



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

COE PROJECT NO. 2007/DGI/VC/951

2ND NARRATIVE PERFORMANCE REPORT

22 July 2008

Project title	Support to the Anti-corruption Strategy of Azerbaijan (AZPAC)
Project area	Azerbaijan
Budget	USD 800.000 (USAID)
Funding	United States Agency for International Development (USAID) With some additional funds from Council of Europe on Law Enforcement/Criminal Law related activities
Implementation	Council of Europe (Economic Crime Division/Directorate of Co-operation / DG-HL)
Duration	24 months (30 September 2007 – 30 September 2009)
Reporting period	1 April 2008 – 30 June 2008

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 second reporting period from 1 April 2008 to 30 June 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.

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.

Contracting Authority

The United States Agency for International Development (USAID).

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 offices are), is supporting the implementation of the project.

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.

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 has put at the disposal of the Council of Europe free of charge Project Offices including here, project team offices, 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

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 will be assessed by GRECO in October 2008. 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: 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 2.1.¹ 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.²

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.hu/images/fdh_galleries/NIT2008/NT-Overview%20Essay%20-final.pdf

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 studied 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, with view to their being discussed at a follow-up expert meeting.

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. The above-mentioned Joint Working Group is supposed to finish modification of the new Criminal Code with criminal liability of legal persons issues incorporated into it by the end of 2008.

A number of other laws advanced to the next stage in the legislative process, such as Code on Competition and the Administrative Procedures Code passed in the 2nd reading in the Parliament while the Law on Education passed in the 1st reading.

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 1st reading in the Parliament on 6 June 2008. Each draft law needs to go through 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.

However, Azerbaijan has still not enacted comprehensive and satisfactory AML/CFT legislation. A high level delegation of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism (MONEYVAL) visited Azerbaijan earlier this year under Step V of the MONEYVAL Compliance Enhancing Procedures to reinforce the message that Azerbaijan is not in compliance with MONEYVAL's reference documents. The above-mentioned draft AML/CFT legislation, that was presented and passed a first reading in the Parliament, still has numerous deficiencies, which have been brought to the attention of the Azerbaijani authorities by MONEYVAL. These deficiencies need remedying in the second and third readings in the autumn. The MONEYVAL plenary decided at its July 2008 meeting to postpone consideration of a proposed public statement in respect of Azerbaijan's continuing non compliance with MONEYVAL reference documents (under Step VI of the MONEYVAL Compliance Enhancing Procedures) until MONEYVAL's December meeting. Further technical assistance on AML/CFT is dependent on the passage of satisfactory and comprehensive AML/CFT legislation.

While the overall legal framework of Azerbaijan has been brought into line with international standards and instruments, the prime challenge is now that certain laws still need to be passed by Parliament, and be followed by an effective and efficient implementation.

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.

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).

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
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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. OVERALL ACHIEVEMENTS

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 1.1/D	4 th Awareness raising Seminar to introduce Anti-corruption Strategy and Action Plan	Completed	10 April 2008, Yevlakh	The event was attended by around 46 officials, NGO representatives and journalists. The discussion was of a very high quality and there was intense media interest.
Activity 1.1/E	5 th Awareness raising Seminar to introduce Anti-corruption	Completed	14 May 2008, Lankaran	The event was attended by around 51 officials, NGO representatives and journalists. The

	Strategy and Action Plan			discussion was the most lively of all the awareness raising events.
Activity 1.3	Event on implementation status and challenges held with Commission and state institutions	Completed	18 June 2008, Baku	The event was attended by 31 officials. A template for reporting on implementation of state body anti-corruption action plans was adopted for use by state bodies
Activity 1.6	Provision of assessment of equipment needs of CCC and its legislative Working Group (prior to provision)	On-going	May 2008	The list of needs will be reviewed and discussed with the Project Donor and the activity will be implemented in accordance with the Workplan
Output 2				
Activity 2.2	Advice and support for the elaboration of draft laws	On-going	May 2008	Plea-bargaining and lobbying selected as topics on which to commission opinions on how to regulate/implement in Azerbaijan; local experts selected. Three relevant documents translated into Azerbaijani language
Output 4				
Activity 4.1	Conducting 3 micro-system studies	In preparation	June 2008	Institutions selected (ministries of Tax, education and Health), international experts selected and initial version of methodology received.
Activity 4.5/A	Provision of pilot training on implementation of Law on Rules of Ethical Conduct	Completed	11 April 2008	Training provided by Long-Term Advisor and attended by 37 officials. Training was well received and provided a good introduction to the issues.
Activity 4.5/B	Provision of pilot training on implementation	Completed	15-16 April	Training provided by CoE expert, Ms Linda Austere (Providus

	of Law on Rules of Ethical Conduct			NGO, Latvia). Attended by 50 officials.
Activity 4.5/C	Provision of pilot training on implementation of Law on Rules of Ethical Conduct and on Performance Assessment	Completed	7-8 May	Training provided by CoE expert, Mr Hans-Joachim Rieger (DBB Akademie). Training was attended by 42 officials and participants evaluated it very highly.

4. ACTIVITIES IMPLEMENTED DURING THE REPORTING PERIOD

Activity 1.1 - Awareness raising seminars to introduce the new Anti-corruption Strategy and its Action Plan

During the reporting period the last two of five awareness raising events were held, in Yevlakh on 10 April 2008 and in Lankaran on 14 May 2008. The purpose of the events was to raise awareness of the Government's Anti-corruption Strategy and Action Plan and the project. The events included presentations by NGO representatives on the role of civil society in implementing the National Strategy and fighting corruption in general. The event in Yevlakh was also attended by 15 NGOs from Mingechivir.

The main outputs of the events were the following:

- The events (especially in Lankaran) stimulated lively discussion between officials (of the CCC and local authorities), local NGOs and media.
- There was a significant media presence at all the events. The Long-Term Advisor was interviewed by AzTV, ANS, Space and Lider in Yevlakh and a local TV station in Lankaran.

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

On 18 June 2008 an event was held with the Commission on 'Implementation Status/Needs and Challenges'. The purpose of the event was to obtain information from state institutions both on the challenges they have encountered in implementing measures in the Anti-corruption Action Plan, and on their needs for assistance with such implementation. The event was attended by 3 representatives of the Commission and 26 representatives from various state bodies.

The event constituted important progress in improving the framework for reporting on implementation of anti-corruption policy by state bodies. As detailed in the previous Progress Report, in March 2008 the Long-Term Advisor submitted a proposed set of "Proposed guidelines and templates for reporting and monitoring of implementation of the National Anti-corruption Strategy of the Republic of Azerbaijan" to the Secretariat of the Commission on Combating Corruption. The proposed guidelines and templates provide templates for agency action plans, a template for reporting by agencies on their implementation of action plan measures, and a template for reporting by the Commission on Combating Corruption on implementation of the national Action Plan.

At the event the Commission representatives distributed a template based on the Council of Europe's proposal. State bodies will have to report on their implementation of Action Plan measures concerning them using the template, beginning with their reports due to be submitted to the Commission at the end of June 2008. The Commission is expected to inform the project team in July of other specific assistance measures, if any, that state bodies request. Subsequently, the Commission also indicated to the Long-Term Advisor at a subsequent meeting that a follow-up meeting may be held in November at which state bodies would be assisted to update their own anti-corruption action plans for 2009 using the template proposed by the Council of Europe.

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.

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

It has been agreed to commission opinions from local and international experts on the possible introduction of plea-bargaining in Azerbaijan, and also on lobbying regulation, in order to inform the possible drafting of laws in these areas. Agreement was reached in May with one national expert for each area to provide analyses and recommendations. These contributions will then be submitted to international experts for comments and recommendations. On the subject of lobbying regulation, in May it was also agreed to hold under this activity a joint event with DAI and the Milli Majlis (Parliament of Azerbaijan) on the integrity of the legislative process. For purpose of facilitating the preparatory work on the above-mentioned legislation three relevant documents were translated into Azerbaijani language:

- 'La palaise coupable' – compilation of international standards and practices in plea bargaining;
- 'Prosecutorial discretion and plea bargaining in the United States, France, Germany and Italy: a comparative perspective';
- 'Regulation of lobbyists in developed countries' published by the Irish Institute for Public Administration;

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. In June the institutions in which the studies will be conducted were clarified. These will be the Ministry of Taxes (as already envisaged in the Workplan), the Ministry of Education and Ministry of Health. Important preparatory work has already been carried out on the studies. This includes the selection of international experts to work on the studies, informal discussions with tax experts, and a formal meeting with officials at the Ministry of Taxes on 25 June in which the AZPAC Project Manager from Strasbourg also participated. The studies will be conducted by the AZPAC project team in cooperation with the Basel Institute on Governance, which submitted a proposed methodology in June. The proposal is currently under modification on the basis of input from the project team.

Activity 4.5 – Provision of pilot trainings on ethics and performance assessment

A key component of the AZPAC project is assistance to the Civil Service Commission in the elaboration and implementation of a national strategy for training on ethics and conflict of

interest. Following the elaboration of the proposed National Strategy and Action Plan for Training of Civil Servants on Ethics and Conflict of Interest for the Civil Service Commission in February 2008, within the reporting period three trainings were provided on the implementation of the Law on Rules of Ethical Conduct – by the Long-Term Advisor on April 11th, and by two CoE experts - Ms Linda Austere from the Latvian NGO Providus on 15-16 April, and Mr Hans-Joachim Rieger from German DBB Akademie on 7-8 May. The trainings focused on clarification and communication of ethical rules to civil servants, how to train civil servants to resolve ethical dilemmas, and on enforcement. The training provided by Mr Rieger also covered the issue of performance assessment.

The first introductory training was attended by approximately 37 government officials (20 women and 17 men). The second training was attended by around 50 officials (19 women and 31 men). The third training was attended by 45 officials (24 women and 21 men). Around 20% of participants were from the Civil Service Commission and the remainder from the human resources departments of state institutions..

The trainings – and especially the first and third – were highly interactive, stimulated lively discussion among the participants and were evaluated very positively by them. Because the first training was provided by the Long-Term Advisor at the location of the AZPAC office and therefore involved minimal costs, another training from Mr Rieger only on performance assessment was requested by the Civil Service Commission and will be provided as part of the project on September 15-16. This training will also be used to assist the CSC in modifying and finalising its draft ‘Regulations for Evaluating the Performance of Civil Servants’ which will come into effect in 2009.

Steering Committee Meeting

The first Steering Committee meeting of the project partners took place on 28 April 2008, in Baku. The comprehensive report of what was discussed and decided during the meeting, including the list of participants, is attached in Annex 3 to this report.

5. PLANNED ACTIVITIES FOR PERIOD JULY - OCTOBER 2008

Output	Description of activity	Status	Date
Output 1			
Activity 1.3	Selection of areas in which to assist government authorities and institutions in implementing measures in Action Plan	On-going	April-June 2008
Activity 1.5	Conduct of seminar on provision of terms of reference to CCC on types and modalities of surveys of public perceptions, attitudes and/or experience	Completed	16-17 July 2008
Activity 1.6	Provision of equipment to the CCC and its legislative Working Group	In preparation	October 2008
Output 2			
Activity 2.2	Event on integrity of the legislative process as a component of advice/RTD on possible lobbying regulation	In preparation	Late October 2008
Activity 2.3	Review of compliance of national	In	September-

	legislation with provisions of CoE and UN anti-corruption conventions	preparation	December 2008
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	Holding an awareness-raising event on fighting money laundering and terrorism financing in Azerbaijan . Note: this event is not included in the Workplan but was agreed at the AZPAC Steering Committee Meeting on 28 April 2008) and organized together with the U.S. Department of Justice	Prepared	22 July 2008
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	Preparation of micro-system studies	On-going	July-September
Activity 4.5	Provision of pilot training on implementation of performance assessment to Civil Service Commission and agency human resources officials	Planned	15-16 September 2008

6. CONCLUSIONS

During the reporting period the Council of Europe has been implementing the following project activities according to or ahead of the Workplan³ schedule:

- Introduction of the new Anti-corruption Strategy and its Action Plan.
- Provision of equipment to the CCC and its Working Group
- Provision of advice and support for the elaboration of draft laws
- Preparation of 3 micro-system studies

³ 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

- Provision of pilot trainings and methodology with relevance to ethics and performance assessment.

The Council of Europe remains concerned over the slow progress in relation to the anti-money laundering legislation. The commencement of Output 3 of the Project – the establishment of a network and system to prevent the use of the financial system for money laundering and terrorism financing – has been delayed due to the fact that the law to prevent money laundering is still pending 2nd reading and final adoption by the Parliament. However, a preliminary event on awareness raising, involving all the relevant institutions, is being held on 22 July 2008. The Council of Europe remains ready to proceed with implementation of Output 3 as soon as above-mentioned legislation is passed.

Cooperation and communication between the AZPAC team and its counterparts – in the reporting period the Commission on Combating Corruption and Civil Service Commission – has been excellent. 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 described above) and in the area of ethics training (Output 4.5) implemented ahead of schedule. Preparation of further project activities – and especially the key micro-system studies – 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.

7. ANNEXES

Annex 1: AZPAC Workplan of Activities

Annex 2: AZPAC up-dated Calendar of Activities

Annex 3: Steering Committee Meeting Report

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