



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

**CoE project No. 2007/DGI/VC/951**

### **5th Narrative PERFORMANCE Report**

22 April 2009

<b>Project title</b>	Support to the Anti-corruption Strategy of Azerbaijan (AZPAC)
<b>Project area</b>	Azerbaijan
<b>Budget</b>	USD 800 000 (USAID)
<b>Funding</b>	United States Agency for International Development (USAID) With some additional funds from Council of Europe on Law Enforcement/Criminal Law related activities
<b>Implementation</b>	Council of Europe (Economic Crime Division / Directorate of Co-operation / DG-HL)
<b>Duration</b>	24 months (30 September 2007 – 30 September 2009)
<b>Reporting period</b>	1 January 2009 – 31 March 2009

*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*

*For more information, please contact:*

<i>Technical Co-operation Department Directorate General of Human Rights and Legal Affairs Council of Europe F- 67075 Strasbourg CEDEX Tel: + 33 3 88 41 29 76 Fax: + 33 3 90 21 56 50 Email: <a href="mailto:lado.lalicic@coe.int">lado.lalicic@coe.int</a></i>	<i>This document has been produced with the financial support of the USAID. The views expressed herein can in no way be taken to reflect the official opinions of the Council of Europe.</i>
--	--

## Table of Content

<b>1</b>	<b>Background Information .....</b>	<b>5</b>
1.1	Beneficiary Country and Institution(s) .....	5
1.2	Contracting Authority .....	5
1.3	Implementing Organisation.....	5
1.4	Project Objective .....	5
1.5	Funding and Support to the Project.....	5
<b>2</b>	<b>The Project.....</b>	<b>6</b>
2.1	Project Objective .....	6
2.2	Expected Results and Methodology .....	6
2.3	Summary of Project Outputs .....	7
2.4	Nature of Inputs during the reported period .....	8
2.5	Country Situation .....	9
2.6	Legislation .....	10
<b>3</b>	<b>Activities implemented and progress towards project objectives during the reporting period .....</b>	<b>12</b>
3.1	Overview of Activities.....	12
<b>4</b>	<b>Planned Activities for period April-June 2009 .....</b>	<b>15</b>
<b>5</b>	<b>Conclusions and Recommendations .....</b>	<b>16</b>
<b>6</b>	<b>Annexes .....</b>	<b>17</b>

## **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 fifth reporting period from 1 January 2009 to 31 March 2009 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 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;
- 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.

### **2.2 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).

## 2.3 Summary of Project Outputs

<b>Overall objective</b>	<b>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</b>
<b>Project objective</b>	<b>To enhance the implementation of GRECO and MONEYVAL recommendations and compliance with European and international anti-corruption standards</b>
<b>Output 1</b>	<b>Strategic anti-corruption framework improved in line with GRECO recommendations and good practices</b>
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.
<b>Output 2</b>	<b>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</b>
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
<b>Output 3</b>	<b>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</b>
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.
<b>Output 4</b>	<b>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</b>
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

## 2.4 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.

## 2.5 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. 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 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 1.9<sup>1</sup>. 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 level<sup>2</sup>.

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 those recommendations was assessed in October 2008<sup>3</sup>. GRECO has concluded that Azerbaijan implemented satisfactorily or dealt with in a satisfactory manner just over one third of the recommendations. GRECO also stated that *'significant progress was achieved as regards such areas as the means and working methods of the anti-corruption bodies, the regulatory framework concerning public officials' rights and duties which are relevant for the prevention of corruption, including the adoption of ethical rules for civil servants in May 2007. Furthermore, there is a series of recommendations for which the implementation is under way. GRECO very much hopes that Azerbaijan will be able to finalise, as soon as possible, the projects and/or draft regulations announced as regards, in particular, the*

---

<sup>1</sup> [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](http://www.transparency.org/policy_research/surveys_indices/cpi).

<sup>2</sup> 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>

<sup>3</sup> [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round2/GrecoRC1&2\(2008\)4\\_Azerbaijan\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round2/GrecoRC1&2(2008)4_Azerbaijan_EN.pdf)



*introduction of third party and value confiscation, the setting up of an agency with overall responsibility for the implementation of the law on access to information, the legal framework relating to conflict of interests and situations where public officials move to the private sector. On certain matters, measures have been taken but remain insufficient, for instance cooperation between the various agencies responsible for the investigation and prosecution of corruption offences and research into the characteristics of corruption in Azerbaijan. Finally, GRECO regrets that certain areas have received no or insufficient attention so far. It urges the authorities to persist in their efforts with a view to strengthening the anti-money laundering system and making it effective in practice. The same applies to the system of financial declarations for public officials. Finally, there remains a clear need for the authorities to adopt measures to improve the system of professional disqualifications and to make sure that sanctions in this area are effective in practice.'*

## **2.6 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; 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 the US Department of Justice and the Council of Europe experts in December 2006 and then in March/April 2007, finally passed its 3<sup>rd</sup> reading in the Parliament in February 2009.

Prior to that, at its 28th Plenary meeting in December 2008, Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) issued a Public Statement in respect of Azerbaijan under Step VI of its Compliance Enhancing Procedures because of its continued failure to pass AML/CFT legislation. The Statement<sup>4</sup> noted that at that time a draft law had passed a second reading in October. That draft law did not comply in a comprehensive manner with key international standards. MONEYVAL called upon Azerbaijan to further revise that draft law before completing the legislative process and to urgently implement satisfactory and comprehensive AML/CFT legislation. MONEYVAL called 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 ML/TF risks.

Following the issuing of the December 2008 Public Statement, the President of MONEYVAL wrote to the Azerbaijani authorities attaching a list of ongoing concerns.

Following the passage of the AML/CFT Law (18 February 2009) the President of the Republic published a Decree on the application of this Law on 23 April 2009. The Decree establishes an Financial Intelligence Unit (FIU) under the National Bank. The Decree required the National Bank to prepare and submit a draft Statute of the FIU for approval by the President of the Republic within one month. It is not known whether, as yet, a draft Statute has been approved. The Decree also assigned to the Cabinet of Ministers the tasks of submitting to the President of the Republic within 2 months proposals for bringing other legislative acts into conformity with the AML/CFT Law, preparing legislative acts dealing with sanctions for violations of the AML/CFT Law, and for determining the reporting forms to the FIU.

While the AML/CFT Law is understood to be in force from the date of its publication, reporting forms are not yet in place, the FIU Statute is still to be agreed and thresholds need to be defined for certain important aspects of the CDD process.

---

<sup>4</sup> [http://www.coe.int/t/dghl/monitoring/moneyval/About/MONEYVALstatement-AZ\\_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/About/MONEYVALstatement-AZ_en.pdf)

The Law which has been adopted is nonetheless better than earlier versions and addresses a number of the issues previously raised by MONEYVAL, though there are still some further ongoing concerns.

The overall package of the AML/CFT Law, the implementing measures and the sanctions regime still needs to be reviewed by MONEYVAL to fully judge the legal framework in the round. At its 29th Plenary meeting in March 2009, MONEYVAL considered that the positive progress that had been made should be reflected in a revised Public Statement. A revised Public Statement was issued on 20 March 2009 welcoming the the adoption of the AML/CFT Law and the steps that are now being taken to complete the legal framework for an AML/CFT regime. Azerbaijan was requested to finalise the legal structure quickly and address other identified deficiencies and encouraged to work closely with MONEYVAL to achieve this. The March Public Statement also specifically notes that the December Public Statement still remains in effect. Both Statements now appear on MONEYVAL's website. The Bureau of MONEYVAL has a mandate to review the Statements between Plenary meetings when further actions have been completed by the Azerbaijani authorities and reported to MONEYVAL addressing outstanding issues. Thus the basic AML/CFT legal framework in Azerbaijan is not yet fully in place, though it is anticipated that by the September 2009 Plenary meeting, if not sooner, an overall AML/CFT legal framework which meets MONEYVAL's main concerns will be in place so that that the Public Statements can be lifted. Other issues identified in the 3rd Evaluation report where ratings were low will still need addressing even when the Public Statements are lifted. The effectiveness of implementation of the new AML/CFT regime in Azerbaijan will need to be assessed by MONEYVAL over a much longer timescale.

### 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
<b>Output 1</b>				
Activity 1.6	Provision of equipment to CCC and its legislative Working Group (prior to provision)	On-going	March - April 2009, Baku	Following the agreement of the project partners the equipment purchase shall be completed in April/May 2009 in accordance with the CoE/USAID procurement rules
<b>Output 2</b>				
Activity 2.1	Event on integrity of the legislative process in Parliament of Azerbaijan	Completed	11 February 2009, Baku	Event held with Parliament, Commission on Combating Corruption and Development Alternatives Inc.
Activity 2.4	Elaboration of Compliance Matrix of compliance of domestic legislation	On-going	February-April 2009	International expert elaborating matrix.

	with requirements of international anti-corruption instruments			
<b>Output 3</b>				
Activity 3.3	One day training for judges and other law enforcement officials on case study proceedings with relevance to corruption and money laundering related offences	Completed	25 February 2009, Baku	Training conducted with US Department of Justice, Council of Europe provided one expert who provided training on case proceedings.
<b>Output 4</b>				
Activity 4.1	Micro-systems studies	On-going	January-March, Baku	February visit of international experts conducted (12-19 February), 1 <sup>st</sup> draft reports submitted end of March
Activity 4.6	Training for civil servants on reporting corruption and protection of whistle blowers within the civil service administration	Completed	12 March 2009, Baku	Attended by 30 participants, from Civil Service Commission and 29 other ministries and other state bodies.

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

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

The provision of equipment to the CCC and its legislative working group that is currently under implementation and 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 2.4:** Elaboration of Compliance Matrix of compliance of domestic legislation with requirements of international anti-corruption instruments

On the basis of assessments of the compliance of the legislation of Azerbaijan with the requirements of the CoE Criminal and Civil Law Conventions on Corruption and the United Nations Convention Against Corruption, Activity 2.4 constitutes the elaboration of a matrix which will present the findings on compliance in a format that will be highly accessible and visible, and also facilitate revisions as compliance is improved in areas where there are gaps. The matrix is 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.

**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 3.3 Training for Judges related to economic crime (corruption and money laundering)**

On 25 February 2009 a joint seminar/training was provided to prosecutors, judges and Ministry of Justice officials on International Mutual Legal Assistance (evidence requests and exchange), Extradition, and Foreign Asset Seizure. The event was held jointly by the US Department of Justice and the AZPAC project, and the Council of Europe provided an expert – UK Prosecutor Alan Bacarese - hired from the Basel Institute on Governance. The event was judged as highly successful by participants, and the presence of experts on both US and European practice was evaluated as especially productive.

The training can be expected to facilitate fulfilment of part of GRECO Recommendation xi – to make full use in practice of provisions allowing the confiscation of proceeds of corruption, Recommendation xii – the provision of guidelines and training for prosecutors, investigators and judges who are required to apply provisions on confiscation and interim measures

**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 were conducted by the Basel Institute on Governance between October 2008 and March 2009 in cooperation with national experts and the AZPAC team. The institutions in which the studies were conducted the ministries/sectors of Taxes, Health and Education..

From 12-19 February Basel Institute experts conducted a second research visit, during which around 17 more interviews were conducted with the relevant authorities, experts, research organisations and NGOs. As with the first visit in December, the mission is regarded by the AZPAC team as having been highly productive. At the end of March draft reports on the three sectors were submitted to the AZPAC team. Due to delays in receiving some important information requested from the Azerbaijan authorities and necessary for final completion of the reports, their reports are expected to be definitively finalised by the end of April 2009.

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.

**Activity 4.6: Training for civil servants on reporting corruption and protection of whistle blowers within the civil service administration**

On 12 March 2009 the AZPAC Long-term Advisor conducted a one-day training for civil servants on best practices in the area of whistleblowing. The training – which provided a number of concrete recommendations and also drew attention to the conditions that must be in place for any regime to facilitate whistleblowing and protect whistleblowers to function – was attended by one official each from the Civil Service Commission and 29 other state institutions.

The training provided vital information to the Azerbaijan authorities that will provide a good basis for implementing properly GRECO Recommendation xx – to introduce rules/guidelines to ensure that officials who report suspicions of corruption in public administration on good faith are adequately protected from retaliation.

#### 4 Planned Activities for period April-June 2009

Output	Description of activity	Status	Date
<b>Output 1</b>			
Activity 1.6	Provision of equipment to the CCC and its legislative Working Group	Ongoing	April-May 2009
<b>Output 2</b>			
Activity 2.2	Provision of opinion of international expert on how lobbying should be regulated in Azerbaijan	In preparation	April 2009
Activity 2.4	Elaboration of a compliance matrix showing the compliance of domestic legislation/institutional setup with international requirements	Ongoing	April 2009
<b>Output 3</b>			
Activity 3.1	Multidisciplinary training for the new Financial Monitoring Office, institutions that are obliged to notify suspicions transactions and their regulatory bodies on implementation of the new law to prevent money laundering and terrorism financing	In preparation	16-18 June 2009
Activity 3.1	Multidisciplinary training for the new Financial Monitoring Office and relevant law enforcement bodies on implementation of the new law to prevent money laundering and terrorism financing	In preparation	6-10 July 2009
Activity 3.2	Multi-disciplinary training course(s) on the use of special investigative means (SIMs) for all relevant agencies (including	In preparation	13/14/15 July 2009

	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 3.4	Provision of technical opinion on the Statute of the FMO and its implementation	In preparation	April-May 2009
<b>Output 4</b>			
Activity 4.1	Submission of finalised reports on Micro-systems Studies	On-going	April/May 2008
Activity 4.3	Training on the concept of Integrity tests in the judiciary for Legal Judicial Council	In preparation	13/14/15 July 2009

## 5 Conclusions and Recommendations

During the reporting period the Council of Europe has been implementing the following project activities according to or nearly in line with the Workplan<sup>5</sup> schedule:

- Elaboration of a compliance matrix of the compliance of the laws of Azerbaijan with international anti-corruption conventions
- Training of law enforcement officers on international cooperation and asset seizure, *inter alia* in connection with corruption cases
- Preparation of training and other assistance to the establishment of a system to prevent money laundering and terrorism financing
- Implementation of 3 micro-system studies
- Provision of training on the facilitation of whistleblowing and protection of whistleblowers

These activities have contributed significantly to the 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 remained excellent, and cooperation and communication with the ministries focused on 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 was adhered to with the exception of parts of Output 3 (Establishment of a network and system to prevent the use of the financial system for money laundering and terrorism financing), which were delayed due to the late passage of legislation to prevent money laundering and terrorism financing. With the passage of this legislation in February 2009 only, a slightly lower number of trainings will be implemented. Preparation and implementation of further project activities is currently continuing with no problems.

<sup>5</sup> 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

## **6 Annexes**

Annex 1: AZPAC Workplan of Activities

Annex 2: AZPAC up-dated Calendar of Activities