



ANNEX C1: Twinning Fiche

Project Title: Strengthening the capacity of the Ministry of Agriculture to improve effectiveness and efficiency of state support to agriculture

Beneficiary Administration: Ministry of Agriculture, Republic of Azerbaijan

Twining Reference: AZ/15/ENI/AG/01/18

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EU Funded Project

TWINNING INSTRUMENT

1. Basic Information

1.1 Programme: ENI-Annual Action Programme 2015 for the Republic of Azerbaijan

1.2 Twinning Sector: Agriculture and Fisheries (AG)

1.3 EU Funded Budget: €1.25 million

2. Objectives

2.1 Overall objective:

The overall objective of this twinning project is to contribute to improving the performance of the agricultural sector thereby implementing Government policy on diversification of the economy, decreasing regional disparities and improving rural livelihoods.

2.2 Specific objective:

The specific objective of the twinning is to strengthen the capacity of the Ministry of Agriculture to define, programme and administer effective state support to agriculture and for rural development and in line with relevant EU policy principles and best practices.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation Agreement/Association Agreement/Sector Reform Strategy and related Action Plans

EU - Azerbaijan Agenda

After its enlargement in May 2004, the EU faced a new geopolitical situation and adopted the European Neighbourhood Policy (ENP)¹, which is a new framework for relations with its neighbours. The ENP aims to go beyond the existing Partnership and Co-operation Agreements to offer neighbouring countries the prospect of an increasingly closer relationship with the EU with the overall goal of fostering the political and economic reform processes, promoting closer economic integration as well as legal and technical approximation and sustainable development.

The central element of the ENP is a bilateral Action Plan (AP)² which clearly sets out policy targets and benchmarks through which progress with an individual neighbouring country can be assessed over several years. With regard to Regional and Rural Development, the EU-Azerbaijan ENP Action Plan sets out a list of priorities to be pursued. Priority N°6 of the AP calls for support to balanced and sustained economic development, with a particular focus on diversification of economic activities, development of rural areas, poverty reduction and social/territorial cohesion and to promote sustainable development including the protection of the environment.

The annual action plan 2015 for Azerbaijan funded by the European Neighbourhood Instrument (ENI) is entitled "Integrated Regional Development of Azerbaijan (IRDA) programme". It foresees, amongst other actions, support to making the programming of agricultural support more responsive to environment and climate change challenges, but also seeks alignment of agricultural support with the

¹ http://eeas.europa.eu/enp/index_en.htm

² https://eeas.europa.eu/sites/eeas/files/au-az_action_plan_azerbaijan.pdf

requirements of the World Trade Organization pertaining to state aid and exploring options for the use of relevant EU policies and best practices in this context.

Governmental Policy and Strategy

In diversifying its economy away from a heavy reliance on oil and gas the government has embarked on a reform agenda that is underpinned by Strategic Roadmaps on the National Economy and its main constituent sectors. These roadmaps were given the status of state programmes with the presidential decree of 06 December 2016. They contain a detailed plan for one year, an economic development strategy and action plan for the period of 2017-2020 and long-term priorities towards 2025 and beyond. Agriculture³ has been identified as a key sector contributing 6.8% to GDP, 6.2 % to export earnings and accounting for 38% of employment.

The Strategic Roadmap on Production and Processing of Agricultural Products⁴ provides, amongst others, targets and measures that are - to ensure that agricultural policy is evidence based, to create a more enabling environment for agriculture by improving service levels of state institutions as well as access to finance, to enhance productivity and quality of production along the value chain, specifically for crops that have potential for import substitution and export, to meet international food safety standards, to harness the potential of the smallholder sector and improve its access to markets - and to use natural resources sustainably thereby protecting the environment.

It includes the following specific priorities that are relevant to this Twinning. Namely, priority 7.2 Improve mechanisms for Environmental Protection in the Agricultural Sector. Priority 8.2.2. Complete the establishment of the "electronic Agriculture" information system and manage the process of granting subsidies by means of this system; 8.5.3 Improve performance of the Farm Data Monitoring System 8.3.3 Strengthen the capacity of the Ministry of Agriculture related to strategic analysis, planning and assessment 8.5.1 Develop a system of indicators and methodology on monitoring and assessment of the results of agrarian policy.

3 Description

3.1 Background and Justification

Institutional Framework

The Ministry of Agriculture of the Republic Azerbaijan was set up by the Order of the President of the Republic of Azerbaijan No 226, April 20, 2005 approving the Regulations of the Ministry of Agriculture of the Republic of Azerbaijan and state agencies and state services formed under the Ministry. An organigram for the Ministry is provided in annex 3. The Ministry of Agriculture is the authority of central power which realizes the agricultural policy within the limits of the united financial and budgetary policy.

The main focal point in the beneficiary institution and for project implementation is the Department for State Support to Agriculture (8 employees). The Department's main mandate is to prepare and upgrade State Agricultural Policies by proposing the measures, drafting the legislation and providing the implementation approach through regional and district departments (totalling 63 Departments

³ There are 1,287,835 farms in Azerbaijan, of which 99.98% are privately owned. An estimated 380,000 farms/holdings may be considered commercial farms and it is on average this number that applies for the annual programme of agricultural support measures. These farms represent approx. 1.3 million ha of agriculturally used land.

⁴ See Annex for details of the roadmap

averaging 14 employees in each department). 60% of employees in these departments are involved in supporting the state agricultural subsidy process - mainly collecting field information in regions, districts and villages.

The Agrarian Research Centre (86 employees) has a mandate to analyse agricultural statistic information from the regions/districts. The Crop Production and Monitoring Department (15 employees) has a key function to manage fertilizer and seed subsidies. The Livestock Development Department (12 employees) has a key activity is to manage artificial insemination subsidies. Other key MoA departments include the Land Use Control Department (15 employees), Finance and Accounting Department (13 employees) and the Department on Application of Information Technologies and E-management (9 employees).

Regional Development Department of the Ministry of Economy has the mandate for regional and (including rural) development programming and implementation. In March 2018 the Ministry of Economy prepared the Draft State Program on socio-economic development of regions of the Republic of Azerbaijan 2019 – 2023. The Ministry of Agriculture provides inputs into this programme. As regards the financing of agricultural and rural development support measures, both Ministries have separate budgets and administer these in support of investment in primary production and processing as below described.

Agricultural Support

Current agricultural support includes sector privileges (import duty exemption of investment goods, tax breaks, subsidized irrigation water, subsidized credit), coupled support (crop and area based, number of animals) and input price subsidies (fuel, fertilizer, seeds).

Regarding direct payments there is, at present, no capping or redistribution of subsidies to special focus groups such as young farmers, small and medium sized farms or areas with natural constraints. Grant based EU CAP type rural development measures presently do not exist as part of a national programme except on a project basis. Recipients of agricultural support have no specific obligations that would be comparable in part or wholly to cross compliance requirements as defined under the European Union's Common Agricultural Policy (CAP) i.e. public, animal and plant health, environment and animal welfare.

Grants and subsidised loans for investment measures in holdings and food processing establishments are administered by the State Service on Projects and Credits under MoA. Credit support to larger producers and processors is managed by Azerbaijan's National Fund for Entrepreneurship Support (ANFES) which under to the Ministry of Economy. 50% of the ANFES loan portfolio supports agricultural holdings. In 2017 the budget for direct agricultural support measures administered by MoA amounted to AZN 205,5 million.. An additional AZN 103,6 million has been provided as subsidised credits to holdings and processing establishments for investment measures.

WTO Accession Negotiations

Azerbaijan started negotiations on WTO accession in 1997. The information on domestic support in the agricultural sector was submitted in the format of document WT/ACC/4 for the period 2012-2015

(Last revision on May 26, 2017 for the period 2014 – 2016). In addition to "green box" subsidies, Azerbaijan has maintained product specific support for wheat and rice, cotton, tobacco and sugar beet, as well as for a number of non-product specific support programmes that fall into the "amber box" of potentially trade distorting measures. The intention of the Government is to shift domestic support measures from the Amber to the Green box and, to implement measures in the framework of Article 6.2 of the Agreement on Agriculture meaning that status of developing country in the negotiations will provide the opportunity for additional flexibilities for domestic support. The type of support that fits into the developmental category are measures, whether direct or indirect, designed to encourage agricultural and rural development and that are an integral part of the development programmes of developing countries. These include investment subsidies and agricultural input subsidies.

Administration and Control of Direct Payments

The administration and control system for the management of subsidies is in transition from a paper-based system, managed by local commissions, to an electronic system based on the principles of the EU's Integrated Administration and Control System (IACS). It will be administered in a largely decentralized manner by 60 agricultural offices established by the MoA in 2016. The Information System on Subsidy Policy (ISSP) that support IACS implementation is based on a proprietary application in use in a number of EU member states and has been adapted to administer and control the support measures currently in use in Azerbaijan. At the MoA in Baku, functions relating to ISSP are embedded in a number of MoA departments. The option of concentrating all administration and control functions in a dedicated structure comparable to a paying agency is under discussion. The farm register has to date been populated with more than 210 000 holdings. The data of 160,000 parcels amounting to 188,000 ha of agriculturally used land have been entered into the database of the Land Parcel Identification system (LPIS).

Monitoring Impact of Policy Measures

The Agrarian Economy Scientific Research Institute has operated a Farm Data Monitoring System (FDMS) since 2005. The FDMS has been modelled on the EU's Farm Accountancy Data System (FADN). It covers at present 3700 returning holdings and 90% of the agriculturally used area. A recent TAIEX mission has assessed the FDMS positively. The TAIEX mission report concluded that at the present stage of the development of the system, the most important income indicators from EU FADN Standard Results can be calculated from FDMS and that to a certain point Azerbaijan farm' results can be compared to EU farm results. The MoA agreed with the mission on a number of follow up activities geared towards further improvement of data quality and their use in support of business and policy decision. The MoA also took interest in the EU's Common Monitoring and Evaluation System (CMES) for rural development and hosted a corresponding TAIEX workshop in early 2018.

Relevant Legislation

Agricultural support and its governance are regulated by the Laws, Presidential Decrees and Presidential Orders and by implementing acts of the Cabinet of Ministers. These are listed in Annex 2. Legislation regulating the administration and control of subsidy payments is based on Presidential Decree № 152 of April 2014 "Improvement of governance in agriculture sector to accelerate the institutional reforms" and implementing act "Rules on use of "E-agriculture" information system

(EAIS)”, approved by the Order № 408 of the Cabinet of Ministers of the Republic of Azerbaijan dated December 30, 2014.

3.2 Ongoing reforms

The evaluation of the half-year implementation of Strategic Roadmap on agricultural production and processing in the Republic of Azerbaijan performed by the Center for analysis of economic reforms and communication showed that during the first six months of 2017, 11% of the measures implementation were performed, 40% started for implementation and for 49% of Roadmap measures implementation didn't started. Reforms concerning the project issues (strengthening of the capacities of MoA to improve the strategic analysis and assessment of current policy and develop the monitoring and analysis, establishment of e-agriculture system, improvement of the performance of the Farm Data Monitoring System, strengthening the capacity of the Ministry of Agriculture related to strategic analysis, planning and assessment, development of the system of indicators and methodology on monitoring and assessment of the results of agrarian policy are progressing more efficiently since the execution of the reform priority 8. is evaluated as average 33% of the measure activities are successfully started.

Issues to be addressed by this Project

Agricultural output has consistently increased over the period 2010 to 2016 from 3,877.7 to 5,632.4 million AZN (actual sale prices), however, the productivity in many sub – sectors remains well below potential. Market requirements for improved product quality, the advent of more stringent food safety standards, the need to better support forms of cooperation and promote diversification of farm income are emerging needs in the rural economy that need to be addressed.

Also, ongoing negotiations with WTO suggest that some restructuring of current agricultural support is required to meet likely future obligations under the agreement on agriculture.

The MoA wishes therefore to make an overall assessment of effectiveness of the current subsidy regime, explore alternative options and project their impact on sector and farm income, income distribution as well as regulatory and fiscal impact.

The MoA wants to examine in this context the suitability of amongst others the spectrum of decoupled direct support, voluntary coupled support and rural development measures in use in the EU and develop a roadmap and draft legal base for implementation of concepts and measures retained. To this end the MoA wishes to strengthen both its capacity in policy analysis and formulation as well as in monitoring and evaluation as required under the above cited Strategic Roadmap Priorities.

More specifically and in order to be more effective in contributing to the regional and including rural development programming conducted by the Ministry of Economy and in order to have an effective framework for a potential shift of a larger part of its own direct payments budget to (green box) rural development measures the Ministry of Agriculture wishes to explore how it can establish such framework on the basis of EU rural development policy principles.

Azerbaijan's most productive agriculture is limited to the area under irrigation which accounts for 30% of agriculturally used land. Intensity of farming practices on irrigated land increase and with it the

potentially negative impact on the environment. This action will therefore develop a proposal on how to gradually introduce the requirements of the EU's concept of cross compliance to recipients of subsidies. Elsewhere overgrazing, erosion and climate change induced changes pose a threat to agriculture. The action will therefore also develop proposals for providing incentives for environmentally sound agriculture in those regions as above mentioned.

Improvement of administration and control of subsidy payments is equally a roadmap priority to enhance both transparency and efficiency. An EU policy aligned system following IACS principles has been put in place but there is limited experience to date with its application. This action will therefore contribute to identify gaps in legal base, system functionality and capacity to operate and help in plugging these. Expansion of the system to support a select number of new forms of direct payments and rural development measures to be conceived under this action will also be assisted.

3.3 Linked Activities

EU Funded Activities

This project is part of a set of five distinct, but interlinked, activities programmed under the ENI Action Programme 2015 for Azerbaijan. It is foreseen that all will be under implementation in the course of 2019. Activities include, amongst others, support to improving agriculture training and advisory services, improved marketing of traditional food products, entrepreneurship learning in rural areas and improving access to information relevant for rural businesses. A grant scheme will specifically assist actions in support of strengthening rural advisory services and information networks as well as initiatives serving the promotion of locally produced food.

AP 2011 E-Agriculture: Developed procedures for - and provided training on integrated administration and control of subsidy payments in line with IACS principals and internal control standards applicable to EU paying agencies. Completed 11/2017

AP 2013 "Technical Assistance Project for the implementation of the support to rural and regional development (SRRD) programme in the Republic of Azerbaijan". Ongoing

AP 2013 " Strengthening Capacity of the WTO Department of the Ministry of Economy in the WTO Accession Negotiations", Ongoing

Other Relevant Donor Projects

In the field of rural and regional development, the activities of the donor community most relevant are those of the World Bank Agricultural Competitiveness Improvement Project (ACIP) programme managed by the State Service under the MoA. This project supports management of agricultural projects with a loan programme for enhancement of selected value chains and provision of financial services to agribusiness enterprises. The goal is building of around 25 production partnerships, facilitating linkages in a value chain. This includes an agro-business investment line via commercial banks for mid-sized investments. At the end of 2017 credits were stopped as the central bank lending rate rose to 15% from 3% at the start of the programme.

A GIZ financed programme on agri-environment from 2019 will define a baseline of biodiversity and other environment and climate change indicators in agriculture, develop policies and measures to counter negative developments, create awareness for the issue, set up a monitoring framework and built capacity in its use.

A joint UNDP/GEF project "Conservation and sustainable use of globally important agro-biodiversity" commenced in 2018 with a duration of 5 years. The objective is to develop agricultural policies to conserve and sustainably use local crop varieties important for biodiversity and sustainable land management and support relevant institutions and local farmers.

The Dutch support through bilateral aid development of a Master Plan for Promoting Investments in the Azerbaijan Agricultural Sector: This is an ongoing collaborative project with ADA University and its Azerbaijan-Netherlands Business Hub. Planned activities from 2018 onwards include:

- On-going and future agricultural policy research. The core of the research is on farm-level data analysis for policy assessment based on the collected data in Azerbaijan. The research applies assessment techniques that will provide policy makers an inclusive impact analysis of the effects of alternative policy and market developments scenarios.
- Research for policy evaluation and monitoring and contributing to the process of monitoring the achievements of alternative policies relative to their objectives (effectiveness) and evaluating them in terms of their efficiency.

3.4 List of applicable Union Acquis/standards/norms

Horizontal Regulation (EU) № 1306/2013: rules on the financing, management, and monitoring and evaluation of the Common Agricultural Policy (CAP)

Regulation (EU) № 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) № 637/2008 and Council Regulation (EC) № 73/2009

Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products

Common Provisions Regulation (EU) № 1303/2013: a set of basic rules defining the common strategic approach for the European Structural and Investment Funds, including the European Agricultural Fund for Rural Development (EAFRD)

Rural Development Regulation (EU) № 1305/2013: a set of specific rules on support for rural development under the EAFRD

Transitional Regulation (EU) № 1310/2013: provisions on rural development support under the EAFRD regulating the transition between the 2007-2013 and 2014-2020 funding periods

Implementing Regulation (EU) № 809/2014: laying down rules for the application of Regulation (EU) No 1306/2013 on the integrated administration and control system, rural development measures and cross compliance

Implementing Regulation (EU) № 808/2014 laying down rules for the application of Regulation (EU) № 1305/2013 on support for rural development by the EAFRD

Delegated Regulation (EU) № 807/2014 supplementing Regulation (EU) № 1305/2013 on support for rural development by the EAFRD and introducing transitional provisions

Implementing Regulation (EU) № 834/2014 laying down rules for the application of the common monitoring and evaluation framework of the CAP

Delegated Regulation (EU) № 640/2014 supplementing Regulation (EU) № 1306/2013 on integrated administration and control system and conditions for refusal or withdrawal of payments and administrative penalties applicable to direct payments, rural development support and cross compliance

3.5 Results per Component

Component 1: Strengthened Ministry of Agriculture Capacity in Subsidy Policy Analysis, Formulation, Monitoring, Reporting and Evaluation

Result 1: Current subsidy policy assessed for effectiveness and compliance with likely future obligations under the WTO Agreement on Agriculture (AoA)

Indicators of achievement

1.1 Suitable approach/model proposed and agreed following internal and external consultations for evaluating the effects of domestic support to agriculture.

1.2 Report and conclusions presented, following an analysis of current domestic support, as regards relevance, efficiency, effectiveness and impact in terms of achieving policy objectives for the agricultural sector and for the development of rural regions. The report will have a special focus on the impact of current subsidy policy on small and medium sized farms.

1.3 Report and conclusions presented following an analysis of possible areas of conflict with the AoA.

1.4 Training plan developed and delivered with the following outputs:

- 20% of staff of relevant MoA departments (statistics, subsidies) trained in the use of relevant policy evaluation methodology/frameworks.

- 20 % of staff of relevant MoA departments are familiarized with the basis of the WTO agreement on agriculture, issues for negotiation, classification and reporting on domestic support to the WTO.

- 100% of the staff of relevant MoA departments have received information on EU CAP support, specific types of EU direct payments and issues to be considered when changing from coupled to decoupled support.
- 80% of staff undergoing training is satisfied with relevance and quality of training.

Total staff of relevant departments concerned by the result: 60

Result 2: Policy options developed for improving effectiveness and efficiency and compliance of domestic support with likely future requirements

Indicators of achievement

2.1 Report prepared on alternatives to the current domestic support measures to promote growth, address structural changes, offering better targeting notably of small and medium sized farms and lower administration cost.⁵ This report will include a projection of impact of alternative support schemes on farm income, income distribution over farm types and sizes, competitiveness, income disparities between regions with favourable production conditions and areas with constraints and other indicators to be developed by the Twinning.

2.2 A report on the potential of shifting part of domestic support from Amber Box to Green Box subsidies and justification on the possibility for Azerbaijan to obtain access to Art. 6.2⁶ of the AoA, which will include of the information on domestic support in the agricultural sector in the ACC/4 format.

2.3 Alternative options proposed for transition from current to a future subsidy regime including corresponding institutional changes.

2.4 Workshop for approximately 50 stakeholders supported to present proposal on subsidy policy options and obtain stakeholder feedback.

2.5 At least 100 copies of reports/methodologies /recommendations disseminated.

2.6 Training plan developed and delivered.

- 20% of staff of relevant MoA departments (statistics, subsidies) have acquired knowledge in the use of models enabling the simulation/forecasting of impact of change of domestic support measures.

⁵ Alternatives should amongst others consider current EU policies and measures, namely redistributive payments to provide improved support to small and middle-size farms; payments for areas with natural constraints, a simplified scheme for small farmers, coupled support to production to help certain sectors undergoing difficulties, market measures – and rural development measures.

⁶ The justification for this is that agricultural and rural development are integral to the development of Azerbaijan and investment and agricultural input subsidies need to be made generally available to low income or resource poor farmers.

- 80% of staff undergoing training is satisfied with relevance and quality of training.
Total staff of relevant departments concerned by the result: 50

Result 3: Draft legal base for new direct support measures developed and agreed

Indicators of achievement

3.1 Relevant amendments drafted to amend the current legislation and procedures pertaining to agricultural support and fiscal and regulatory impact assessed.

Result 4: Framework established for linking obligations relating to environment, land management, public and animal health, as well as animal welfare to subsidy payments

Indicators of achievement

4.1 Concept note prepared on the scope and requirements (legislation, institutional development, capacity building and resource requirements) and including a draft action plan for a phased introduction of cross compliance⁷ requirements to recipients of direct payments;

4.2 Adequate number of workshops organized demonstrating the concept of cross compliance, obligations of farmers and competent authority and required knowledge and skill development;

4.3 At least 100 copies of concept notes on cross compliance prepared and disseminated.

Result 5: Farm Data Monitoring System (FDMS) further aligned with EU Farm Accountancy Data Network (FADN) standards and used for policy analysis

Indicators of achievement:

5.1 Update on 2018 TAIEX expert mission report on the Azerbaijani FDMS;

5.2 Recommendations prepared on modifications to the FDMS questionnaire to calculate all Standard Results indicators according to definitions of variables used in FADN standard results (RI/CC 1750) and the possible introduction of farm typology based on Typology Handbook (RI/CC 1500) elaborated;

5.3 Modifications to the above that are agreed with MoA introduced;

⁷ Statutory Management Requirements (SMRs); Good agricultural and environmental conditions (GAECs)

5.4 Extrapolation of FDMS results to the agricultural census instead of the currently used subsidy data base and unit cost calculation for the most important agricultural products;

5.5 Training needs assessment carried out and training programme developed for FDMS staff of the statistics department and field data collection staff;

5.6 Training delivered

- In year I: 50% of staff operating the FDMS in the statistics department trained on the revised methodology and 100% understanding of the basic principles of FADN.

- In year II: 100% of staff operating the FDMS in the statistics department trained on the revised methodology. 10% of FDMS field data collection staff trained as future trainers.

- 80% of staff undergoing training is satisfied with relevance and quality of training.

Total staff of relevant departments concerned by the result: 30

Component 2: Improved MoA Capacity for Rural Development Programming and Implementation⁸

Result 6: Analysis of the current rural development programme and programming methodology

Indicators of achievement

6.1 Report with description and analysis of current programmes for development of rural regions as regards objectives (linkages with other investment programmes), targets, measures foreseen and their likely effectiveness, delivery, monitoring, reporting and evaluation mechanism – pointing out principal differences between the Azerbaijani and the EU rural development framework.

6.2 Proposal prepared as to how elements of the EU framework for rural development programmes may be used/adapted to support the MoA in the effective use of its resources to implement its contribution to the current programme.

6.3 Concept and draft measure fiches using EU guidelines and outlining criteria for supporting agriculture and rural associations developed for support to agricultural and rural cooperation (producer groups, cooperatives, local action groups etc.)⁹.

⁸ Component 2 as all other components targets primarily Ministry of Agriculture Staff. Where deemed appropriate the MoA will ensure that staff of the Ministry of Economy engaged in regional and rural development programming and implementation is included in relevant training and other activities developed under this Twinning in relation to providing exposure to EU rural development policy and practise. Possible increase in number of participants in such training and other activities should not exceed 20% of the numbers now indicated.

⁹ Harnessing the potential of hundreds of thousands of smallholders is a key priority of the current roadmap for agriculture and with it the development of suitable concepts and support measures catalysing cooperation.

6.4 At least 50 copies of the measure fiches produced and disseminated.

Result 7: Proposal for the introduction of the EU rural development framework and best practise developed

Indicators of achievement

7.1 Strategy and action plan developed detailing steps to be taken (legislative, institutional development, capacity building, resource allocation) to enable the MoA over time to undertake rural development programming, implementation, monitoring, reporting and evaluation in using EU best practices;

7.2 Guidelines prepared outlining the methodology for development of a rural development programme in line with EU approaches;

7.3 Concept note prepared on the scope and requirements (legislation, institutional development, capacity building and resource requirements) including an action plan for providing incentives for environmentally sound agricultural practices in ecologically vulnerable areas;

7.4 Training programme developed and delivered on EU approaches to rural development programming and implementation and covering EU rural development practices

- Year 1: 10% of MoA staff that are engaged in programming agricultural support trained in EU rural development practice. Training to encompass all stages of rural development from sector analysis, strategy and action plan development to measure programming, implementation and evaluation and budgeting. Training materials to be based on actual Member State examples.

- Year 2: 20% of MoA staff that are engaged in programming agricultural support trained in EU rural development practice. Training content as above.

- 80% of staff undergoing training is satisfied with relevance and quality of training.

Total staff of relevant departments concerned by the subject of the result: 60

7.5 Organization of a study tour on EU RD programming and implementation practise to an EU member state (s) for 5 participants.

Component 3: Enhanced MoA capacity for transparent and effective administration and control of subsidy payments

Result 8: Legal basis proposed for administration and control of subsidy payments based on Integrated Administration and Control System (IACS) principles

Indicators of achievement

8.1 Legal base for administration and control of subsidy payments in line with IACS principles reviewed and proposal for further alignment with relevant EU legal base developed and implemented.

Result 9: Consolidated MoA capacity for administering subsidy payments through the use of the ISSP

Indicators of achievement

9.1 Administration and control structure and procedures for subsidy payments reviewed, gaps and inconsistencies identified and proposals developed for their improvement.

9.2 Review report completed and recommendations presented for improving the functionality of the ISSP in supporting all relevant administration and control functions and procedures.

9.3 Procedures manuals and checklists for administration and control of new support measures emanating from result areas 1 and 2 developed.

9.4 Training needs assessment carried out at senior staff level in Baku and in 8 regional centres of all relevant administration and control functions conducted and a relevant training plan prepared.

9.5 Training delivered on applying IACS principles and relevant internal control standards through the use of the ISSP.

- Year I: 15 % of senior (approx. 40) staff engaged in administration and control of subsidy payments trained in applying IACS principals and relevant internal control standards through the use of the ISSP.

- Year 2: 100 % of field staff (approx.360) engaged in administration and control of subsidy payments trained in operational aspects of managing subsidy payments in using the ISSP.

- 80% of staff undergoing training is satisfied with relevance and quality of training.

9.6 Organizing study tour(s) for 5 participants to provide exposure to organization and operating procedures of accredited paying agency (ies) in the EU.

Total staff of relevant departments/MoA field offices concerned by result: 400

Other Result Area: Inception and closing conference for at least 75 persons at each event organized in Baku.

Note that all reports, written manuals, guidelines and checklists and other output materials should be translated into the Azerbaijani language and distributed to appropriate persons within MAPF and other key stakeholders.

3.6 Means/Input from the EU Member State Partner Administration

The MS partner administration is expected to provide the Project Leader (MS PL) and Resident Twinning Advisor (RTA) as well as a team of short term experts (STEs) to support them in implementation of the project activities. The MS PL is the key link between the partners, acting at an overall operational and strategic level. The MS PL is complemented by the RTA. The RTA is seconded and resides in the Beneficiary Country (BC). He/she co-operates day-to-day with the BC RTA counterpart and coordinates the input of the STEs. STEs will work in Azerbaijan on the basis of specific Terms of Reference (ToR) which will be designed by the RTA for each mission together with the Beneficiary.

It has proved to be an advantage for the project implementation in previous Twinning projects when the MS has designated a senior STE to be responsible for each mandatory result/component of the project (**component leader**) and to liaise with the respective component leader to be nominated by the Beneficiary Administration (BA). The BA will nominate counterparts to these key roles

The required MS experts must either be civil/public servants of the relevant MS administration or be permanent staff of authorised mandated bodies. All experts must comply with the requirements set out in the Twinning Manual.

The nature of the work requires strong initiative, good analytical, interpersonal and language skills. All experts shall possess these qualities.

The RTA will be supported by a permanent RTA Assistant. In collaboration with the BA, the RTA assistant will handle administrative arrangements for training, seminars, etc. including provision of interpreters and the ensuring the translations. One assistant will be selected during the Twinning contract preparation period.

A full-time interpreter/translator may also be recruited in Azerbaijan and funded by the project. (S)he will perform most of the required interpretation/translation services. Whenever required and needed on a clear justified request, e.g. for simultaneous interpretation during seminars and workshops, additional interpretation may be procured and funded by the project. (S)he will provide day-to-day interpretation/translation to the RTA and project experts during meetings.

The RTA will be supported by his/her MS administration for logistics, accounting and administrative tasks.

3.6.1 Profile and tasks of the Project Leader (PL)

The Project Leader (PL) from the MS should be a high-ranking civil servant or an equivalent senior manager in a MS national body with sufficient work experience in the field relevant to the project and backing at political level. The PL will supervise and coordinate the overall thrust of the project. (S)he will direct the project and will ensure that all the required strategic support and operational input from management and staff of the MS side are available. Together with the Beneficiary PL, (s) he will organize and attend the Project Steering Committee (PSC) meetings.

Requirements

- University level education or professional experience of 6 years in a field relevant to this assignment (above the minimum of 3 years of experience described below)
- A minimum of 3 years of professional experience, at a senior management level, in her/his MS public service in the agriculture and/or rural development sector or related sector
- Good command of written and spoken English (level 2 on scale from 1- 5 where level 1 is excellent)
- Proven contractual relation to public administration or mandated body, as defined under the 2017 Twinning Manual 5.4.5

Assets

- > 3 years of professional experience, at a senior management level, in her/his MS public service in the agriculture and/or rural development sector or related sector
- Work experience at policy level
- Experience in project management (ideally in Twinning)
- Previous experience in IPA countries or former Soviet Union Countries
- Azerbaijani, Turkish or Russian language skills

Tasks

- Overall coordination and managing of the implementation of the project in cooperation with the BC Project Leader
- Ensuring sound implementation of the envisaged activities
- Monitoring and evaluating the needs and priorities in the respective sector, project risks, progress against the project budget, benchmarks, and outputs, and taking any necessary remedial actions if needed
- Coordination of MS expert work and availability
- Ensuring backstopping and financial management of the project in the MS
- Participation in Steering Committee meetings
- Organization of study visits
- Project reporting

3.6.2 Profile and tasks of the Resident Twinning Advisor (RTA)

(S) he will reside for the entire implementation period of 24 consecutive months in Azerbaijan and work full-time for the project. The RTA is expected to be actively involved in the implementation of all activities.

Requirements

- University level education or professional experience of 6 years in a field relevant to this assignment (above the minimum of 3 years of experience described below)
- Good command of written and spoken English (level 2 on scale from 1- 5 where level 1 is excellent)
- Computer literacy
- Minimum 3 years of experience in agricultural policy development and/or programming and/or implementation/monitoring/evaluation of agricultural support
- Proven contractual relation to public administration or mandated body, as defined under the 2017 Twinning Manual 5.4.5

Assets

- > 3 years of experience in agricultural policy development and/or programming and/or implementation/monitoring/evaluation of agricultural support
- Specific knowledge in any of Component 1 result areas not defined above
- Previous project management and or team leading experience
- Previous capacity building experience , ideally in twinning
- Previous experience in IPA countries or former Soviet Union Countries
- Azerbaijani, Turkish or Russian language skills

Tasks

- Day to day management of the project in the beneficiary institution
- Assist with organization of visibility events (kick-off and final event)
- Assist with organization of Steering Committee meetings
- Participation in Steering Committee meetings
- Providing technical advice on EU policies and best practices
- Networking with institutions relevant to this project in Azerbaijan and in EU MS
- Preparation of Terms of Reference (ToR) for the Short-Term Experts' (STEs') and assist with their missions
- Assessing continuously the Twinning-project at all stages and comparing actual progress with the specified benchmarks and time-frame
- Assist with planning of study visits to MS-countries administrations
- Liaising with the BC Project Leader and RTA Counterpart on regular basis
- Liaising with the EU Delegation and the PAO of Azerbaijan
- Assist MS PL with preparing interim, quarterly and final reports

- Reporting to the MS-Project Leader

3.6.3 Profile and tasks of Component Leaders

The RTA may double as component leader for any of the three components and ideally for component 1

Tasks for all component leaders

- Coordination and implementation of the project activities related to their component in close cooperation with the BC component leader, RTA and RTA counterpart
- Preparation of Terms of Reference (ToR) for short term expert missions relevant to their component and overseeing the implementation of STE missions.
- Continually monitoring objective achievements related to their component and comparing actual progress with the specified benchmarks and time-frame
- Support RTA in preparation of the interim, quarterly and final reports related to their component

Assets for all component leaders

- Previous capacity building experience , ideally in twinning
- Previous experience in managing a team of experts
- Previous experience in IPA countries or former Soviet Union Countries
- Azerbaijani, Turkish or Russian language skills

Component leader 1

Requirements

- University level education or professional experience of 6 years in a field relevant to this assignment (above the minimum of 3 years of experience described below)
- Good command of written and spoken English (level 2 on scale from 1- 5 where level 1 is excellent)
- Computer literacy
- Minimum 3 years of experience in defining and/or assessing agricultural support programs
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets

- > 3 years of experience in defining and/or assessing agricultural support programs
- Experience in use of models assessing impact of agricultural support
- Experience with monitoring and evaluation frameworks
- Experience with agricultural trade policy/ WTO Agreement on Agriculture/ Reporting on domestic support under AoA

Component leader 2

Requirements

- University level education or professional experience of 6 years in a field relevant to this assignment (above the minimum of 3 years of experience described below)
- Good command of written and spoken English (level 2 on scale from 1- 5 where level 1 is excellent)
- Computer literacy
- Minimum 3 years of experience in rural development programming and/or monitoring or evaluation
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets

- > 3 years of experience in rural development programming and/or monitoring or evaluation
- Experience in rural development programming for a national public authority

Component Leader 3

Requirements

- University level education or professional experience of 6 years in a field relevant to this assignment (above the minimum of 3 years of experience described below)
- Good command of written and spoken English (level 2 on scale from 1- 5 where level 1 is excellent)
- Computer literacy
- Minimum 3 years of experience with administration and control of CAP payments in an EU MS paying agency
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets

- > 3 years of experience with administration and control of CAP payments in an EU MS paying agency
- Experience in development of administration and control procedures and procedures manuals
- Experience with on the spot control procedures
- Experience with managing adaptation of IACS related IT applications to new support measures and administration and control requirements
- Previous capacity building experience , ideally in twinning

3.6.4 Profile and tasks of other short-term experts

Requirements

- University level education or equivalent professional experience of 6 years in a discipline relevant to the assignment
- Good command of written and spoken English
- Computer literacy
- Minimum 3 years of experience in a subject relevant to the assignment

Assets

- > 3 years of experience in a subject relevant to the assignment
- Previous capacity building experience , ideally in twinning
- Azerbaijani, Turkish or Russian language skills
- Previous experience in IPA countries or former Soviet Union Countries

The STEs should be identified by the Project Leader/RTA and will be agreed with the Beneficiary Administration during the negotiation phase of the Twinning contract and following these indicative (but not exclusive) areas:

Indicative fields of experience for the short-term experts:

- Trade policy/ WTO Agreement on Agriculture/ Reporting on domestic support under AoA
- Agriculture and rural development monitoring and evaluation frameworks
- Modelling of impact of agricultural support
- EU Common Agricultural Policy, direct payments and rural development
- Legal drafting
- Integrated administration and control system (IACS)
- Internal controls in EU paying agencies
- Cross compliance requirements , implementation and control
- Farm accountancy data network (FADN)

STEs main tasks

- Provision of specific expertise defined in a ToR
- Know-how transfer according to the ToR prepared by the RTA and BC
- Reporting on missions and including detailed recommendations for follow up

In addition to their missions in Azerbaijan, the STEs are expected to contribute actively in developing programmes for any study visits proposed in the project.

4. Budget

Maximum Budget available for the Grant is Euro 1.25 million

5. Implementing arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting

The Implementing Agency responsible for tendering, contracting and accounting is the European Commission represented by the Delegation of the European Union to the Republic of Azerbaijan. The persons in charge of this project at the Delegation of the European Union to the Republic of Azerbaijan are:

Ms Alexandra Nerisanu

Acting Head of Cooperation

Delegation of the European Union to the Republic of Azerbaijan

Landmark III, 11th Floor, 90A, Nizami str.,

AZ 1010 Baku, Republic of Azerbaijan

Tel. +994 12 497 20 63 (ext. 853)

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Mr Rainer FREUND

Programme Manager

Delegation of the European Union to the Republic of Azerbaijan

Landmark III, 11th floor

90A Nizami str.

1010 Baku, Azerbaijan

Tel: +994 12 497 20 63 (ext.846)

Fax: +994 12 497 20 69

E-mail: Rainer.Freund@eeas.europa.eu

5.2 Institutional Framework

Project Steering Committee (PSC)

The Project Steering Committee and modalities are set out in 5.2.4 of the twinning manual.

The lead beneficiary will ensure coordination across all stakeholders on a regular and institutionalised basis – e.g. monthly meetings of working groups, with representatives from all relevant stakeholders. In addition, regular coordination will be established with EU funded projects

The PSC composition will be defined in the Working Plan according to requirements set in the Common Twinning Manual. Representatives from the PAO of the Republic of Azerbaijan and the EU Delegation, the RTA counterpart and BC PL as well as the RTA, MS PL and BC component leaders will participate in the PSC meetings. Observers from other institutions may be involved from time to time in cross-cutting issues. Representatives from other administrations or short-term experts, may also be invited if necessary. The PSC will follow the achievement of the project results and the timely implementation of the project activities in order to identify and rectify any problems that may arise in the course of the implementation of the project.

The secretarial support of the PSC will be provided by the RTA and RTA Assistant, who will prepare the agenda of the meetings, the documents to be discussed as well as the minutes of the meetings.

The working language of the Project implementation will be English. Translation and where necessary simultaneous interpretation will be provided where permitted in the provisions of the Twinning Manual.

5.3 Counterparts in the Beneficiary administration:

The PL and RTA counterparts will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.

5.3.1 Contact person

Programme Administration Office in Azerbaijan (PAO)

The person in charge of this project at the PAO is:

Mr. Ruslan RUSTAMLI, *Director Programme Administration Office in Azerbaijan (PAO)*

Head of the Department on Cooperation with International organizations

Ministry of Economy and Industry of the Republic of Azerbaijan

6th floor, Government House,

84 Uzeyir Hajibayli str.

Baku, AZ 1000

Republic of Azerbaijan

Ms. Gunel QULIYEVA, PAO Manager

Department on Cooperation with International organizations

Ministry of Economy and Industry of the Republic of Azerbaijan

6th floor, Government House,

84 Uzeyir Hajibayli str.

Baku, AZ 1000

Republic of Azerbaijan

Beneficiary Administration - Ministry of Agriculture

5.3.2 PL counterpart

Mr. Mirza ALIYEV

Head of State Service on Management of Agricultural Projects and Credits
Ministry of Agriculture of the Republic of Azerbaijan
Government House,
84 Uzeyir Hajibayli str.
Baku, AZ 1000
Republic of Azerbaijan

5.3.3 RTA counterpart

Mr. Baghish AHMADOV

Head of Department on State Support to Agriculture
Ministry of Agriculture of the Republic of Azerbaijan
Government House,
84 Uzeyir Hajibayli str.
Baku, AZ 1000
Republic of Azerbaijan

6. Duration of Project

The execution period of the project shall be 24 months

7. Sustainability

The achievements of this Twinning project (from results per component to impacts) should be maintained as a permanent asset to the Beneficiary administration even after the end of the Twinning project implementation. This presupposes inter alia that effective mechanisms are put in place by the Beneficiary administration to disseminate and consolidate the results of the project. To this end the Beneficiary Administration has nominated, for each component of the Twinning project, a beneficiary component leader. These component leaders will coordinate and promote activities during the implementation of the project and ensure that project outputs shall be used and followed up after the closure of the project.

The Twinning shall seek sustainable solutions and approaches based on best EU practice adapted to the Azerbaijani context. The sustainability of mandatory results/outputs is best ensured by ensuring that policy and legislative proposals are backed up by at least basic impact assessments (regulatory, fiscal) and they are consulted with both internal and external stakeholders (inter-ministerial and public consultations), as required by Beneficiary country legislation. Sufficient time should be allocated to this preparatory work during the project, and fast-track adoption procedures of legislation should be avoided since they put at risk implementation and enforcement of future legislation.

All results to be delivered under this Twinning are firmly rooted in Azerbaijan's Strategic Roadmap on Production and Processing of Agricultural Products (2016 - 2020) and have as such full political and fiscal support. Nonetheless, during implementation the Beneficiary should describe how they in their budget planning (Medium-Term Business Planning (MTBP) or alike) have planned necessary resources ensuring the sustainability.

Twining projects supporting the development of manuals, guidelines and written procedures, cannot contradict with any legal provision of the country. In addition they should be simple enough to be regularly updated and changed by the staff of the respective organisations without external support.

To ensure further sustainability, the Beneficiary Administration shall be provided with most written project outputs in both languages, English and Azerbaijani. The budget established for this twinning has taken relevant cost for translation into account.

Where relevant, this Twinning will explore to which extend training foreseen under it might be included or expanded upon in relevant training curricula of national training institution.

8. Cross – cutting issues

A revision of the current agricultural support measures will amongst others examine how small and medium sized farms and but also farms located in disadvantaged areas can be supported more effectively to increase farm/household income. Such examination may include specific agricultural support issues pertaining to gender (women farmers), minorities and other vulnerable groups. The issue of equitable access to agricultural support will also be looked at in this context implementing a rights based approach.

The twinning foresees workshops and roundtables to present and obtain feedback from stakeholders on proposed policy concepts. Interaction with the private sector and civil society organizations is foreseen in this context and underpinning and initiative by the host Ministry to establish a formal platform for consultation on policy with CSOs.

Preparing the ground for linking subsidy payments to respect of statutory requirements and maintaining farm land in good agricultural and environmental condition will make an important contribution to safeguarding agricultural production potential in the long term by more effectively protecting soil, water and biodiversity.

At project management level the twinning shall comply with EU equal opportunity policies. Equal treatment of women and men in project implementation at all levels will be one of the most important principles in the project management and implementation. In particular, great attention will be given to the equality principle in the training of personnel and the recruitment of the STEs. The project implementers will maintain statistics in this regard and report on them.

The principle of implementation of this Twinning project is based on a paperless work environment. This means, in particular, minimising paper use during project implementation by the maximum

feasible use of e-mails and, if available, project web-site and/or project electronic data base for co-operation between partners. Documents are automatically saved in electronic format.

9. Conditionality and sequencing

N/A

10. Indicators for performance measurement

N/A

11. Facilities available

The Azerbaijani beneficiary administration will provide the RTA and other MS experts with office space in its main building in Baku, equipment (computers, printer, telephone and internet access) and other provisions as stated in the Common Twinning Manual.

Annex 1: Logical Framework Matrix

Strengthening the capacity of the Ministry of Agriculture to improve effectiveness and efficiency of state support to agriculture		Project title and number		AZ/15/ENI/AG/01/18
To note: some indicators have been shortened in this matrix. The full text provided in the main twinning fiche template applies.		Contracting period expires		26/12/2019
		Total budget	€ 1,250,000	
		IPA/ENI budget:	€ 1,250,000	
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification		
To contribute to improving the performance of the agricultural sector thereby implementing Government policy on diversification of the economy, decreasing regional disparities and improving rural livelihoods.	<ul style="list-style-type: none"> • Productivity growth in agriculture (agriculture yields and added value) • Increased agriculture sector contribution to GDP • Smaller disparity ratio between Baku and regions for output production and income per capita in the non-oil sector • Lower levels of unemployment in rural areas • Increases in farm household and rural income figures • Increased agriculture investment levels in rural areas and into agribusiness • Lower levels of migration from rural to urban areas 	<ul style="list-style-type: none"> • AZ statistical records • Government and non-Government socio-economic and investment analytical studies and reports 		<ul style="list-style-type: none"> • The Government of Azerbaijan remains committed to its overall reform path in reducing regional economic disparities and developing the non-oil sector.
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions
To strengthen the capacity of the Ministry of Agriculture in defining, programming and administering agricultural and rural development support in line with relevant EU policy principles and best practices	<ul style="list-style-type: none"> • Improved subsidy policy in place for enabling agriculture and rural development and including defined and measurable plans, policy measures, targets and budgets • Improved information system in place for the development and monitoring of subsidy policy for agriculture and for the development of rural areas • Increased export opportunity, import substitution and improved food quality and diversity • Increased rural incomes and quality of life in rural areas 	<ul style="list-style-type: none"> • AZ statistical records • Government agriculture and rural development plans, policy measures, targets and budgets • Government and non-Government socio-economic and trade studies and reports 		<ul style="list-style-type: none"> • Commitment from Government to supporting the development of agriculture and rural areas • A commitment from policy makers to further developing an efficient and effective subsidy policy for agriculture and rural areas • Budgets available for agriculture and rural development subsidy support

Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Component 1: Strengthened MoA Capacity in Subsidy Policy Analysis, Formulation, Monitoring, Reporting and Evaluation			
<p>Result 1 Current subsidy policy assessed for effectiveness and compliance with likely future obligations under the WTO agreement on agriculture (AoA)</p>	<p>1.1 Suitable approach/model proposed and agreed following internal and external consultations for evaluating the effects of domestic support to agriculture.</p> <p>1.2 Report and conclusions presented, following an analysis of current domestic support, as regards relevance, efficiency, effectiveness and impact in terms of achieving policy objectives for the agricultural sector and for the development of rural regions.</p> <p>1.3 Report and conclusions presented following an analysis of possible areas of conflict with the AoA.</p> <p>1.4 Training plan developed and delivered with the following outputs:</p> <ul style="list-style-type: none"> - 20% of staff of relevant MoA departments (statistics, subsidies) trained in the use of relevant policy evaluation methodology/frameworks. - 20 % of staff of relevant MoA departments are familiarized with the basis of the WTO agreement on agriculture, issues for negotiation, classification and reporting on domestic support to the WTO. - 100% of the staff of relevant MoA departments have received information on EU CAP support, specific types of EU direct payments and issues to be considered when changing from coupled to de-coupled support. - 80% of staff undergoing training is satisfied with relevance and quality of training. 	<ul style="list-style-type: none"> • Analytical reports and recommendations and the numbers disseminated • Minutes of stakeholder consultation meetings/roundtables • Copies of training plan, programs and training materials • Participant lists and numbers of participants • Training results report • Questionnaires filled by training participants 	<ul style="list-style-type: none"> • Interest from stakeholders in attending discussion and data collection meetings • Information on current subsidy support to agriculture and AoA is made available
<p>Result 2 Policy options developed for improving effectiveness, efficiency and compliance of domestic support with likely future requirements</p>	<p>2.1 Report prepared on alternatives to current domestic support measures</p> <p>2.2 Report prepared on the potential of shifting part of domestic support from Amber Box to Green Box subsidies and justification on the possibility for Azerbaijan to obtain access to Art. 6.2 of the AoA</p>	<ul style="list-style-type: none"> • Analytical reports and recommendations and the numbers disseminated • Minutes of stakeholder consultation meetings/roundtables • Training results report 	<ul style="list-style-type: none"> • Interest from stakeholders in attending discussion and data collection meetings • Information on current subsidy support to agriculture and AoA is made available

Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Result 2 cont'd	<p>2.3 Alternative options proposed for transition from current to a future subsidy Regime including corresponding institutional changes.</p> <p>2.4 Workshop for approximately 50 stakeholders supported to present proposal on subsidy policy options and obtain stakeholder feedback.</p> <p>2.5 At least 100 copies of reports/methodologies /recommendations disseminated.</p> <p>2.6 Training plan developed and delivered.</p> <p>- 20% of staff of relevant MoA departments (statistics, subsidies) have acquired knowledge in the use of models enabling the simulation/forecasting of impact of change of domestic support measures.</p> <p>- 80% of staff undergoing training is satisfied with relevance and quality of training.</p>	<ul style="list-style-type: none"> • Questionnaires filled by training participants 	<ul style="list-style-type: none"> • Commitment of MoA in enabling adequate participant attendance at training
Result 3 Draft legal base for new direct support measures developed and agreed	<p>3.1 Relevant amendments drafted to amend the current legislation and procedures pertaining to agricultural support and fiscal and regulatory impact assessed and by the end of the project.</p>	<ul style="list-style-type: none"> • Legislative drafts • Regulatory Impact Assessments 	<ul style="list-style-type: none"> • A commitment from lawmakers to reviewing and improving legislation to enable direct support measures to be adopted
Result 4 Framework established for linking obligations relating to environment, land management, public and animal health, as well as animal welfare to subsidy payments	<p>4.1 Concept note prepared on the scope and requirements (legislation, institutional development, capacity building and resource requirements) and including a draft action plan for a phased introduction of cross compliance requirements to recipients of direct payments;</p> <p>4.2 Adequate number of workshops organized demonstrating the concept of cross compliance, obligations of farmers and competent authority and required knowledge and skill development;</p> <p>4.3 At least 100 copies of concept notes on cross compliance prepared and disseminated.</p>	<ul style="list-style-type: none"> • Concept notes and action plans • Workshop programs, participant lists and reports 	<ul style="list-style-type: none"> • MoA commitment to support workshops with adequate number of suitably qualified staff and enable adequate non state stakeholder participation
Result 5 Farm data monitoring system	<p>5.1 Update of 2018 TAIEX expert mission report on the Azerbaijani FDMS;</p>	<ul style="list-style-type: none"> • Questionnaires and farm typology • FDMS modifications 	<ul style="list-style-type: none"> • Interest of MoA in enabling

Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
<p>Result 5 cont'd</p> <p>(FDMS) further aligned with EU Farm Accountancy Data Network (FADN) standards and used for policy analysis</p>	<p>5.2 Recommendations prepared on modifications to the FDMS questionnaire</p> <p>5.3 Modifications to the above that are agreed with MoA introduced and supported ;</p> <p>5.4 Extrapolation of FDMS results to the agricultural census;</p> <p>5.5 Training needs assessment carried out and training programme developed for FDMS staff of the statistics department and field data collection staff;</p> <p>5.6 Training delivered</p> <p>- In year I: 50% of staff operating the FDMS in the statistics department trained on the revised methodology and 100% understanding of the basic principles of FADN.</p> <p>- In year II: 100% of staff operating the FDMS in the statistics department trained on the revised methodology. 10% of FDMS field data collection staff trained as future trainers.</p> <p>- 80% of staff undergoing training is satisfied with relevance and quality of training.</p>	<ul style="list-style-type: none"> • Training needs assessment and training programs • Copies of training programs and training material • Participant lists and numbers of participants • Feedback evaluations from participants of training 	<p>adequate participant attendance at training</p> <ul style="list-style-type: none"> • MoA remains committed to further improving FDMS
Component 2: Improved MoA Capacity for Rural Development Programming and Implementation			
<p>Result 6</p> <p>Analysis of the current rural development programme and programming methodology</p>	<p>6.1 Report with description and analysis of current programme for development of rural regions</p> <p>6.2 Proposal prepared as to how elements of the EU framework for rural development programmes may be used/adapted to support the MoA in the effective use of its resources and further development of rural areas</p> <p>6.3 Concept and draft measure fiches developed for support for agricultural and rural cooperation (producer groups, cooperatives, local action groups etc.)</p> <p>6.4 At least 50 copies of the measure fiches produced and disseminated.</p>	<ul style="list-style-type: none"> • Analytical reports, proposals, concepts and draft measure fiches • Minutes of stakeholder consultation meetings/roundtables 	<ul style="list-style-type: none"> • Availability of stakeholders to attending discussion and data collection meetings • Information on rural development programming is made available

Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
<p>Result 7 Proposal for the introduction of the EU rural development framework and best practice developed</p>	<p>7.1 Strategy and action plan developed detailing steps to be taken (legislative, institutional development, capacity building, resource allocation) to enable the MoA over time to undertake rural development programming, implementation, monitoring, reporting and evaluation in using EU best practices;</p> <p>7.2 Guidelines prepared outlining the methodology for development of a rural development program in line with EU approaches;</p> <p>7.3 Concept note prepared on the scope and requirements (legislation, institutional development, capacity building and resource requirements) including an action plan for providing incentives for environmentally sound agricultural practices in ecologically vulnerable areas;</p> <p>7.4 Training program developed and delivered on EU approaches to rural development programming and implementation and covering EU rural development practices</p> <p>- Year 1: 10% of MoA staff that are engaged in programming agricultural support trained in EU rural development practice. Training to encompass all stages of rural development from sector analysis, strategy and action plan development, measure programming, implementation and evaluation and budgeting. Training materials to be based on actual Member State examples and directives.</p> <p>- Year 2: 20% of MoA staff that are engaged in programming agricultural support trained in EU rural development practice. Training content as above.</p> <p>- 80% of staff undergoing training is satisfied with relevance and quality of training.</p> <p>Total staff of relevant departments concerned by the subject of the result: 60</p> <p>7.5 Organization of a study tour on EU RD programming and implementation practise to an EU member state (s) for 5 participants.</p>	<ul style="list-style-type: none"> • Strategy and action plan • Minutes of stakeholder consultation meetings/roundtables • Copies of training programs and training materials • Participant lists and numbers of participants • Feedback evaluations from participants of training • Study tour descriptive and evaluation report 	<ul style="list-style-type: none"> • A commitment from policy makers to further developing an efficient and effective subsidy program for rural development • Cooperation with MoE and other relevant Ministries

Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Component 3: Enhanced MoA capacity for transparent and effective administration and control of subsidy payments			
Result 8 Legal basis proposed for administration and control of subsidy payments based on Integrated Administration and Control System (IACS) principles	8.1 Legal base for administration and control of subsidy payments in line with IACS principles reviewed and proposal for further alignment with relevant EU legal base developed and implemented	<ul style="list-style-type: none"> • Reports, proposals and action plans • Legal drafts 	<ul style="list-style-type: none"> • An interest from MoA and lawmakers to IACS and commitment to its principles and further development
Result 9 Consolidated MoA capacity for administering subsidy payments through the use of the Information System on Subsidy Policy (ISSP)	9.1 Administration and control structure and procedures for subsidy payments reviewed, gaps and inconsistencies identified and proposals developed for their improvement 9.2 Review report completed and recommendations presented for improving the functionality of the ISSP in supporting all relevant administration and control functions and procedures 9.3 Procedures manuals and checklists for administration and control of new support measures emanating from result areas 1 and 2 developed 9.4 Training needs assessment carried out at senior staff level in Baku and in 8 regional centres of all relevant administration and control functions and a relevant training plan prepared 9.5 Training delivered on applying IACS principles and relevant internal control standards through the use of the ISSP. - Year I: 15 % of senior (approx. 40) staff engaged in administration and control of subsidy payments trained in applying IACS principals and relevant internal control standards through the use of the ISSP. - Year 2: 100 % of field staff (approx.360) engaged in administration and control of subsidy payments trained in operational aspects of managing subsidy payments in using the ISSP. - 80% of staff undergoing training is satisfied with relevance and quality of	<ul style="list-style-type: none"> • Reports and proposals • Procedures manuals and checklists • Training needs assessment • Training plan and copies of training programs and training materials • Participant lists and numbers of participants • Study tour report and evaluation 	<ul style="list-style-type: none"> • A commitment from MoA to ISSP and to full understanding and adoption • Full access to ISSP information and documentation • Commitment of MoA in enabling participant attendance at training and study tours

Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Result 9 cont'd	<p>training.</p> <p>9.6 Organizing study tour(s) for 5 participants to provide exposure to organization and operating procedures of accredited paying agency (ies) in the EU.</p>		

Annex 2 Background on Policies and Legislation including State Programmes on Agricultural Support

The legal hierarchy in Republic of Azerbaijan is as following -

- The Constitution of the Republic of Azerbaijan
- Laws of the Republic of Azerbaijan
- Orders of the President of the Republic of Azerbaijan
- Decrees of the President of the Republic of Azerbaijan
- Decisions and Orders of the Cabinet of Ministers of the Republic of Azerbaijan
- Ethical behaviour rules

The list of legislation in this Annex is not complete but provides basic guidance. Detailed legislation can be followed at <http://agro.gov.az/test>.

Order of the President of Azerbaijan of September 12, 2017 “On additional measures to develop citrus, tea and rice production in the Republic of Azerbaijan”. The objective of the Order is to accelerate the development of citrus fruits, tea and rice production in several districts as Lankaran, Sheki, Yevlakh, Agdash, Astara, Bilasuvar, Goychay, Lerik, Masalli, Ujar, Zagatala and Zardab. Relevant central executive bodies have to identify suitable land and allocate it to economic entities, creation of appropriate infrastructure to increase the production of citrus fruits, tea and rice. The Decree is obliging relevant Ministries to create programmes for development of the citrus fruit, tea and rice sectors including support mechanisms for existing and potential growers to stimulate the expansion of tea plantations and citrus orchards, input supply via the open joint stock company Agro Lizing and ensures that necessary measures are taken to strengthen phytosanitary, information and extension services for the production of citrus fruits, tea and rice.

Order of the President of Azerbaijan of August 2017 “State Program for the Development of Tobacco Production in the Republic of Azerbaijan for 2017-2021”. The Program objective is to improve tobacco production and processing and secure the supply of raw material needs for the local processing enterprises, increase profitability and export potential as well as increase the employment of the rural population. Program envisaged a feasibility study for the construction of a modern plant producing tobacco products in accordance with international standards and the set of coordinated actions on inputs and machinery supply for the producers and improvement of phytosanitary and extension services.

Order of the President of Azerbaijan of 13 July 2017 on approval of the State Program on the development of cotton growing in the Republic of Azerbaijan for 2017-2020. State program is continuation of efforts to support the cotton sector (The Law of the Republic of Azerbaijan No. 1012- on cotton growing" of May 11, 2010, Decree of the President of the Republic of Azerbaijan on state support for the development of cotton production in the Republic of Azerbaijan – September 22, 2016, No. 2350 - provision of subsidies 0.1 AZN per kg of delivered raw cotton. The Programs objectives are improvement of regulatory framework,

cotton production infrastructure, implementation of innovative technologies in cotton production and processing, promotion of investments, establishment of effective cooperation between cotton producers and processing enterprises, import substitution of cotton products and support the development of the areas related to cotton production.

Order of the President of Azerbaijan of State Program on Development of Agricultural Cooperation in the Republic of Azerbaijan for 2017-2022 defines the set of objectives and actions for development of cooperation among the stakeholders in sector. Ministry of agriculture is coordinator for the measures planned under the Program and it authorizes the Ministry of agriculture to create the unit dealing with the development of agricultural cooperation and create and implement the measures considering the experience of countries gained successful agricultural cooperatives business results.

Order of the President of the Republic of Azerbaijan on approval of the State Program for the Development of Rice in the Republic of Azerbaijan for 2018-2025, February 9, 2018. The purpose of the State Program is to stimulate the development of rice production in the country to meet the population's demand for rice, to replace imports, to develop the paddy industry and increase the employment level of the rural population.

Order of the President of Azerbaijan No. 3660 of 12 February 2018 on approval of the State Program for the Tea Sector Development in the Republic of Azerbaijan for 2018-2027. The objective of the State Program is to stimulate the development of tea in the country to meet the demand for dry tea mainly through local products, improving the raw material supply of tea processing enterprises, improving the processing industry, increasing the export of tea products and raising the employment level of the rural population.

Order of the President of Azerbaijan of 13 February 2018 on approval of the State program for the Citrus Sector Development in the Republic of Azerbaijan for 2018-2025. The purpose of the State Program is to stimulate the development of citrus sector in order to meet the demand for citrus fruits in the country, to increase the export of produced products and increase the employment level of the rural population.

Order of the President of the Republic of Azerbaijan on additional measures in the field of intensive development of crop production March 2, 2018, regulating that cost of the mineral fertilizers sold by the Agro Lizing Open Joint Stock Company and other legal and natural persons to the agricultural producers and the price of the bio humus produced in the country by industrial methods shall not exceed 50 per cent of the total sum of the gross amount applicable to each hectare of crop plantings.

Order of the President of the Republic of Azerbaijan on stimulating the development of beekeeping in the Republic of Azerbaijan March 5, 2018. regulating the subsidy amounting to 10.0 (ten) AZN a year for 5 (five) years including 2018 for each bee-keeping family, which is kept by beekeeping individuals and legal entities.

Decree of the President of Azerbaijan 11th April 2017, on approval of the Additional measures related with the development of the agriculture in the Republic of Azerbaijan. The goal of the

Decree is to improve financial mechanisms, insurance and promote investments in the agriculture sector. The base for the action are objectives defined in third objective of Strategic Roadmap - facilitation of access to finance. Comprehensive and detailed actions plan with measures described on the priorities stipulated within shall be developed and approved by the Council of financial stability.

Law on Agricultural Cooperation (No 270-VQ of 14 June 2016) regulates the process of formation of agricultural cooperatives, and Ministry of agriculture have to ensure the implementation regulations for agricultural cooperatives and their unions

The implementing acts (Decisions and Orders of the Cabinet of Ministers of the Republic of Azerbaijan)

Based on Presidential Orders and Decrees, the Cabinet of Ministers of the Republic of Azerbaijan decides on approval of the procedure for granting subsidies, as for example:

Implementation of the Article 32, paragraph 109, of the Constitution of the Republic of Azerbaijan, in order to ensure the institutional development of agriculture, adaptation of agrarian management to the requirements of the sector development, Decree the Cabinet of Ministers No. 439 November 3rd 2016 " Measures to improve governance in the agrarian sector and to accelerate institutional reforms".

Implementation of the paragraph 2.1 of the Decree of the President of the Republic of Azerbaijan No. 1314 of April 4, 2017 "On stimulation of sugar beet production in the Republic of Azerbaijan" - Decree the Cabinet of Ministers No. 311 August 2, 2017 "Approval of the procedure for granting subsidies to producers for each ton of sugar beet, which is handed over to legal entities engaged in the processing of sugar beet and to individuals engaged in entrepreneurial activity without legal entity"

Implementation of the paragraph 2.1 of the Decree of the President of the Republic of Azerbaijan No. 2350 of September 22, 2016 and No 2366 of October 5, 2016 "On State Support for the Development of Tobacco in the Republic of Azerbaijan" the Cabinet of Ministers of the Azerbaijan Republic decides on approval of the "Procedure for granting subsidies to the producers of cotton and tobacco products" No

Implementation of the Order of the President of the Republic of Azerbaijan, No 1907 of January 23, 2007 "On state support to agricultural producers", the Cabinet of Ministers of the Republic the Cabinet of Ministers of the Azerbaijan Republic No 439 of November 3, 2016 decides on approval of the "Rules on granting support to agricultural producers for the use of fuel and motor oils used, as well as the use of state budget funds for wheat and rice" and the Agro Lizing Open Joint Stock Company and other legal entities and natural persons to the producers of mineral fertilizers, bio humus and pesticides "

The decisions of the Cabinet of the Minister of the Republic of Azerbaijan are subject of the changes and improvements and the legislation can be followed at <http://e-qanun.az/>.

Annex 3: Structure of the Ministry of Agriculture



