup>;

Whereas:

- (1) The Partnership and Cooperation Agreement establishing a partnership between the European Communities and their Member States, of the one part, and the Republic of Azerbaijan, of the other part, was signed on 22 April 1996 and entered into force 1 July 1999.
- (2) The Parties intend to agree on an EU-Azerbaijan Action Plan, which will support the implementation of the Partnership and Cooperation Agreement through the elaboration and agreement of concrete steps towards attainment of its objectives.

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<sup>5</sup> OJ L/1999/246/1

<sup>6</sup> OJ xxxxxxxx

HAS DECIDED AS FOLLOWS:

*Sole Article*

The position to be adopted by the Communities and their Member States within the Cooperation Council established by the Partnership and Cooperation Agreement establishing a partnership between the European Communities and their Member States, of the one part, and the Republic of Azerbaijan, of the other part, with regard to the implementation of the EU-Azerbaijan Action Plan shall be based on the draft Recommendation of the Cooperation Council annexed to this Decision.

Done at Brussels,

*For the Council  
The President*

**ANNEX**  
**draft**  
**RECOMMENDATION**

**on the implementation of the EU-Azerbaijan Action Plan**

The EU-Azerbaijan Cooperation Council,

Having regard to the Partnership and Cooperation Agreement establishing a partnership between the European Communities and its Member States of the one part, and the Republic of Azerbaijan, of the other part – hereafter the Partnership and Cooperation Agreement - and in particular Article 81 thereof,

Whereas:

- (1) Article 81 of the Partnership and Cooperation Agreement gives the Cooperation Council the power to make appropriate recommendations, for the purposes of attaining the objectives of the Agreement.
- (2) In terms of Article 98 of the Partnership and Cooperation Agreement, the Parties shall take any general or specific measures required to fulfil their obligations under the Agreement and shall see to it that the objectives set out in the Agreement are attained.
- (3) The Parties to the Partnership and Cooperation Agreement have agreed on the text of the EU-Azerbaijan Action Plan.
- (4) The EU-Azerbaijan Action Plan will support the implementation of the Partnership and Cooperation Agreement through the elaboration and agreement between the Parties of concrete steps which will provide practical guidance for such implementation.
- (5) The Action Plan serves the dual purpose of setting out concrete steps in bringing the fulfilment of the Parties' obligations set out in the Partnership and Cooperation Agreement, and of providing a broader framework for further strengthening EU-Azerbaijan relations to involve a significant measure of economic integration and a deepening of political cooperation, in accordance with the overall objectives of the Partnership and Cooperation Agreement.

HAS ADOPTED THE FOLLOWING RECOMMENDATION:

*Sole Article*

The Cooperation Council recommends that the Parties implement the EU-Azerbaijan Action Plan in annex, insofar as such implementation is directed towards attainment of the objectives of the Partnership and Cooperation Agreement.

Done at [...]

For the Cooperation Council

The President

**ANNEXE**  
**EU-AZERBAIJAN ENP ACTION PLAN**

**1. INTRODUCTION**

The enlargement of the European Union on 1 May 2004 has brought a historical shift for the Union in political, geographic and economic terms, further reinforcing the political and economic interdependence between the EU and Azerbaijan. It offers the opportunity for the EU and Azerbaijan to develop an increasingly close mutually beneficial relationship, going beyond co-operation, to involve a significant measure of economic integration and a deepening of political co-operation. The European Union and Azerbaijan are determined to make use of this occasion to enhance their relations and to promote stability, security and welfare. The approach is founded on partnership, joint ownership and differentiation.

The European Neighbourhood Policy of the European Union sets ambitious objectives based on mutual commitments of the EU and its Member States and Azerbaijan to common values, including the respect of and support for the sovereignty, territorial integrity and inviolability of internationally recognised borders of each other and compliance to international and European norms and principles as well as support for effective implementation of political, economic and institutional reforms. Any breach to these norms and principles by either party to the Action Plan will result in the immediate suspension of its implementation.

Azerbaijan is invited to enter into intensified political, security, economic and cultural relations with the EU, enhanced regional and cross border co-operation and shared responsibility in conflict prevention and conflict resolution.

The level of ambition of the relationship will depend on the degree of Azerbaijan's commitment to common values as well as its capacity to implement jointly agreed priorities. The pace of progress of the relationship will acknowledge fully Azerbaijan's efforts and concrete achievements in meeting those commitments.

This Action Plan is a first step in this process. The EU-Azerbaijan Action Plan is a political document laying out the strategic objectives of the cooperation between Azerbaijan and the EU. It covers a timeframe of five years. Its implementation will help fulfil the provisions in the Partnership and Cooperation Agreement (PCA) and will encourage and support Azerbaijan's objective of further integration into European structures. The EU takes note of Azerbaijan's expressed European aspirations.

Implementation of the Action Plan will significantly advance the approximation of Azerbaijani legislation, norms and standards to those of the European Union. In this context, it will build solid foundations for further economic integration based on the adoption and implementation of economic and trade-related rules and regulations with the potential to enhance trade, investment and growth. It will furthermore help to devise and implement policies and measures to promote economic growth and social cohesion, to reduce poverty and to protect the environment, thereby contributing to the long-term objective of sustainable development. Azerbaijan and the EU will cooperate closely in implementing this Action Plan.

The EU Special Representative for the South Caucasus will assist the relevant bodies in the implementation of this Action Plan in accordance with his mandate.

## **2. NEW PARTNERSHIP PERSPECTIVES**

The European Neighbourhood Policy opens new partnership perspectives:

- The perspective of moving beyond cooperation to a significant degree of integration, including through a stake in the EU's Internal Market, and the possibility for Azerbaijan to participate progressively in key aspects of EU policies and programmes;
- An upgrade in the scope and intensity of political cooperation, through further development of mechanisms for political dialogue and consultations on security issues that affect the interests of both sides;
- Continuing strong EU commitment to support the settlement of the Nagorno-Karabakh conflict, drawing on the instruments at the EU's disposal, including the EUSR, and in close consultation with the OSCE. The EU is ready to consider ways to strengthen further its engagement in conflict resolution and post-conflict rehabilitation;
- Deepening trade and economic relations; providing the opportunity for convergence of economic legislation, the opening of economies to each other, and the continued reduction of non-tariff barriers to trade, which will stimulate investment and growth;
- Increased financial support: EU financial assistance for Azerbaijan will be available to support the actions identified in the present document. The Commission is furthermore proposing a new European Neighbourhood and Partnership Instrument (ENPI) for this purpose, which will cover the main part of EU financial assistance and will include aspects of cross-border and trans-national cooperation. The Commission also intends to propose an extension of the EIB mandate to Azerbaijan as of 2007;
- Possibilities of gradual opening of or reinforced participation in certain Community programmes, promoting cultural, educational, environmental, technical and scientific links;
- Support including technical assistance and twinning to meet EU norms and standards, and targeted advice and support for legislative approximation through a mechanism such as TAIEX;
- Establish a dialogue in accordance with the *acquis* on matters related to the movement of people between the EU and Azerbaijan;
- Opening as soon as possible of a Commission Delegation in Azerbaijan.

In light of the fulfilment of the objectives of this Action Plan and of the overall evolution of EU-Azerbaijan relations, consideration will be given in due time to the possibility of a new contractual relationship.

## **3. PRIORITIES FOR ACTION**

The Action Plan sets out a set of priorities in areas within and beyond the scope of the Partnership and Cooperation Agreement. Among these priorities, all of which are important, particular attention should be given to the following areas and specific actions:

## **Priority area 1**

*Contribute to a peaceful solution of the Nagorno-Karabakh conflict*

### **Specific actions:**

- Increase diplomatic efforts, including through the EUSR, and continue to support a peaceful solution of the Nagorno-Karabakh conflict;
- Increase political support to OSCE Minsk Group conflict settlement efforts on the basis of the relevant UN Security Council resolutions and OSCE documents and decisions;
- Encourage people-to-people contacts;
- Intensify the EU dialogue with the states concerned with a view to acceleration of the negotiations towards a political settlement.

## **Priority area 2**

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

- Continued implementation of electoral reform, on the basis of the CoE Venice Commission and OSCE/ODIHR recommendations;
- Ensure that elections are conducted in full compliance with OSCE commitments and other international standards for democratic elections;
- Continue institutional reforms to ensure proper checks and balances between executive and legislative powers in conformity with the commitments undertaken before the Council of Europe;
- Continue legislative and administrative reforms aimed at strengthening of local self-government.

## **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)*

### **Specific actions:**

- 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;
- Ensure ratification (by 2006) and implementation of the Optional Protocol to the UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;
- Develop an independent public broadcasting service (television and radio services);
- Ensure proper implementation of the Law on Freedom of Information;

- Promote growth of civil society and its organised forms (human rights NGOs, associations, etc). Alleviate the current cumbersome procedures required for NGO registration;
- Promote respect for religious and cultural diversity, including through community-based education, training and awareness-raising programs.

#### **Priority area 4**

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

##### **Specific actions:**

- 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;
- 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;
- 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;
- Pursue a transparent privatisation process. Improve access to finance by implementation of legal rights facilitating lending and competition in the banking sector; by privatising state banks (IBA and Capital Bank) and developing a credit register;
- Develop and implement a comprehensive programme to improve the business climate, in particular by improving the conditions to starting a business, hiring and firing workers, registering a property, getting credit, protecting investing, enforcement contracts and closing a business;
- Continue the modernisation, simplification and the use of information and communication technologies by the tax administration. 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.

#### **Priority area 5**

*Improve functioning of customs*

- 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;
- Continue to implement requirements of the Code of Honour/ Dignity based on the Arusha Declaration and study EU experience on ethics codes for customs officials;

- Provide information on newly adopted import and export regulations and procedures and conduct regular consultations with business groups in this field. Provide full and regular information on tariffs to the public;
- Strengthen the overall administrative capacity of the customs administration, implement customs valuation rules in compliance with international and EU standards; fully implement the currently applicable principles of risk-based customs control and post-clearance control; provide the customs administration with appropriate laboratory expertise as well as sufficient technical facilities in the IT area and other operational capacity; strengthen training of customs officials;
- Exchange experiences on the implementation of EU standards on modernisation of customs procedures and maintaining security in the international trade chain. Conduct training and provide information to strengthen the proficiency of customs officials based on EU best practice and experience.

### **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*

#### **Specific actions:**

- 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;
- Continue process of public finance reform to improve efficiency, accountability, transparency and predictability;
- Continue commitment to SPPRED priorities and to the achievement of the Millennium Development Goals;
- Speed up the implementation of the “Second State Programme of Privatisation of State-owned Property in the Republic of Azerbaijan”, including the privatisation of strategic enterprises;
- Reform the social security system, notably to improve targeting and effectiveness of social protection measures and social assistance;
- Continue the reform of the health sector; improve quality coverage and efficiency and establish effective management systems;
- Continue implementation of the State Programme for Regional Development;
- Continue participation in Extractive Industries Transparency Initiative in order to ensure transparent reporting of revenues from oil and gas extraction;
- 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;
- Continue implementation of State Program on Small and Medium Entrepreneurship Development;

- Further reform efforts in the field of education to promote human resources development;
- Strengthen administrative structures and procedures to ensure strategic planning of environment issues and coordination between relevant actors.

### **Priority area 7**

*Further convergence of economic legislation and administrative practices*

#### **Specific actions:**

- Strengthen the institutions responsible for standardisation, accreditation, conformity assessment, metrology and market surveillance;
- Ensure full conformity of Intellectual Property Rights legislation with PCA requirements and its efficient enforcement;
- Continue reforms in the field of public investment policy.

### **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*

#### **Specific actions:**

- 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 field of energy;
- Implement and continuously update the State Programme on Fuel-Energy Complex Development 2005-2015; ensure an increasing convergence with EU energy policy objectives;
- 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;
- 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.

### **Priority area 9**

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

#### **Specific actions:**

- Develop by 2006 an integrated border management strategy and enhance inter-agency co-operation among State authorities involved in border management as well as co-operation 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);

- Implement the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and sign the new 2005 convention on laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism, which is its natural follow-up;
- Establish a dialogue on matters related to the movement of people including on readmission and on visa issues;
- 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;
- Ensure proper implementation of the UN Convention against Trans-national Organised Crime and its three Protocols to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, against the Smuggling of Migrants by Land, Air and Sea, and against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition.

### **Priority area 10**

#### *Strengthen regional cooperation*

#### **Specific actions:**

- Enhance participation in regional cooperation initiatives, e.g. environment, education, border management, transport as well as in the parliamentary sphere;
- Strengthen Azerbaijan participation in regional law enforcement cooperation initiatives in Southern Caucasus, including through EC-funded regional assistance initiatives such as SCAD;
- Support the Caucasus Regional Environmental Centre in meeting its objective to promote co-operation between Governmental and non-Governmental actors in the region, as well as enhance participation in its work;
- 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;
- Enhance youth exchanges and cooperation on a regional level.

Progress in meeting these priorities will be monitored in the bodies established by the Partnership and Cooperation Agreement and the European Commission will issue a mid-term report on progress accomplished. On the basis of this assessment, the EU and Azerbaijan, will review the content of the Action Plan and may decide on its adaptation as necessary. The European Commission will issue a further report towards the end of the five year period and, on this basis, decisions may be taken on the next step in the development of bilateral relations, including the possibility of new contractual links.

## **4. GENERAL OBJECTIVES AND ACTIONS**

These further actions complement, in many cases, the specific priorities for action listed above.

## **4.1. Political dialogue and reform**

### *4.1.1. Democracy, rule of law, human rights and fundamental freedoms*

*Strengthening the stability and effectiveness of institutions guaranteeing democracy and the rule of law*

#### *Strengthening democratic institutions*

- Continue approximation of national legislation with European standards, in particular, improve the electoral process and ensure its overall transparency in line with OSCE/ODIHR and CoE Venice Commission recommendations;
- Increase efforts to strengthen local democracy, in particular through supporting the creation of a national union of municipalities and ensuring its efficient activity.

#### *Ensuring respect for human rights and fundamental freedoms*

- Further reforming the penitentiary system and improving detention conditions in line with the recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT);
- Closely cooperate with the OSCE and the CoE to reform the police, in order to ensure protection and respect for human rights, prevent and eliminate torture, other mistreatments and corruption;
- Enhance the capacity of institutions dealing with the protection and promotion of human rights, in particular the Office of the Ombudsman and the Government Agent of Azerbaijan at the European Court of Human Rights;
- Continue efforts to ensure trade unions' rights and core labour standards, in accordance with European standards and relevant ILO conventions;
- Ensure respect for the right to freedom of assembly;
- Ensure respect for rights of persons belonging to national minorities;
- Continue efforts to ensure the equality of men and women in society and economic life;
- Promote education about human rights.

#### *Reform of the judicial system*

Continue to enact legislation and implement the reform of the judiciary in line with European standards, and in particular by:

- Improving training of judges, prosecutors and officials in the judiciary, administrations of the Ministry of Justice, the Judicial-Legal Council and prisons, in particular with regard to Human Rights issues and judicial international co-operation;
- Amending the criminal code to abolish or alleviate the provisions relating to defamation or libel cases;
- Improving access to justice;

- Strengthen the capacity of the Judges Selection Committee and the Bar Association.

*Civil service reform and administrative capacity building*

- Reform State administration and civil service with a view to ensure their modernisation, accountability and transparency;
- Promote general and specific awareness-raising measures and training on European standards, institutions and practices amongst Azerbaijani officials.

*Ensure the effectiveness of the fight against corruption*

- Closely cooperate with the Council of Europe Group of States against Corruption (GRECO) and ensure progress in implementing its recommendations.

*4.1.2. Cooperation on foreign and security policy, conflict prevention and crisis management*

*Strengthen political dialogue and cooperation on foreign and security matters*

- Continue to develop EU-Azerbaijan political dialogue on regional and international issues, including in the framework of the Council of Europe, OSCE, NATO and the UN, and on the implementation of the European Security Strategy;
- The EU may invite Azerbaijan on a case-by-case basis to align itself with the EU's positions on regional and international issues;
- Conduct consultations on sanctions issued by the EU, including arms embargoes;
- Develop an enhanced political dialogue and regular exchange of information on Common Foreign and Security Policy including European Security and Defence Policy;
- Exchange of information and possible assistance in the process of security sector reforms;
- Initiate the accession to the Rome Statute of the International Criminal Court and make the necessary legislative and constitutional amendments for its implementation. Fight against international crime in accordance with international law, giving due regard to preserving the integrity of the Rome Statute.

*Further develop co-operation in addressing common security threats, including non-proliferation of weapons of mass destruction and illegal arms exports*

- Cooperate on non-proliferation of weapons of mass destruction, their means of delivery and ballistic missiles, including through implementing UNSC resolution 1540/04, ensuring full compliance with and national implementation of existing international obligations and promoting the accession to and implementation of other relevant international instruments and export control regimes;
- In this context, continue the existing dialogue on our joint policy of non proliferation through enhancing the present cooperation between our researchers being involved in activities aimed at helping the former weapon of mass destruction scientists and engineers to redirect their talents to civilian and sustainable activities in the context of the Science and Technology Centre in Ukraine (STCU);

- Further develop co-operation in the prevention of and fight against the illicit trafficking of materials that are used in the manufacture of WMD;
- Co-operate on developing effective systems of national export control, controlling export and transit of WMD related goods, including WMD end-use control on dual use of goods and technologies, and effective sanctions for breaches of export controls;
- Improve overall co-ordination in the non-proliferation area and examine specific threats related to WMD which undermine regional security and the scope of co-operation in addressing them;
- Cooperate on implementing the provisions of the OSCE Document on SALW, OSCE Document on Stockpiles of Conventional Ammunition and OSCE Best Practice Guide on SALW;
- Improve internal legislation in line with the EU Code of Conduct on Arms Exports;
- As soon as conditions permit, accede to the 1997 Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and transfer of Anti-Personnel Mines and on their Destruction.

*Strengthen efforts and cooperation in the fight against terrorism*

- Strengthen EU-Azerbaijan co-operation in the fight against and prevention of terrorism;
- Co-operate to reinforce the role of the UN in the multilateral fight against terrorism, including through full implementation of UNSC Resolutions 1267/99, 1373/01, 1566/04 and 1624/05 and through implementation of all relevant UN Conventions including the UN Convention for the Suppression of the Financing of Terrorism;
- Work towards the establishment of an information exchange system between relevant judicial bodies and law enforcement agencies of the EU Member States and Azerbaijan;
- Implement the standards laid down in the FATF's recommendations on terrorist financing;
- Ensure respect of human rights in the fight against terrorism.

*4.1.3. Regional Cooperation*

*Participation in regional cooperation initiatives*

- Enhance and develop, as appropriate, new areas of regional cooperation, including through EU-funded regional assistance initiatives detailed in relevant sectors of this AP eg environment, education, border management, as well as the parliamentary dimension;
- Continue to participate in the South Caucasus Parliamentary Initiative with a view to forming a full South Caucasus parliamentary process.

**4.2. Contribute to a peaceful solution of the Nagorno-Karabakh conflict**

*Promote sustained efforts towards the peaceful resolution of the Nagorno-Karabakh conflict*

- Increase political support to OSCE Minsk Group conflict settlement efforts on the basis of the relevant UN Security Council resolutions and OSCE documents and decisions;
- Implement de-mining initiatives;

- Promote measures to assist IDPs and refugees;
- Promote the active involvement of civil society;
- Reinforce the cooperation on these and other matters in support of conflict resolution with the EU Special Representative for the Southern Caucasus.

### **4.3. Cooperation in the Field of Justice, Freedom and Security**

#### *4.3.1. Cooperation on border management*

*Develop an efficient and comprehensive border management system*

- Develop a comprehensive education and training strategy on border management, including improved understanding of Schengen rules and standards;
- Enhance the efficiency of Azerbaijan law enforcement authorities (Police, State Border Service, Customs) through the provision of modern equipment, adequate infrastructures, facilities and training in order to increase in particular the effectiveness of border crossing checkpoints.

*Intensify trans-border cooperation between Azerbaijan and neighbouring countries*

- Further develop regional co-operation between relevant law enforcement bodies (State Border Service, Police, migration services and Customs).

#### *4.3.2. Migration issues (legal, illegal, readmission, visa, asylum)*

*Develop cooperation on migration issues*

- Ensure adoption and proper implementation of the State Migration Programme based on the State Migration Policy Concept within the framework of the SPPRED;
- Exchange of information and cooperation on transit migration;
- Make all possible use of existing Community programmes, including AENEAS and its successor, in order to support actions in the field of asylum and migration.

*Enhanced dialogue on migration issues including prevention and control of illegal migration and readmission of own nationals, stateless persons and third country nationals*

- Exchange of information and best practices on migration and asylum issues (entry and stay, integration, Eurodac system, temporary protection, reception conditions for asylum seekers, detention of illegal migrants) and prevention and control of illegal migration;
- Initiate a dialogue on readmission which could possibly lead in the future to an EC-Azerbaijan agreement in this area; exchange of experience and expertise about the practical implications of such an agreement;
- Develop cooperation on reintegration of returned asylum seekers and illegal migrants;
- Develop cooperation with international organisations and relevant agencies of main countries of origin, transit and destination in order to manage migration processes.

### *Facilitate the movement of persons*

- Exchange of views on visa issues;

Establish within existing PCA mechanisms a dialogue on migration issues including: i) prevention and fight against illegal immigration; ii) readmission of own nationals, stateless persons *and third country nationals*; iii) *visa issues*

- Cooperate to improve security of travel documents and visa in conformity with international standards.

*Develop a modern and efficient national asylum/ protection system in line with international standards that is self-sustaining and that offers integration opportunities for those who qualify*

- Implementation of the principles of the 1951 Geneva Convention and the 1967 Protocol; improvement of national legislation on asylum, refugees and IDPs to bring it in line with EU and other international standards;
- Implement standard procedures relating to treatment of asylum applications, in accordance with EU and other international standards;
- Strengthen the capacity of the State Committee for Refugees and IDPs;
- Provide assistance to IDPs and refugees.

### *4.3.3. Fight against organised crime, trafficking in human beings, drugs and money-laundering*

*Strengthen efforts and co-operation in the fight against organised crime*

- Cooperate with EU law enforcement agencies and international organisations in new crime areas, e.g. Information and Communication Technology related crime, in particular child pornography.

*Reinforce the fight against trafficking in human beings, especially of women and children,(as well as activities to integrate victims of such traffics) and smuggling of illegal migrants*

- Implement actions recommended by OSCE action plan to combat trafficking in Human Beings (approved in Maastricht December 2003, Chapters III, IV and V) and enhance co-operation in the framework of relevant international organisations (OSCE, UN);
- Promote regional co-operation between relevant law enforcement bodies (police, border guards, customs and judiciary);
- Develop mechanisms of protection, assistance and rehabilitation for victims.

*Further strengthen the fight against illicit drug trafficking, including precursor diversion, and against drug abuse in particular through prevention and rehabilitation of drugs addicts*

- Continue implementing the 1988 UN Convention on Illicit Traffic of Narcotic and Psychotropic Substances;
- Reinforce national legislation and develop an anti-drug strategy, covering drug supply and demand reduction, including prevention programmes and programmes for treatment of drug addicts;

- Develop the capacity of relevant national law enforcement authorities;
- Enhance strategic and operational cooperation with Black Sea and Caspian Sea littoral neighbouring countries with a view to better intercept narcotics shipments originating from Afghanistan.

*Strengthen efforts and co-operation in the fight against money-laundering*

- Develop the necessary legislative framework, including the establishment of a Financial Intelligence Unit (FIU), in line with OECD FATF standards;
- Strengthen co-operation between the Central Bank, financial institutions, International Financial Institutions such as the World Bank, the IFC and the EBRD, and law enforcement agencies;
- Exchange information on the existing European structures and the existing system in Azerbaijan as regards the fight against money-laundering;
- Promote application of effective sanctions against money-laundering and set up a proper mechanism to freeze and confiscate proceeds of crime;
- Develop a training programme for the staff of the FIU, judges, prosecutors, and all other relevant personnel;
- Intensify co-operation and promote exchange of information among law enforcement agencies and co-operation between Azerbaijan and international organisations, such as Moneyval and the FATF-style regional bodies (possibly the Eurasian Group), as well as with corresponding services of EU Member states and specialised bodies at European level;
- Once established, envisage membership of the future FIU in the Egmont Group in order to effectively exchange information with Foreign Financial Intelligence Units.

*4.3.4. Police and judicial co-operation*

*Develop international and regional law enforcement cooperation*

- Sign, ratify and implement the second additional protocol to the European Convention on Mutual Assistance in Criminal matters;
- Sign, ratify and implement the 1980 Hague Convention on Child Abduction;
- Improve inter-agency co-operation and international co-operation, in particular enhance law enforcement cooperation with neighbouring States in the Black Sea region and in the Caspian Sea region.

*Further develop co-operation between Azerbaijan and EU Member State judicial and law enforcement authorities*

- Establish a network of contact points with EU Member States judicial and law enforcement authorities with a view to develop cooperation and exchange information;
- Explore the possibilities for co-operation between Azerbaijan law enforcement agencies, and EUROPOL in accordance with the Europol Convention and the relevant Council decisions;

- Sign, ratify and implement the 1981 Council of Europe Convention for the Protection of individuals with regard to Automatic processing of Personal Data.

#### **4.4. Economic and social reform, poverty reduction and sustainable development**

*Continue to pursue prudent macro-economic policies in cooperation with IFIs*

- Strengthen the Medium Term Expenditure Framework to link SPPRED priorities to budgetary process;
- Strengthen the capacity of the monetary authorities on monetary policy and research areas.

*Take significant steps to reduce levels of poverty*

- Introduce effective poverty reductions measures aimed at significant reduction in the number of people with income below the poverty line. Adopt "The State Programme on Poverty Reduction and Sustainable Development for 2006-2015" in order to ensure sustainable development, and cooperate with the EU in this respect;
- Continue to implement the State Programme on Social Economic Development of Regions and take further steps to upgrade infrastructure in regions in order to improve living conditions of population and business climate;
- Implement appropriate employment creation measures aimed at increasing the efficiency of employment and develop the labour market. Reform the social protection system, particularly with a view to improving its efficiency and its focus on the most vulnerable groups of the population (large households, children in institutions, disabled people);
- Continue reform of the health care sector; improve quality, coverage and efficiency; establish effective management systems;
- Continue to improve the quality of the educational system and target it to the needs of the economy, with a particular focus on developing an entrepreneurial spirit;
- Ensure a closer approximation to EU standards in the area of social policy (gender equality, labour law and health and safety at work).

*Social Insurance – pension system*

- Promote exchanges of experiences, dialogue and cooperation on matters of social security, notably on issues such as the reforms of the pension system and of the social insurance.

*Enhance agricultural production and rural development*

- Adopt and implement a reform strategy for the agricultural sector providing for the structural, institutional, legal and administrative support necessary in order to complete the process of land privatisation and liberalisation of land markets and to promote rural development activities;
- Foster the development, promotion and protection of quality production (local traditional products, organic products, geographical indications, etc);
- Exchange of experience on best practices and use of international and EU standards;

- Identify and develop measures to improve (i) access to credit facilities to encourage private investment in the agricultural sector, (ii) access to local and export markets, and (iii) knowledge transfer and extension services.

*Improve market economy functioning and strengthen economic growth through structural reforms*

- Continue to separate ownership and regulatory role in appropriate sectors in order to develop market economy functioning;
- Enforce functioning of Tariff Council to provide for efficient and market based regulation of state governed prices, tariffs, duties, tolls, other payments. Ensure and accelerate the process of transition to market oriented principles and policy in the sphere of price formation;
- Reform the legal basis of the insurance sector, with a particular focus on permitting foreign insurance companies and to increase competition in the insurance sector;
- Examine the potential and legal basis for establishment of leasing companies and mortgage institutions;
- Enforce Labour Code and assess the prospects for relaxation of strict provisions for dismissal.

*Promotion of sustainable development*

- Identify steps to implement the national strategy on sustainable development;
- Continue the establishment of administrative structures and procedures to ensure strategic planning of sustainable development and coordination between relevant actors;
- Take steps to improve integration of environmental considerations into other policy sectors.

#### **4.5. Trade-related issues, market and regulatory reform**

##### *4.5.1. Movement of goods*

###### **Trade Relations**

- Enhance EU-Azerbaijan bilateral trade through ensuring full implementation of Azerbaijan’s relevant PCA obligations;
- Work towards WTO accession on commercially viable terms;
- Enhance staff training and capacity building on international trade relations;
- Increase compliance with relevant industrial standards, SPS and veterinary norms with a view to increasing benefits from the Generalised System of Preferences and thereby improving Azerbaijan’s export performance;
- The EU and Azerbaijan to jointly explore possible options for further enhancing bilateral trade relations, once Azerbaijan has joined the World Trade Organisation, including the possible establishment of a free trade agreement between the EU and Azerbaijan. In this context, the Commission will undertake a feasibility study which will also look at regional trade and economic integration aspects;

- Train judges in the areas of ensuring unprejudiced and fair functioning of economic courts on trade and investment matters, and improvement of court monitoring system.

### **Customs**

- Take preventive measures and strengthen the fight against smuggling and import and export of counterfeit and pirated goods;
- Strengthen co-operation between customs and other agencies working at the border;
- Develop EU-Azerbaijan co-operation with regard to risk based customs control ensuring safety and security of goods imported, exported or in transit, and define standards for certification of operators (exporters and transporters) intervening in commercial exchanges.

### **Standards, technical regulations and conformity assessment procedures (EU harmonised areas)**

*Move toward EU and international legislative and administrative practices for standards, technical regulations and conformity assessment*

- Jointly identify priority industrial sectors for possible legislative approximation including through consultations with producers and exporters. Continue efforts for the completion of the process of translating relevant EU standards in Azerbaijan; examine the scope for Azerbaijan's participation in relevant European standardisation bodies; Harmonise the necessary legislation with EU technical legislation in the priority sectors;
- Strengthen the institutions in charge of standardisation, accreditation, conformity assessment, metrology and market surveillance; integrate them to the extent possible within European and international structures;
- Strengthen potential and capacity of the central coordinating body responsible for the regulation and certification of the locally produced foodstuff and other products with a view to ensuring the alignment of local quality standards and conformity certification to European standards;
- Simplify procedures of conformity assessment of industrial products, with the aim of avoiding compulsory certification of low risk products and repeat testing;
- Develop market surveillance capacities based on best practice of EU Member States.

### **Restrictions and streamlined administration (EU non-harmonized areas)**

- Analyse legislation and administrative procedures with a view to identifying and progressively removing discrimination and restrictions against imported products, according to the WTO regulations and procedures;
- Designate a central contact point (enquiry point) on licensing and standards procedures to facilitate information flows and co-operation with economic operators.

## **Sanitary and phyto-sanitary issues: Increase food safety for consumers and facilitate trade through reforms and modernisation of the sanitary and phyto-sanitary sectors**

- Ensure implementation of the WTO Agreement on the Application of Sanitary and Phyto-sanitary Measures upon Azerbaijan’s accession to the WTO, including by nominating a central enquiry point and creating a rapid information system;
- Exchange information on and explore possible areas of convergence with EU practice in the field of sanitary and phyto-sanitary issues (e.g. policy, legislation, strengthening of institutions, implementing practices);
- Adhere to the Codex Alimentarius;
- In the medium term, draw up a first list of measures for gradual convergence towards EU general food safety principles and requirements (e.g. Regulation 178/2002/EC; animal and plant or plant products identification and traceability systems; hygiene in food processing). Start approximation of legislation in this area;
- Fulfilment of EU requirements on animal health and for the processing of animal products (c.f.: “General Guidance for third country authorities on the procedures to be followed when importing live animals and animal products into the European Union”, DG SANCO/FVO October 2003);
- Work towards interconnection with the EU Rapid Alert System for Food and Feed.

### *4.5.2. Right of establishment, Company Law and Services*

#### **Right of establishment and Company Law**

*Full implementation of PCA commitments in title IV, Chapter II (Conditions affecting establishment and operation of companies) and Title VI art. 48 (Investment promotion and protection)*

- Complete screening to be made by Azerbaijan of national legislation so as to identify barriers to establishment including foreign investment with the aim of progressively harmonising legislation to European standards;
- Ensure full application of the best endeavour standstill clause so that the conditions for establishment of companies are not more restrictive than when the PCA was concluded. Measures taken in compliance with international obligations of Azerbaijan in the area of anti-money laundering, fight against terrorism and similar issues shall not be considered as worsening establishment or registration requirements;
- Ensure effective functioning of adequate administrative structures, inter alia a central coordinating body facilitating establishment;
- Converge with and ensure effective implementation of key principles on company law, accounting and auditing in relevant international and EU rules and standards;
- Improve consistency and predictability in the administrative and judicial authorities responsible for oversight of company law and related investment conditions;

- Ensure effective functioning of a public register of undertakings and the publication of certain information such as the company’s organisation and financial details in the ‘national official gazette’;
- Consolidate and ensure effective functioning of an administrative or judicial authority which ensures the control of the incorporation of a company or the legality of certain acts;
- Adopt and ensure effective implementation of corporate governance;
- Ensure efficient bankruptcy legislation.

## **Services**

*Gradual abolition of restrictions to progressively allow the supply of services between the EU and Azerbaijan in certain sectors, in line PCA commitments in Title IV, Chapter III (Cross-border supply of services)*

- Complete a review of national legislation by Azerbaijan so as to identify barriers to the provision of services with the aim of harmonizing legislation to European standards;
- Ensure effective implementation of appropriate administrative structures within a central coordinating body with the aim of facilitating the supply of services.

## **Financial services**

- Participate in and ensure implementation of recommendations of the IMF FSAP (Financial Sector Assessment Program);
- Enhancement of a prudential regulatory framework for financial services and supervision equivalent to that existing in the EU;
- Effective implementation of independent supervisory authorities in accordance with internationally recognised standards;
- Development of a legal base for a mortgage lending system;
- Provide access to banking services in the regions through the use of modern information technologies;
- Elaborate an appropriate strategy to develop the financial markets and financial intermediation in accordance with modern international standards;
- Establishment of a deposit insurance system in Azerbaijan to increase the trust of the population in the banking sector.

### *4.5.3. Movement of capital and current payments*

*Ensure full application of PCA commitments under Chapter V (Current Payments and capital)*

- Ensure the free movement of capital relating to direct investment made in companies and other investments made in accordance with the provisions on Establishment (Chapter II of Title IV of PCA);

- Ensure the protection of such foreign investments and the liquidation and repatriation of profits and capital;
- Provide information about the present legal and regulatory regime as concerns capital movements;
- Consider the progressive facilitation of capital movements other than those relating to direct investments.

#### 4.5.4. *Movement of persons, including movement of workers*

##### *Full implementation of commitments under Article 20 of PCA (labour conditions)*

- Ensure full application of the best endeavour clause by abolishing all discriminatory measures based on nationality which affect migrant workers, as regards working conditions, remuneration or dismissal.

#### 4.5.5. *Other key areas*

##### **Taxation**

- Continue efforts to complete the network of bilateral agreements between Azerbaijan and EU Member States on avoidance of double taxation including the improvement of transparency and the exchange of information in accordance with international standards;
- Initiate a dialogue on the principles of the EU Code of Conduct for Business Taxation with a view to ensuring fair conditions for Azerbaijan in its future process of integration into the EU internal market;
- Develop and implement a detailed strategy plan for tax management and broaden opportunities for the use of information and communication technologies;
- Develop the tax system of the Republic of Azerbaijan in compliance with general EU and international principles.

##### **Management and privatisation of State-owned property**

- Studying of international experience in the field of management, effective usage and evaluation of State-owned property;
- Cooperation with EU on implementation of institutional measures in order to restructure, recover and support the activities of privatised enterprises, increasing of capacity of the appropriate state bodies;
- Conducting appropriate researches in connection with implementation of privatisation measures in the strategic fields of the Country.

## **Competition policy**

*Converge with EU principles on Competition according to Title V article 43 of the Partnership and Co-operation Agreement*

- Examine the possibility of establishing further transparency as regards State aid granted in Azerbaijan, in particular by (i) drawing up a complete list of aid grantors, (ii) creating a national mechanism for centralising all information on state aid granted in Azerbaijan, with a view to drawing up annual reports on the amounts, types and recipients of aid;
- Adopt the draft Anti-monopoly Code and fulfil necessary measures to align anti-trust legislation to modern EU standards.

*Anti-trust and control on state aid policy*

- Enhancing the administrative capacity and the independence of the relevant Competition authority in Azerbaijan;
- Ensuring adequate legal powers for the competition agency, including the right to carry out on-the-spot checks.

## **Intellectual and industrial property rights**

*Improve IP legislation and bring it into conformity with EU legislation*

- Amend the legislation of Azerbaijan on “Author’s right and related rights”, elaborate a draft law on “Reserve of rights of broadcasting organizations” transmitting through digital networks, as well as elaborate normative legal acts on the use of multimedia products in these networks, discuss them with EU experts on intellectual property;
- Prepare analysis of IT-IP relations as well as classification of IP protection rights in ICT; elaborate legal acts on e-trade related IP rights and improve legal acts providing protection of information objects and discuss them in close collaboration with EU IP experts.
- Accelerate accession to and implementation of WIPO treaties.

*Implementation of IP rights and enhancement of IP management*

- Strengthen relevant institutional structures and right-holder organisations (collecting societies for copyright and relevant industry associations for industrial property rights); broaden cooperation in this field with relevant structures of other countries, as well as with the World Intellectual Property Organization, UNESCO and World Trade Organisation;
- Adopt a long-term sector development programme on IP rights and cooperate on renewal of the Programme on assurance of state policy in the field of copyright and related rights as well as discussing these issues together with EU experts on intellectual property;
- Register IP integrated management organisations, elaborate legal acts related to regulations relevant to statutory licensing (taking copies for private purposes, pursuit rights, etc.) as well as prepare projects of normative legal acts declared as state heritage, consequently discuss them with EU experts on author’s rights. Improve the system of official registration of IP objects, including information compilations of non-creative nature and non-traditional IP objects. Prepare

acts related to registration norms and control of activities of organizations managing IP rights on collective basis as well as discuss the consequent matters with EU IP experts;

- Adopt and implement legal acts related to the calculation of economic share of IP based industry in GDP and on registration of non-material assets.

#### *Strengthening enforcement of IP rights and measures on prevention of infringements of rights*

- Improve functioning of, and resources dedicated to, the legal system guaranteeing provision of proper and efficient sanctions for right-holders in courts; strengthen measures against piracy and counterfeit products in specifically targeted sectors and measures increasing capacity and resources of custom and law enforcement authorities in ensuring IP rights; conduct a market study on product piracy and counterfeiting and analyze market using the experience of EU countries; develop regulations on creation of a special data-base on statistics and results related to IP rights infringements found during monitoring as well as results of court trials on IP infringements; adopt and implement methodological instructions and measures for studying public opinion and creating IP culture; establish efficient dialogue with right-holders;
- Elaborate a law on “IP enforcement and fight against piracy” and renew goal-oriented Programme on “Protection means of IP rights: fight against piracy” and provide discussions of these matters with EU-IP experts;
- Prepare proposals on additions and amendments to Administrative Offences and Criminal and Criminal-Procedural Codes; elaborate legal act on assessing total amount of claims on copyright infringements;
- Prepare proposals on creation of relevant specialized units within law-enforcement and judicial bodies as well as training judges in order to assist in more professional and prompt prevention of IP right infringements and consequently study the EU experience on implementation of these proposals.

#### **Public procurement**

*Develop conditions for open and competitive award of contracts between the parties, in particular through calls for tenders, in line with Article 49 of the PCA*

- Improve the functioning of the current system through increased transparency, information provision, access to legal recourse, awareness and training among contracting authorities and business community, as well as limited use of exceptions;
- Reinforce administrative capacity of the State Procurement Agency, in particular by introducing modern technologies to improve existing monitoring system; preparing e-procurement and in collecting necessary materials for the library established within the Agency;
- Converge with and effectively implement key principles in the EU legislation on public procurement (e.g. transparency, non-discrimination, competition and access to legal recourse).

## **Statistics**

*Adoption of statistical methods fully compatible with European standards and advance the modernisation of the State Statistical Committee of the Republic of Azerbaijan*

- Improve legislation in accordance with the recommendations of the Statistical Office of the European Communities;
- Elaborate a short and medium term development strategy for harmonisation with European standards in the relevant statistical areas;
- Take steps to restructure the statistical services to ensure an optimal balance between available resources and data quality needs;
- Improve the conformity with EU standards on national classification systems and statistical methodology;
- Accelerate work to fully apply ESA 95 (European System of Accounts);
- Modernisation of information and communication technologies in the national statistical system;
- Improve the quality and coverage of the business register.

## **Public Internal Financial control and related issues**

*Sound management and control of public finances*

- Promote the development of appropriate administrative capacity to prevent and fight effectively against fraud and other irregularities affecting national and international funds, including the establishment of well-functioning co-operation structures involving all relevant national entities;
- Ensure effective cooperation with the relevant EU Institutions and bodies in the case of on-the-spot checks and inspections related to the management and control of EU funds;
- Continue process of public finance reform, including effective cooperation with appropriate EU-based institutions to apply International Accounting Standards in Azerbaijan in order to improve efficiency, accountability, transparency and predictability;
- Continue budget planning based on programs and performance objectives;
- Improve public finance management and transparency, through upgrading of the existing Treasury Accounts Systems, creating a mechanism for multi-stage application of accounting standards in the public sector and appropriate audit of budget revenue and expenditures. Set up and implement an integrated informational system for public finance management. Issue quarterly reports on financial and budget execution;
- Conduct an annual audit of Oil Fund revenues and expenses to conform to the Law on Budgetary System and rules of SOFAR.

### *Public Internal Financial Control*

- Develop a strategy and policy paper for the public internal financial control system (managerial accountability and internal audit); implementation of internal audit program by organizations dealing with budgetary issues;
- Establish legislative framework for public internal financial control; create a mechanism for multi-stage application of accounting standards in the public sector; develop implementation mechanisms for public sector audit standards by means of strengthening the potential of institutions responsible for public financial control, and establish a central harmonisation unit for the harmonisation and coordination of financial management and control (FMC) and internal audit systems and an Advisory Council of Auditors consisting of audit experts from public and private sectors;
- Pursue gradual harmonization with the internationally agreed standards (IFAC, IIA, INTOSAI) and methodologies, as well as with EU best practices for the control and audit of public income, expenditure, assets and liabilities.

### *External Audit*

- Strengthen the administrative capacity of the Chamber of Accounts in line with the internationally accepted and EU best practice external audit standards (INTOSAI standards – International Organisation of Supreme Audit Institutions).

### **Enterprise policy**

#### *Develop and strengthen small and medium-sized enterprises and their associations and cooperation between SMEs in the Community and Azerbaijan in line with articles 62 of the PCA*

- Develop a legislative framework and appropriate infrastructure for SMEs, as provided for in Article 64 of the PCA;
- Promote the exchange of information and of best practice on enterprise and industrial policy and associate Azerbaijan to EU initiatives to stimulate competitiveness, (e.g. participation in networks and studies, training);
- Promote an efficient business registration system based on the principles of transparency, fast start up times, simplification (i.e. establishment of one-stop-shop system and on line access to business register);
- Explore the need and possible options for launching a dialogue on enterprise and industrial policy;
- Continue the implementation of the State Programme for the development of SMEs;
- Implement a national registration system for companies, based on best practices in Member States and possibly leading to the accession of Azerbaijan to the European Business Register; conduct a dialogue on cooperation within the European Charter on Small Entrepreneurship.

## **4.6. Cooperation in specific sectors, including transport, energy and environment**

### *4.6.1. Transport*

*Elaborate and start implementing a national transport strategy, including transport infrastructure development*

- Develop and implement a national sustainable transport policy, with a focus, where appropriate on further approximation of legislative and regulatory frameworks with European and international standards, in particular for safety and security (all transport modes);
- Strengthen and if necessary establish the necessary independent regulatory authorities and further facilitate institutional reforms as well as the administrative structures to prepare specific plans for priority sectors;
- Creation of a long-term and transparent system of road financing in order to ensure continued maintenance of the existent public road network;
- Develop co-operation in satellite navigation (including joint research actions and applications);
- Implement the recommendations of the High Level Group on the Extension of Major Trans-European Transport Axes to the Neighbouring Countries concerning transport axes and related horizontal measures.

*Implement selected measures and reforms in the road transport sector*

- Develop and implement a road safety action plan (including dangerous goods transport and vehicles' roadworthiness) for improving road safety, with particular attention to be paid to passenger transport;
- Ensure that international transport sector is regulated in terms of access to the profession; Introduce and enforce mandatory driving times and rest periods in the international transport sector complying with international standards;
- Strengthen implementation of the relevant international conventions.

*Implement selected measures and reforms in the railway transport sector*

- Improve efficiency of freight transport services (including issues of border crossing procedures). Promote multi-modal services, address issues of interoperability;
- Further develop OSJD/OTIF cooperation.

*Implement selected measures and reforms in the aviation sector*

- Implementation of the (horizontal) agreement on certain aspects of air services with the European Community;
- Introduction of new regulatory mechanisms, including on safety and security issues.

### *Implement selected measures and reforms in the maritime sector*

- Encourage the restructuring of the state-owned fleet and port sector (separating regulatory/operational and commercial functions). Further strengthen the regulatory authority;
- Implement relevant international IMO (International Maritime Organisation) conventions; pursue effective enforcement in the areas of Port State Control and Flag State implementation as well as resolutions of the Maritime Environment Protection Committee on tanker safety. Remove single-hull oil tankers from operation within a period of time determined by the IMO Marpol Convention.

### *Regional transport cooperation*

- Further support the TRACECA process;
- Continue cooperation on Caspian and Black Sea regional transport issues, in the context of the follow-up to the EU-Black Sea-Caspian Basin Transport Ministerial Conference that took place in Baku in November 2004.

### *4.6.2. Energy*

#### *Energy policy convergence*

- Implement the provisions of the Memorandum of Understanding on the establishment of a Strategic Partnership between the European Union and the Republic of Azerbaijan in the field of energy, in particular
- market convergence and structural reforms in the Azerbaijan's energy market;
- enhancing security of transit systems and energy supplies for Azerbaijan and for the European Union;
- development of a comprehensive energy demand management policy;
- technical cooperation and the exchange of expertise.

#### *Structural reforms in the energy sector and gradual convergence towards the principles of the EU internal electricity and gas markets*

- Establish a list of measures for gradual legal and regulatory convergence towards the principles of the EU internal electricity and gas markets, accompanied by time schedules;
- Work towards the progressive elimination of domestic energy price distortions on the basis of market economy principles and improve bill collection rates;
- Develop appropriate mechanisms for improving financial viability of electricity and gas sectors;
- Continue efforts towards the establishment of an energy sector regulator in line with the principles of the Electricity and Gas Directives 2003/54 and 2003/55;
- Further restructure energy companies and promote corporate governance.

### *Progress regarding energy networks*

- Take steps to rehabilitate energy networks and facilitate investments in view of improving their reliability and reducing network losses in the overall framework of enhancing Azeri security of energy supplies;
- Cooperate for the development of the transit capacities of Azerbaijan as regards exports of Central Asia and Caspian Basin energy resources to the EU and its neighbours' markets;
- Improve the safety and security of energy infrastructure including the security of internal energy infrastructures including the BTC oil-export pipeline and BTE gas pipeline and enhance information exchange with EU in this regard.

### *Progress on energy efficiency and the use of renewable energy sources*

- Implement the National Alternative Energy Programme 2004-2013 and take steps to develop an Action Plan for its implementation;
- Reinforce the institutions dealing with energy efficiency and renewable energy sources.

### *Technical cooperation and exchange of expertise*

- Explore the possibility for possible participation of Azerbaijan in the Intelligent Energy -Europe programme;
- Cooperate under EU technical assistance programmes, in particular twinning projects, for supporting Azerbaijan's energy sector reform and in its progressive integration into the EU energy market.

### *Co-operation on radioactive source safety and security*

- Take measures to strengthen control of all types of radioactive sources including with the aim of avoiding illicit trafficking of them as well as any other radioactive materials.

### *Regional energy cooperation*

- With a view to regional integration and progressive integration with the EU energy markets, encourage the development of diversified infrastructure connected to the development of Caspian energy resources and facilitate transit, including the development of necessary infrastructure for gas exports from the Shah Deniz field to the EU markets;
- Continue cooperation on Caspian and Black Sea regional energy issues, in the context of the follow-up to the EU-Black Sea-Caspian Basin Energy Ministerial Conference that took place in Baku in November 2004.

#### *4.6.3. Environment*

*Take steps to ensure that conditions for good environmental governance are set and start implementing them*

- Strengthen administrative structures and procedures to ensure strategic planning of environment issues and co-ordination between relevant actors;

- Improve procedures regarding access to environmental information and public participation, including implementation of the Aarhus Convention;
- Prepare regular reports on the state of the environment;
- Reinforce structures and procedures to carry out environmental impact assessments including adoption and implementation of relevant legislation;
- Establish communication strategies on the benefits of environmental policy; support civil society actors and local authorities;
- Elaboration and adoption of a new Action Plan on Environmental Protection (APEP).

*Take action for prevention of deterioration of the environment, protection of human health, and achievement of rational use of natural resources in line with the commitments of Johannesburg Summit*

- Develop framework legislation and basic procedures and ensure planning for key environmental sectors, including in particular as specified in the national environmental action plan air quality, water quality, waste management, nature protection and continue the process of convergence with European requirements;
- Take steps to improve waste management plans and practices, in particular with regard to municipal waste, including through exchange of information and experience;
- Enhance training and expertise in the field of environment;
- Enhance administrative capacities, including for the issuing of integrated permits as well as for monitoring, enforcement and inspection;
- Take steps to apply Integrated Water Resource Management, enhance prevention of pollution of trans-boundary water resources including through enhanced monitoring and the elaboration of an Action Plan;
- Implement existing national plans and programmes and adopt the already drafted national plans and programmes.

*Enhance co-operation on environmental issues*

- Implement provisions under the Kyoto Protocol and the UN Framework Convention on Climate Change including through the elaboration of a National Strategy and Action Plan in which adaptation is also taken into account;
- Ensure active participation in the Eastern European, Caucasus and Central Asia component of the EU Water Initiative;
- Identify possibilities with neighbouring countries for enhanced regional co-operation, in particular with regard to water issues;
- Possible participation in selected European Environment Agency activities.

#### 4.6.4. *Communication Technologies, Information Society and media*

##### *Further progress in electronic communications policy and regulation and the development and use of Information Society applications*

- Implement a national 2003-2012 strategy on the development of the information communication sector and work towards adopting a comprehensive regulatory framework including licensing, resource utilisation and interconnection, numbering, cost-orientation of tariffs, Universal Service and protection of users' rights, privacy protection and data security;
- Promote the use and exchange of views on new technologies and electronic means of communications by businesses, government and citizens in areas such as e-Business (including standards for e-signatures), e.g. by providing access to banking services in regions through use of modern information technologies, e-Government, e-Health, e-Learning, e-Culture;
- Establish Regulatory Body *by* 2008, following the already adopted “Law of the Republic of Azerbaijan on Telecommunication” and the “State Programme (E-Azerbaijan) on development of telecommunication and information technologies in Azerbaijan within 2005-2008”;
- Promote awareness-raising initiatives for the participation of Azerbaijani entities in the Information Society Technologies (IST) part of the EU Research Framework Programme;
- Work towards adopting audiovisual legislation in full compliance with European standards, with a view to future participation in the international instruments of the Council of Europe in the field of media. Promote an exchange of views on audiovisual policy, including cooperation in the fight against racism and xenophobia.

#### **Regional cooperation**

- Develop distance education programmes in Southern Caucasus and Black Sea countries;
- Facilitate the interconnection of the Caucasian Research and Education Networks with their European counterparts via GEANT in order to support scientific collaboration.

#### 4.6.5. *Science and technology, research and development*

##### *Develop Azerbaijan's capacity in technological R&D to support the economy and society*

- Develop a Research and Innovation policy directly relevant to the sustainable and equitable economic development policy objectives of Azerbaijan and its region, including through an appropriate programme of reforms in the scientific system of Azerbaijan and in the relevant regulatory framework. (amongst different elements of reform, steps will be taken to create a transparent and unbiased mechanism of competitive funding and management of scientific and technological research through inter alia open calls for proposals and an independent and high professional peer review evaluation process);
- Reinforce human, material and institutional resources in order to improve the capacities in technological R&D, including through an adequate and increased investment in research via the public sector as well as the private sector through the implementation of favourable framework conditions.

*Prepare and encourage Azerbaijan's integration into the European Research Area and into the Community R&D Framework Programmes on the basis of scientific excellence*

- Implement an appropriate information strategy to facilitate and encourage adequate participation of Azerbaijani research entities in the Community R&D Framework programmes and joint projects and through an appropriate policy-driven dialogue, determine the particular priorities and the specific needs of Azerbaijan;
- Support Azerbaijan's integration in high-level scientific exchanges by reinforcing Azerbaijani participation in international Marie Curie fellowships including support of the appropriate return mechanisms.

#### **4.7. People-to-people contacts**

##### *4.7.1. Education, training and youth*

*Reform and modernise the education and training systems within the framework of Azerbaijan's reform programme*

- Ensure continued access for all to high quality education in line with the Millennium Development Goals for the sector by inter alia providing sufficient funding, by elaborating a legislative base for education, by integrating gender concerns, by providing transparency and accountability for the sector, by reforming education and training systems, including vocational education and training and by fostering lifelong learning, in particular through the implementation of a national education reform strategy 2003-2013;
- Improve the accreditation system, using the tools offered by the TEMPUS programme, and management in higher education institutions;
- Reform higher education sector in line with the principles of the “Bologna process” and strengthen local capacity for policy development and implementation;
- Promote the reform of higher education through the TEMPUS programme;
- Enhance the quality and capacity of institutions and organisations involved in developing and implementing the quality assurance in the field of education and training, by using for example the tools offered by the TEMPUS programme;
- Strengthen the adaptation of higher and vocational education to demands of the labour market and the economy by inter alia increasing the involvement of social partners and stakeholders from civil society;
- Encourage student mobility by participation in the Erasmus Mundus programme, the TEMPUS Programme and the new scholarship scheme;
- Establish chairs for European studies and European law through the Action Jean Monnet and support studies opportunities for young researchers;
- Continue and enhance a policy dialogue between EU and Azerbaijani authorities in the field of education, training and youth;

- Enhance youth exchanges and cooperation, in particular on a regional level, in the field of non-formal education for young people and promotion of intercultural dialogue.

#### 4.7.2. *Public health*

##### *Continue health sector reform*

- Continue health sector reform notably to: improve access and affordability for the entire population; improve the organisation, quality and efficiency of the sector and its institutions; increase the share of primary health care services and of prevention and health promotion activities in the total health care budget; implement a sustainable health care financing strategy; improve quality of and access to information on the health status, risks and determinants in Azerbaijan; strengthen the National Centre for public health monitoring and establish the register of specific diseases (thalassaemia, diabetes, TB, cancer), improve the registration system of birth and death, control the communicable diseases and promote health safety;
- Exchange of information and technical expertise with a view to facilitating Azerbaijan's participation in communicable diseases networks, for example those dealing with sexually transmitted diseases, in particular HIV/AIDS and Hepatitis B and C).

#### 4.7.3. *Culture*

##### *Enhance cultural co-operation*

- Investigate the possibilities for co-operation in the framework of EU programmes in the field of culture;
- Exchange views on the UNESCO Convention on the protection and promotion of the diversity of cultural expressions and promote the ratification and implementation of the text.

## 5. MONITORING

The Action Plan will be submitted for formal adoption to the Co-operation Council between the EU and Azerbaijan. The Action Plan will guide the work between the EU and Azerbaijan. Should the need arise, on the EU side, for specific measures necessitating legally binding decisions, the Commission will recommend to the Council the adoption of the necessary negotiating directives.

The joint bodies established under the Partnership and Co-operation Agreement will advance and monitor the implementation of the Action Plan. The structures under the relevant agreements, where appropriate, should be reviewed, to ensure that all priorities under the ENP are duly reflected.

The Commission, in close cooperation with the Secretary-General/High Representative, as appropriate, will produce reports on the Action Plan's implementation at regular intervals. It will invite Azerbaijan to provide information for these reports. The Commission will also work closely with other organisations such as the Council of Europe, the OSCE, relevant UN bodies, and International Financial Institutions.

A first review of the implementation of the Action Plan will be undertaken within two years of its adoption.

The Action Plan can be regularly amended and/or updated based upon agreement of both sides to reflect progress in addressing the priorities.

## Glossary

BOMCA	Border Management Programme for Central Asia
EASA:	European Aviation Safety Agency
EUPM:	European Union Police Mission
EUPOL:	European Union Police Mission
FATF:	Financial Action Task Force on Money Laundering
GATT:	General Agreement on Tariffs and Trade
ICC:	International Criminal Court
IFAC:	International Federation of Accountants
IIA:	Institute of Internal Audit
ILO:	International Labour Organisation
INTOSAI:	International Organisation of Supreme Audit Institutions
IST	Information Society Technologies
OSJD:	Organisation for Railway Cooperation
OTIF:	Intergovernmental Organisation for International Carriage by Rail
SCAD	Southern Caucasus Action Programme on Drugs
SPPRED	State Programme on Poverty Reduction and Economic Development
TRACECA:	Transport Corridor Europe Caucasus Asia
TRIPS:	WTO Agreement on Trade-Related Aspects of Intellectual Property Rights
WMD:	Weapons of Mass Destruction