



Support to the anti-corruption strategy of Azerbaijan (AZPAC)

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4th Narrative PERFORMANCE Report

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Duration	24 months (30 September 2007 – 30 September 2009)
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Support to the Anti-corruption Strategy of Azerbaijan (AZPAC)

*A project supported by USAID and implemented by Council of Europe in cooperation with the
Commission on Combating Corruption of Azerbaijan*

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1 Background Information

AZPAC - "Support to the Anti-corruption Strategy of Azerbaijan" – started on 30 September 2007. The present report provides a comprehensive overview over the project activities that took place during the fourth reporting period from 1 October 2008 to 31 December 2008 as agreed through the Cooperative Agreement between the Council of Europe and the United States Agency for International Development and during the first Steering Committee meeting among the Project partners on 28 April 2008.

1.1 Beneficiary Country and Institution(s)

The beneficiary country is Azerbaijan.

The main beneficiary of the project on the Azerbaijani side is:

- the State Commission on Combating Corruption (CCC).

Other project partners include:

- the Ministry of Justice (Output 2)
- the Ministry of Tax (Outputs 3 and 4)
- the National Bank (Output 3) and
- the Civil Service Commission (Output 4)

Indirect beneficiaries and counterparts also include:

- the General Prosecutor's Office; and
- the Ministry of Interior

1.2 Contracting Authority

The United States Agency for International Development (USAID).

1.3 Implementing Organisation

The Council of Europe is responsible for the implementation of the project and the use of the project funds under the Cooperative Agreement No 112-A-00-00001-00 with the United States Agency for International Development (USAID). Within the General Secretariat of the Council of Europe in Strasbourg, the Economic Crime Division (Technical Co-operation Department, Directorate General of Human Rights and Legal Affairs) is responsible for overall management and supervision of the project.

A Local Project Team composed of a Local Project Officer (LPO) and a Long-Term Advisor (LTA) based in the premises of the Prosecutors Training Centre in Baku (where the project office is), is supporting the implementation of the project.

1.4 Project Objective

The overall objective of AZPAC is to contribute to democracy and the rule of law through the prevention and control of corruption in Azerbaijan in accordance with European and other international standards, and GRECO and MONEYVAL recommendations.

1.5 Funding and Support to the Project

The USAID financial support to this project as contracted amounts up to 800.000 USD.

The Council of Europe financial support is comprised as following:

- Human resource: managerial and overall supervision of the project in addition to staff foreseen in the project budget; and
- Funding from the General Budget of the Council of Europe for activities foreseen to cover law enforcement and criminal law related reforms as indicated in the Workplan BO/CoE.

The government of Azerbaijan put at the disposal of the Council of Europe free of charge Project Office including here, project team office, conference room, training room, and furniture. In addition, the Government of Azerbaijan has committed to financially fund the activity related to Surveys as foreseen in the Workplan.

2 The Project

2.1 Country Situation

In recent years, the government of Azerbaijan has undertaken a number of important steps in the fight against corruption. The country ratified the Council of Europe's Criminal and Civil Law Conventions against Corruption in 2004, and joined the Council's Group of States against Corruption (GRECO) in June 2004; the United Nations Convention against Corruption (UNCAC) was ratified in 2005. In 2004, the State Programme on Combating Corruption was adopted, outlining in general terms the legislative and institutional reforms to be undertaken in the period 2004-2006. The 2006 GRECO evaluation report welcomed the adoption of this programme and the progress made as regards its legislative component, but also found several shortcomings. GRECO therefore issued 27 recommendations to the authorities of Azerbaijan, aimed at improving the legal and institutional anti-corruption framework. The progress made by Azerbaijan in implementing these recommendations was assessed by GRECO in October 2008. However, the GRECO Compliance Report on implementation of the recommendations concerned still has a status of a confidential document.

Moreover, a new Anti-corruption Strategy for the period from 2007 to 2011 was adopted by Presidential Decree on 27 July 2007. Prior to its adoption, the Council of Europe supported the drafting of this important document by providing a comprehensive assessment report and by organising a Round Table Discussion on its content.

Despite these steps, corruption remains a serious concern for the people of Azerbaijan. Transparency International's Annual Corruption Perceptions Index (CPI) indicates a modest, yet consistent, up-wards trend for the period 2003 to 2007 (in 2003, Azerbaijan's score was at 1.8, in 2004 at 1.9, in 2005 at 2.2, in 2006 at 2.4 and in 2007 at 2.1), while the recently released 2008 CPI shows a downturn, the respective figure is only 1.9¹. However, Freedom House Reports, assessing Azerbaijan and 30 other 'Nations in Transit' against a range of governance benchmarks, put the country's index on corruption at an unchanged rate, in 2005 Azerbaijan ratings for electoral process, independent media, and judicial framework and independence reached their lowest levels, respectively—at 6.25, 6.00, and 5.75, the score for the year 2006 was 5.93, in 2007 the score went back to 6.00 and the newly introduced date of the "Country in Transit Report, 2008" shows that the democracy score remains at the same level².

¹ [1] Transparency International's Corruption Perceptions Index (CPI) assesses perceptions of corruption on a scale from 0 to 10, where 10 marks the highest possible score; a score below 3.0 indicates that corruption is endemic. For the various CPI's and a background on the methodology used, see http://www.transparency.org/policy_research/surveys_indices/cpi.

² The rating scale is 1 – 7 where 7 is the lowest score. The full report providing the background to the scores can be found at <http://www.freedomhouse.org/template.cfm?page=47&nit=445&year=2008>

2.2 Legislation

The Law on Combating Corruption was adopted in January 2004. The Law provides a definition of corruption and establishes corruption-related offences for public officials and defines the liability for such offences. It establishes the obligation for officials to declare their assets and incomes, and makes provisions allowing for the confiscation of the proceeds of corruption. A Presidential Decree of March 2004, On the Implementation of the Law on Combating Corruption, provided for the statute of the State Commission on Combating Corruption, as well as for amendments that would harmonize existing legislation with the Law on Combating Corruption.

Laws such as the Law on Approval of Procedures for Submission of Financial Information by Public Officials; the Law on the Right to Obtain Information; the Law on Administrative Proceedings; the Judicial Legal Council Act; and amendments to the 1997 Courts and Judges Act entered into force in 2005.

A number of partial changes were made to the Criminal Code and Criminal Procedure Code, where the following new provisions/offences were introduced: the offence of money laundering; confiscation of proceeds of crime; trading in influence; privileges and benefits, as well as bribery through intermediaries.

Following a request made in September 2005, Council of Europe experts were asked to produce an opinion on the Criminal Code, assessing its compatibility with the European Convention on Human Rights and the European Court for Human Rights' (ECHR) case law, as well as with existing standards in the criminal field. In December 2005, the Secretary General of the Council of Europe forwarded the experts' comments to the authorities of Azerbaijan for consideration.

In June 2006, a Working Group was set up, chaired by the President of the Supreme Court and composed of representatives of the Ministry of Justice, Ministry of Interior, Prosecutor's Office, Supreme Court, lawyers and academics of the Baku State University. This Working Group examined the experts' comments on the Criminal Code, made recommendations aiming at improving the Code and proposed concrete amendments to it. As a result, in March 2007, the translated versions of the amendments prepared were sent to the Council of Europe and were discussed at a follow-up expert meeting. The Amendments were finalised by the above-mentioned Working Group in December 2008 and subsequently were sent to the Government agencies for comments. These Amendments are expected to be agreed upon and sent to the parliament for the spring session 2009.

The following pieces of legislation have reviews by the Council of Europe as draft laws that were to be presented during the parliamentary discussions in fall 2007: Draft Law on Conflict of Interest; Draft Law on Criminal Liability of Legal Persons for Corruption Offences; Draft Law On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism (AML/CFT) and the Draft Law on Ethical Conduct Code of Civil Servants. While the last one was adopted in May 2007, the Draft Law on Conflict of Interests is still circulating among the Government agencies. As the criminal liability of legal persons will be incorporated into the new Criminal Code separate Law on Criminal Liability of Legal Persons drafted by the Commission on Combating Corruption will not be passed.

A number of other laws advanced to the next stage in the legislative process, such as Code on Competition, the Administrative Procedures Code and the Law on Education passed in the 2nd reading in the Parliament.. A Presidential Decree was issued on October 3, 2008 on "Changes and Amendments to the Law on Civil Service" identifying a number of preconditions for successful implementation of the law.

On 30 December 2008 President of the Republic of Azerbaijan issued a decree on Changes and Amendments to the Law on Adoption of the Charter of the

Commission on Combating Corruption of the Republic of Azerbaijan. In addition to several technical amendments there was amendment made to Article 10 according to which "Certain decisions within the authority of the Commission might be taken by the Chairman without gathering all the members of the Commission via consideration of their opinions". Amendment made to Article 15 enabled Commission to appoint the head of the Secretariat of the Commission and authorized Chairman of the Commission to recruit and dismiss other employees of the Commission.

The Draft Law On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism (AML/CFT) commented by US Department of Justice and Council of Europe experts in December 2006 and then in March/April 2007, was passed in the 2nd reading in the Parliament on 28 October 2008. Each draft law needs to go through 1st, 2nd and 3rd reading of the Parliament followed by issuance of Presidential Decree before it becomes legally binding. According to the Parliamentary procedures if any changes are made to the draft law during 1st, 2nd or 3rd reading it will be returned to the Office of the President for further elaboration.

With regard to AML/CFT, it is important to underline that Azerbaijan has still not enacted comprehensive and satisfactory legislation. The above-mentioned draft AML/CFT law, that was presented and passed first and second readings in the Parliament, still has numerous deficiencies, which have been brought to the attention of the Azerbaijani authorities by MONEYVAL. These deficiencies would need remedying in the third reading during the spring session of the Parliament. Furthermore, on its 28th Plenary Meeting held in December 2008 MONEYVAL issued a public statement under Step VI of MONEYVAL's Compliance Enhancing Procedures in respect of Azerbaijan – *'Council of Europe committee of Experts on Evaluation of Anti-money Laundering Measures and the Financing of Terrorism (MONEYVAL) has been concerned since 2006 with deficiencies in the anti-money laundering/financing of terrorism (AML/CFT) regime in Azerbaijan.*

At its 28th plenary meeting in Strasbourg, between 8-12 December, MONEYVAL noted that a draft AML/CFT law had passed a second reading on 31 October 2008. This draft law does not comply in a comprehensive manner with key international standards. MONEYVAL calls upon Azerbaijan to further revise this draft law in accordance with those standards before completing the legislative process, and urgently to implement satisfactory and comprehensive AML/CFT legislation.

MONEYVAL also calls on its member States and other countries to advise their financial institutions to pay special attention by applying enhanced due diligence to transactions with persons and financial institutions from or in Azerbaijan in order to address the ML/FT risks.'

At the same session MONEYVAL also adopted the Third Round Detailed Assessment Report on Azerbaijan³

2.3 Project Objective

AZPAC aims at strengthening national capacities in support of the implementation of Azerbaijan's Anti-corruption Strategy and Action Plan, in compliance with European and international standards. In order to achieve this objective, the project works in four complementary directions:

- Enhancing the capacities of the anti-corruption body (State Commission on Combating Corruption) to monitor and implement the Anti-corruption Strategy and Action Plan and bringing the strategic anti-corruption legal framework in line and compliance with European standards;
- Improving and elaborating domestic legislation with relevance to international standards in the fight against corruption and efficient implementation of the relevant legislative framework;

³ Please consult

[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL\(2008\)27Summ-AZE3_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL(2008)27Summ-AZE3_en.pdf)

- Improving and strengthening domestic capacities in the field of fighting money laundering and financing terrorism; and
- Introducing micro-system studies and integrity tests as tools to enhance the capacities for the prevention of corruption.

2.4 Expected Results and Methodology

The results of the project are expected to be the following:

1. A new anti-corruption strategy and action plan elaborated with an emphasis on monitoring and implementation and medium-term preventive reforms so that they reflect and include policy actions to implement all GRECO recommendations made in the report of the Second Round of Evaluation;
2. Relevant draft legislation and regulations elaborated and submitted to Parliament;
3. Institutional capacities, with respect to reporting and cooperation at the national and international levels improved within the Anti-money laundering (AML) system, in light of European and international standards and MONEYVAL recommendations.
4. Specific corruption-prevention measures improved;

These objectives are to be achieved through close co-operation with all relevant stakeholders, the identification of international and national experts, through organisation of tailored activities such as round-tables, workshops and study visits for practitioners; preparation and finalisation of feasibility studies and surveys, conducting of the micro-system studies and through institutionalizing efficient management of ethics provisions and conflict of interests in public service; and harmonising legal texts in accordance with the Council of Europe's Conventions on Corruption and the United Nations' Convention against Corruption (UNCAC).

2.5 Summary of Project Outputs

Overall objective	To contribute to democracy and the rule of law through the prevention and control of corruption in Azerbaijan in accordance with European and other international standards , and GRECO and MONEYVAL recommendations
Project objective	To enhance the implementation of GRECO and MONEYVAL recommendations and compliance with European and international anti-corruption standards
Output 1	Strategic anti-corruption framework improved in line with GRECO recommendations and good practices
Activity 1.1	Introduction of the new Anti-corruption Strategy and its Action Plan
Activity 1.2	Support the State Commission on Combating Corruption (CCC) during GRECO evaluation and compliance reporting
Activity 1.3	Assist the relevant government authorities and institutions on implementing the relevant measures against corruption within the new Anti-corruption Action Plan
Activity 1.4	Develop a template system of guidelines on reporting and monitoring tools for the Commission/Cabinet of Ministers vis-à-vis all relevant institutions
Activity 1.5	Support by advice and share of practice with the AC Commission on drafting and conducting Surveys on AC perception and attitudes. (Law enforcement and general attitude of public surveys).
Activity 1.6	Provision of equipment to the CCC and its legislative Working Group.

Output 2	Draft laws/amendments to improve domestic legislation elaborated in cooperation with relevant partner institutions and benchmarking against international standards in fighting against corruption and efficient implementation of the relevant legislative framework
Activity 2.1	Training on Treaty Law implementation at the domestic level with reference to all relevant anti-corruption conventions and instruments
Activity 2.2	Advice and/or RTD in support the elaboration of draft laws
Activity 2.3	Review of national legislation on its compliance with the provisions of the CoE Civil Law and Criminal Law Conventions on Corruption and UNCAC
Activity 2.4	Elaboration of a 'compliance matrix' for the domestic legislation and institutional set-up in line with the relevant international legal instruments
Activity 2.5	Elaboration of legislative guidelines and recommendations issued by the 3rd Round GRECO Evaluation Report
Output 3	Establishment of a network and system to prevent the use of the financial system for money laundering and terrorism financing purposes and enable the authorities of Azerbaijan to cooperate nationally and internationally in fighting money laundering and terrorism financing in accordance with European and international standards
Activity 3.1	In-country multidisciplinary training course(s) for financial intelligence officers, and other relevant cooperating agencies' adjudication of cases of economic crime and in particular of corruption and money laundering
Activity 3.2	In country multi-disciplinary training course(s) on the use of special investigative means (SIMs) for all relevant agencies (including national bank officers, members of the new upcoming FIU, auditors and tax officials) in light of European standards and ECHR case-law when combating economic crime, reporting on corruption, suspicious financial transactions and inter-agency cooperation.
Activity 3.3	Training for Judges related to economic crime (corruption and money laundering)
Activity 3.4	Support to establishment of FIU through delivery of relevant material (standards and best practices) in Azerbaijan language
Activity 3.5	Support to organisational set-up of the new FIU by providing guidelines and tools on the organigramme, job descriptions, Manual of Operations, Rules of Procedure, and elaboration of a training strategy for all FIU officers
Activity 3.6	Study visit(s) for new FIU staff responsible for international cooperation to 2 other FIUs of European countries to promote the initiation of operational Memorandum of Understanding.
Output 4	Enhancement of capacities for the prevention of corruption through micro-system studies and through institutionalizing efficient management of ethics' provisions and conflict of interest in public service
Activity 4.1	Conduction of 3 repeat micro-system studies in order to identify corruption-prone areas, and recommend measures for systemic improvement aimed at preventing corruption and increasing application of efficient rules on ethics and streamlining procedures
Activity 4.2	Introduce Integrity Test to contribute to strengthening of capacities for the prevention of corruption within the Ministry of Taxes
Activity 4.3	Contribute to the continuing legal Education for Judiciary on prevention of corruption within the Judiciary through introduction/training on the concept of Integrity Tests in the judiciary as one of the best practices

Activity 4.4	Support the elaboration and implementation of a national strategy (and action plan) with respect to training on ethics and conflict of interests for the civil service commission
Activity 4.5	Provision of pilot trainings and methodology with relevance to Ethics, Appraisal and Performance Assessment
Activity 4.6	Elaboration of guidelines for reporting corruption and protection of whistleblowers within the civil service administration

2.6 Nature of Inputs during the reported period

The following types of activities are foreseen to achieve the project's objective:

Expert advice - provided by the Long-Term Advisor within his/her competence/experience or, as necessary, by Short-Term Advisors selected according to their specific field of competence, through direct conversation with individual officials or groups of officials on the issues specified in the Workplan and wherever necessary.

Written expert opinions - will be provided in writing, as necessary, to comment on the pieces of legislation or their drafts or other documents, by independent experts from the Council of Europe Member States, via the CoE Secretariat.

Roundtables and seminars - allowing stakeholders/professional groups and individuals to look at ways in which their own policies can be reformed. They will also be used to contribute specialist knowledge to a broader debate on a given issue.

Workshops - allow a particular task to be undertaken involving multiple co-operating parties. Experts put their knowledge at the disposal of practitioners and officials. Workshops can also be used to provide specific advanced training.

Training courses - allow participants to acquire new knowledge and/or professional skills through interaction with a qualified trainer.

Research and translations - make important texts and information accessible in local languages and can be used as a tool in training activities and seminars.

3 Activities implemented and progress towards project objectives during the reporting period

3.1 Overview of Activities

The following activities were carried out during the reporting period of the project:

Output	Description of activity	Status	Date and Place	Comments
Output 1				
Activity 1.3	Event on formulation/updating state body action plans	Completed	12 December 2008, Baku	Attended by representatives of government institutions. Template for agency action plans presented by AZPAC and endorsed by CCC
Activity 1.6	Provision of assessment of equipment needs of CCC and its	On-going	October – February 2009	List of equipment needs finalised; purchasing of the equipment to be

	legislative Working Group (prior to provision)			done in accordance with USAID and CoE procurement rules.
Output 2				
Activity 2.2	Advice and support for the elaboration of draft laws	On-going	October-December 2008	Opinions received of local experts on regulation of lobbying, and of international experts on draft conflict of interest law. International expert opinion on plea-bargaining received 12 January 2009.
Activity 2.3	Review of compliance of national legislation with provisions of Council of Europe and UN anti-corruption conventions	Completed	October-December 2008	Local experts provided opinions, international experts conducted mission in November and delivered final reports in December
Output 4				
Activity 4.1	Micro-systems studies	On-going	October-December, Baku	Visit of international experts to conduct research and interviews organised and conducted 1-11 December 2008.

Output 1: Strategic anti-corruption framework improved in line with GRECO recommendations and good practices

Activity 1.3 – Assistance to the relevant government authorities and institutions on implementation of relevant measures in the Anti-corruption Action Plan

On 12 December 2008 AZPAC and the Commission on Combating Corruption held an event at which the AZPAC LTA presented and explained a proposed template for the anti-corruption plans of state bodies and explained how such action plans should be formulated – particularly regarding the level of detail required. The CCC endorsed the template at the meeting, meaning it should be used for the updated action plans the state bodies were obliged to submit by mid-December.

This activity is a further contribution that assists the authorities to fulfil GRECO Recommendation ii. – “to develop a mechanism to assess whether the measures included in the State Programme on Combating Corruption [now the National Strategy on Increasing Transparency and Combating Corruption 2007-2011] are being implemented in practice within the given deadlines...”. To date, state body action plans were insufficiently detailed, which in principle made their implementation difficult to assess in practice.

Activity 1.6 – Provision of equipment to the CCC and its legislative Working Group

In May the CCC submitted to the Council of Europe Secretariat its assessment of equipment needs of CCC and its legislative working group. This list will be reviewed and discussed with the Project Donor and the activity is then expected to be conducted in accordance with the Workplan.

The provision of equipment to the CCC and its legislative working group currently under implementation is expected to improve the strategic anti-corruption framework by providing these institutions with needed capacity.

Output 2: Draft laws/amendments to improve domestic legislation elaborated in cooperation with relevant partner institutions and benchmarking against international standards in the fight against corruption and efficient implementation of the relevant legislative framework

Activity 2.2 - Advice and support for the elaboration of draft laws

Subsequent to the submission by local experts of two opinions in the previous reporting period, one on the possibilities of introducing plea-bargaining in Azerbaijan and one on how lobbying should be regulated, international experts were commissioned to provide their comments, opinions and recommendations. In January 2009 the opinion on plea-bargaining is expected to be submitted by an expert commissioned by the US Department of Justice. On the subject of lobbying regulation, the international expert (the AZPAC Long-Term Advisor) will submit a consolidated opinion/recommendations on how lobbying should be regulated in Azerbaijan after the AZPAC event on preventing corruption in the legislative process being held on 11 February 2008.

In addition, in November 2008 an international expert (the AZPAC LTA) submitted an opinion on the draft Law on the Prevention of Conflicts of Interest in the Activities of the Public Officials prepared by the CCC's Working Group for submission to the Milli Majlis/Parliament of the Republic of Azerbaijan (see Annex 4).

The opinions received on if and how plea bargaining should be introduced in Azerbaijan (Activity 2.2) provide well-founded advice from differing perspectives on if and how legislation should be drafted in this area. The opinion on the draft conflict of interest law provides important advice on the implementation of a key GRECO Recommendation xviii – 'to enact and implement standards on conflicts of interest for all civil servants and officials – including standards with regard to situations where officials move to the private sector – and to provide for an appropriate mechanism to enforce these standards'. In particular, the opinion identified key problems in the draft law, including the absence of a clear monitoring and enforcement mechanism. The opinions commissioned on how lobbying should be regulated in Azerbaijan will provide well-founded advice on, how this issue should be further treated, thereby providing a sound basis for the drafting of appropriate legislation as recommended.

Activity 2.3: Review of compliance of national legislation with the provisions of the CoE Criminal and Civil Law Conventions on Corruption and the United Nations Convention Against Corruption

Activity 2.3 involves the commissioning of assessments from national and international experts of the extent to which the Azerbaijan fulfils the legislative requirements of the Council of Europe Criminal and Civil Law Conventions on Corruption and the United Nations Convention Against Corruption. In November reports were received by two local experts (see Annexes 5 and 6) while two international experts conducted the mission in Baku in early December. Following

this mission the reports were submitted by the international experts (Annexes 7 and 8). These reports – one on obligations in the area of corruption prevention, and one on the criminal and civil law requirements of the conventions, provided very important findings, identifying a large number of gaps in the compliance of the legislation of Azerbaijan. The reports are therefore an important step towards assisting the authorities to identify which actions are necessary to be undertaken for Azerbaijan to fulfil its obligations as a signatory to the Council of Europe Conventions.

The results of Activity 2.3 will in turn be a major input into Activity 2.4, the elaboration of a “compliance matrix” showing the compliance of both domestic legislation and the institutional set-up with relevant international legal instruments. The implementation of this activity will also be a very important contribution to fulfilment of Azerbaijan’s international obligations under the three mentioned anti-corruption conventions.

Output 4: Enhancement of capacities for the prevention of corruption through micro-system studies and through institutionalizing efficient management of ethics’ provisions and conflict of interest in the public service

Activity 4.1: Conducting 3 micro-system studies

One of the most important elements of the AZPAC project is the carrying out of micro-system studies on selected institutions to identify corruption-prone areas and make recommendations aimed at preventing corruption. The studies are being conducted by the Basel Institute on Governance in cooperation with national experts and the AZPAC team. The institutions in which the studies will be conducted were chosen to be: the ministries/sectors of Taxes, Health and Education. From June to early October the methodology for conducting the studies was submitted by the Basel Institute, refined and updated on the basis of input and background work from the AZPAC team in Baku and feedback from the ministries concerned, and finalised in early October.

After preliminary work by national experts to identify relevant laws, regulations and procedures for analysis as well as persons to be interviewed, a two-week mission was conducted by experts from the Basel Institute in December 2008. During the mission over 30 meetings were conducted with the relevant authorities, experts, research organisations and NGOs, as well as focus groups of users. The mission is regarded by the AZPAC as highly successful, and will provide an ideal basis for the second mission to be conducted by the Basel Institute in February.

The micro-systems studies being implemented under Activity 4 are a direct implementation of the objective of Output 4, and in general are a direct contribution to the fulfilment of GRECO Recommendation i. The micro-system study on the Ministry of Taxes should also serve as a valuable source of information for tax authorities to implement GRECO Recommendation xxvi.

4 Planned Activities for period January-March 2009

Output	Description of activity	Status	Date
Output 1			
Activity 1.6	Provision of equipment to the CCC and its legislative Working Group	In preparation	January – February 2009
Output 2			
Activity 2.1	Event on integrity of the legislative process as a	In preparation	11 February 2009

	component of advice/RTD on possible lobbying regulation		
Activity 2.4	Elaboration of a compliance matrix showing the compliance of domestic legislation/institutional setup with international requirements	Ongoing	January-April 2009
Output 3 - Note: some of the activities (3.4, 3.5 and 3.6) foreseen under Output 3 will take place after the adoption of the Anti-money Laundering legislation			
Activity 3.1	Two in-country multidisciplinary training course(s) for financial intelligence officers, and other relevant cooperating agencies' adjudication of cases of economic crime and in particular of corruption and money laundering	Planned	After passage of AML law
Activity 3.2	Two in-country multi-disciplinary training course(s) on the use of special investigative means (SIMs) for all relevant agencies (including national bank officers, members of the new upcoming FIU, auditors and tax officials) in light of European standards and ECHR case-law when combating economic crime, reporting on corruption, suspicious financial transactions and inter-agency cooperation	Planned	After passage of AML law
Output 4			
Activity 4.1	Completing micro-system studies	On-going	January-March 2008

5 Conclusions and Recommendations

During the reporting period the Council of Europe has been implementing the following project activities according to or ahead of the Workplan⁴ schedule:

- Providing assistance to the relevant government authorities on implementation of the Anti-corruption Action Plan
- Provision of advice and support for the elaboration of draft laws
- Review of the compliance of national legislation with the requirements of international anti-corruption conventions
- Implementation of 3 micro-system studies

⁴ The Workplan was adopted at the Start-up conference held on 10 December 2007 in Baku, by signing of a Memorandum of Understanding by CoE, CCC and USAID

These activities have contributed significantly to fulfilment of the overall objective of the project – to enhance the implementation of GRECO and MONEYVAL recommendations and compliance with European and international anti-corruptions standards – and the objectives of specific project outputs as defined in the Workplan.

Cooperation and communication between the AZPAC team and its main counterpart, the Commission on Combating Corruption has remained excellent, and cooperation and communication with the ministries focused upon in the micro-systems studies was likewise very good. The fact that the Workplan was jointly prepared, agreed and subsequently approved by project partners (CoE, CCC and USAID) significantly influenced the implementation of project activities. The Workplan has been adhered to with the exception of Output 3 (Establishment of a network and system to prevent the use of the financial system for money laundering and terrorism financing), which can not yet be implemented due to the lack of a law to prevent money laundering and terrorism financing. Preparation and implementation of further project activities is currently continuing with no problems. Full implementation of the project depends however upon the passage of the anti-money laundering law, and also upon the full development of individual anti-corruption action plans by state bodies.

5.1 Revision/modification of the Workplan

At the AZPAC Steering Committee held on 12 December 2008 the project partners discussed the following potential problems with implementation of future project activities

- Activity 2.5: Elaboration of legislative guidelines and recommendations issued by the 3rd Round GRECO Evaluation Report. This activity is problematic as no 3rd Round Evaluation will take place before the end of the AZPAC project. It was agreed that the project partners would discuss the possibility of the Long-Term Advisor providing an opinion on the current framework for regulating the financing of political parties and electoral campaigns in Azerbaijan – one of the two main foci of the 3rd Round Evaluation.
- Output 3: Assistance in the creation of a system to prevent money laundering and terrorism financing. It was agreed at the Steering Committee⁵ that after an AML law is passed the project partners will meet and discuss how to implement the activity in the light of time constraints. In addition, it was agreed that irrespective of the passage of a law, AZPAC would join to assist in one or two seminars on prosecution expected to be held during 2009 by the US Department of Justice, with AZPAC providing additional trainers and experts and the training being modified to cover a wider range of officials than prosecutors.
- Activity 4.2: Introduction of Integrity Test in the Ministry of Taxes. This activity was originally requested by the Ministry of Taxes. However, it has subsequently become apparent that the Ministry meant by 'integrity test' a form of organisational audit (on which the AZPAC project is unable to provide assistance) rather than the tests to be conducted on recruits or employees (on which AZPAC can provide assistance). The project partners will discuss the possibility of providing the Ministry with a methodology for the latter.

5.2 Revision of the Project Budget

The Council of Europe will propose (for approval) to the donor the revised budget in accordance with the Cooperative Agreement Attachment C – "Revision of Award

⁵ The report of the 2nd Steering Committee meeting is in Annex 3 to this report

Budget". The proposed revised budget will not constitute a request for additional funding but will only show a re-allocation of already awarded funds in order to have sufficient financial means to carry out the forthcoming project's activities of key importance.

6 Annexes

Annex 1: AZPAC Workplan of Activities

Annex 2: AZPAC up-dated Calendar of Activities

Annex 3: Steering Committee meeting report

Annex 4: Expert opinion on the draft Law on the Prevention of Conflicts of Interest in the Activities of the Public Officials

Annex 5: Technical Paper on Compliance of the Azerbaijani legislation with its obligations under the United Nations Convention Against Corruption (prepared by national expert)

Annex 6: Technical Paper on Level of Compliance of the legislation of the Republic of Azerbaijan with international anti-corruption conventions (prepared by national expert)

Annex 7: Technical Paper on Compliance of the Legislation of the Republic of Azerbaijan with International Anti-corruption Conventions (prepared by international expert)

Annex 8: Technical Paper on Compliance of the Azerbaijani legislation with its obligations under the United Nations Convention Against Corruption (prepared by international expert)