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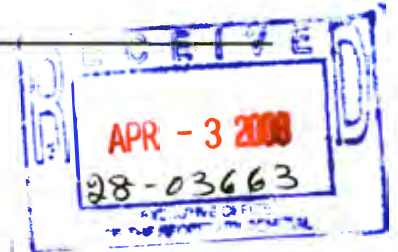
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RESIDENT COORDINATOR IN AZERBAIJAN



UN/BK/2008/7428/BP/ai
File: RC Annual Report 2007

DSS
(with report)

31 January 2008

Dear Mr. Secretary- General,

Subject: United Nations Resident Coordinator's Annual Report for Azerbaijan, 2007 ✓

I have the honour of presenting to you the following letter and attachment comprising the UN Resident Coordinator's Annual Report for Azerbaijan for the year 2007 prepared in consultation with the UN Country Team.

The report begins with a general overview of the status of Azerbaijan followed by a brief update on how the UN Country Team is progressing in UN reform and UN coordination at the field level, working as a team under the leadership of the Resident Coordinator.

Please accept, Dear Mr. Secretary- General, the assurances of my highest consideration.

Bruno Pouezat

Bruno Pouezat
UN Resident Coordinator

H.E. Mr. Ban Ki-Moon
UN Secretary-General

APR - 3 2008



United Nations in Azerbaijan

Resident Coordinator's Annual Report 2007



United Nations in Azerbaijan

Resident Coordinator's Annual Report 2007

The present report outlines the UN System's collective engagement in support of national development priorities in Azerbaijan in 2007. It is organized in five parts: Part I reviews the socio-economic, development and political context; Part II reports on progress in UN Reform; Part III outlines progress towards UNDAF Outcomes; Part IV highlights joint UN efforts; Part V covers priority areas for UN action in 2008; and Part VI provides a recommendation for improved UN coherence.

I. Country context

Socio-economic and development context

In 2007, Azerbaijan continued to experience **phenomenal economic development**, powered by soaring production of oil (+29% over 2006) and gas (+82%), growing export capacity of the Baku-Tbilisi-Ceyhan oil pipeline, the start of large-scale gas exports through the Baku-Tbilisi-Erzurum gas pipeline and rising global oil prices.

As a result, Azerbaijan remained the fastest growing economy in the world for the third year running, with real GDP growth of 25% and a further strengthening of Azerbaijan's net external position. At the same time, non-oil real GDP growth, excluding oil and gas transportation, is estimated to have decelerated to 6.9% year-on-year from 8.2% in 2006¹. The state budget went up about 70% in 2007, having grown more than 80% in 2006.

The transformation of Azerbaijan into a middle-income country of growing prosperity is reflected in official poverty figures which show a fall in headcount poverty from 46.7% in 2002 to 20% in 2007. ODA is no longer relevant, and the country has started providing international assistance as an emerging donor.

Although the oil sector accounts for about 56% of GDP and 94% of industry, the hydrocarbon sector employs less than 1% of the workforce. Despite massive Government investment, the country still suffers from uneven regional development, growing inequality, high **unemployment** and under-employment, and inadequate social services and infrastructure.

The **poverty** rate has fallen by more than half in the last four years due to wage and pension increases, social transfers to the poorest households, job creation and remittances from abroad. Dutch disease - the "easy money" of oil and gas making the rest of a country's economy unable to compete with imports - is a legitimate fear for an economy where the importance of oil and gas is so overwhelming. Data, however, is mixed and does not altogether prove that Dutch disease is already a threat to Azerbaijan. Economists report, on the one hand, that non-oil industry growth accelerated from 4.1 percent in 2006 to 7.9 percent in 2007 and the growth of agriculture, which accounts for about 40 percent of employment, accelerated from 0.9 percent in 2006 to 4 percent in 2007. On the other hand, they state that the non-oil tradable sectors (agriculture and non-oil industry), which accounted for 23.6 percent of non-oil GDP at factor cost in 2006, demonstrated steady growth in previous years but began to slow down sharply in the second half of 2006. Non-oil tradable sectors grew at 2.1 percent in 2006, slowing down to barely 1 percent growth in the third quarter of 2007 (year on year). In 2007, the slowdown in the non-oil tradables is due mostly to a contraction in metallurgy, chemistry, and textiles, while in 2006, the slowdown in non-oil tradables was primarily due to a slowdown in agriculture, which started to recover in 2007.

The progress with structural reforms has been uneven. To encourage the efficient use of energy, the Government took significant steps to raise energy prices to cost-recovery levels with a major price increase in January 2007, but increases in public utility prices, compounding rapidly-rising state budget expenditures are fuelling double-digit **inflation**, estimated at between 16% and 29% for the year.

¹ UNEP Country Report 2007

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Important initial steps have been taken to improve the **business environment** including simplifying business registration; yet poor competitiveness remains a serious problem. Azerbaijan is ranked 96th of 178 countries in the World Bank's 2008 Doing Business Report².

The **European Union** has become the country's main trading partner, accounting for 32% of its imports and 59% of its exports. The European Commission has allocated an indicative €92 million under the National Indicative Programme (2007-2010) aiming at developing the capacity of the state to manage prospective oil and gas wealth in an accountable, transparent and efficient manner.

Political context

There was no improvement in the *status quo* of 'no peace, no war' over the conflict in and around the Nagorno Karabakh region of Azerbaijan in 2007. As much as 20% of the country's territory remains under occupation and up to 1 million people remain internally-displaced or refugees. Prospects of achieving a peace accord remain bleak in 2008, with presidential elections due in both Azerbaijan and Armenia.

Governance issues, human rights including freedom of the press remain pivotal in Azerbaijan's further democratisation. Strengthening democracy and good governance are key priorities of the Government and will require sustained support from the international community.

In 2007 Government continued to apply pressure **on independent mass media**. According to the Committee to Protect Journalists³, Azerbaijan ranks fifth in the world for the number of imprisoned journalists. While 5 journalists received a Presidential Pardon at the end of the year, 4 remain in prison under various charges. The UN's Special Rapporteur on Freedom of Expression and Freedom of Opinion who visited Baku in the spring of 2007 joined the OSCE and the Council of Europe as well as the United States and the European Union in their repeated demands for the decriminalization of libel and the immediate release of all imprisoned journalists. Several international surveys reported on Azerbaijan's persistent problems with transparency, corruption, and the business environment. The presidential elections due in October 2008 may provide an opportunity to demonstrate progress in freedom of the media and the functioning of democratic institutions.

Azerbaijan was the first country to submit to international audits under the UK-sponsored **Extractive Industry Transparency Initiative**. In June 2007, the State Oil Fund of the Republic of Azerbaijan received the UN Public Service Award for Improving Transparency, Accountability and Responsiveness in Public Service.

UN Public Service Award

Presenting to the State Oil Fund of Azerbaijan the UN Public Service Award, **Dr. Asha-Rose Migiro, UN Deputy Secretary General** commented: "I would like to take this opportunity to congratulate Azerbaijan on winning this award. I hope the government will continue to be accountable and will give better services to people. We hope that other countries in the region will emulate the good example of Azerbaijan".

While civil society remains weak in Azerbaijan and many NGOs are reportedly largely dependent on political connections, a Presidential Decree of July 2007 established a council for state support to NGOs, indicating political will to promote civil society development.

² WB 'Doing Business' 2008 Report

³ http://www.cpi-cc.org/Pdfs/press/0007/imprisoned_07/imprisoned_07.html

II. Progress in UN reform

MDG-aligned National Development Strategy

In 2006, the UN Country Team's promotion of a development vision for Azerbaijan based on the national ownership of a human-development and poverty-reduction agenda contributed to the drafting of a ten-year State Programme for Poverty Reduction and Sustainable Development (SPPRSD) aligned to nationalized MDGs.

As elsewhere in the CIS, developing the MDGs for local context fuelled concerns about the specific applicability of some of them, e.g. universal primary education where achievements - without regard to quality - were already high⁴. Speaking with 'one UN voice' on each issue, the UN Country Team provided valuable support to the Government in tailoring the global MDGs to Azerbaijani realities.

<i>UN responsibilities for MDG advocacy</i>	
The UN Country Team in Azerbaijan advocates for the MDGs with a unified voice through a lead agency principle, whereby individual agencies take lead UN responsibility for advocacy and programming in regard to each MDG.	
Lead Responsibility among UN Agencies	MDGs
UNDP and WFP	Goal 1: Poverty and Hunger
UNICEF	Goal 2: Education
UNFPA	Goal 3: Gender Equality
UNICEF	Goal 4: Child Mortality
UNFPA	Goal 5: Maternal Mortality
UNICEF	Goal 6: HIV/AIDS, Malaria, and TB
UNDP	Goal 7: Environmental Sustainability
UNDP	Goal 8: Global Partnership
UNDP	Goal 9: Good Governance

In the final stages of drafting, the SPPRSD generated strong internal debates on budget issues. Approved by the Prime Minister, it now awaits the endorsement of the President. In the continuing absence of an approved poverty-reduction strategy, some UN agencies and theme groups have aligned their work to components of the draft SPPRSD.

Joint efforts supporting national capacity development

The results of the second Labour Force Survey (LFS) conducted by the State Statistics Committee within a joint UNDP/UNFPA project in 2006 were finalized and translated. The LFS is expected to be launched in early 2008.

After a break caused by delays in the approval of the SPPRSD, the UN Poverty Theme Group was re-activated and renamed **UN Theme Group on Poverty & Development** to cover other equally important issues. Besides the UN agencies, recently joined by FAO and IFAD, membership will now include Government, civil society and the international development community. The members agreed to develop an action plan on implementation, monitoring and reporting on the SPPRSD. Sub-groups on Research & Data Collection (co-chaired by UNICEF and UNFPA) and Civil Society Engagement (chaired by UNDP) were created under the Theme Group.

A Demographic Health Survey (DHS) was conducted by the State **Statistics** Committee with support from UNICEF and USAID to provide comprehensive data on health, education, and child

⁴ Review of UN Country Team engagement in National Development Strategies/Poverty Reduction Strategy Processes. Azerbaijan Country Report 2007. Martin Greeley, Institute of Development Studies, University of Sussex, UK.

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protection, disaggregated by sex, economic region, income, and other sub-groups. Important new features include modules on child discipline and domestic violence and a men's questionnaire. Once available in early 2008, DHS data will greatly strengthen the strategic information base for policymaking and programming. The involvement of the Ministries of Health and Education in writing the report and the Cabinet of Ministers' recognition of its importance are early indications that the DHS might become the first nationally-owned health survey.

Data from the DHS is currently being incorporated into the Azerbaijan version of **DevInfo** (AzerbaijanInfo) developed under UNICEF leadership, which covers the national level, economic regions and some districts. Expected to be launched in 2008, the initial database will present data in three layers: MDG, sector (initially only health, expanded to other sectors in 2009) and programme (SPPRSD). Work toward filling the information gaps for some MDG indicators and some sub-national units will continue in coming years. Officials in the Ministry of Economic Development, the State Statistics Committee and the Ministry of Health received training.

Based on a request by the State Statistics Committee, a UN sub-group on Research & Data Collection will help build national capacity for data collection and conducting the 2010 census.

Within the **UN Theme Group on Gender Equality and the Empowerment of Women** chaired by UNFPA, ILO and UNFPA took a lead role in building the capacity of line ministries, parliamentarians, social partners and key stakeholders engaged in the development of national gender policies and strategies. UNDP and UNFPA launched a book recalling the establishment in Baku in 1901 of the first secular school for Muslim girls in the Islamic world. The school's sponsor, a local "oil baron" intended to both accelerate the country's development and promote women's rights. At a time of growing worries about a return to girls dropping out of school and marrying early in rural areas of the country, the book promotes equal education opportunities for boys and girls as key to Azerbaijan's prosperity and sustainable development. A joint TV advocacy campaign on raising public awareness on gender was supported by UNDP, UNICEF, UNHCR and UNFPA and will continue in 2008.

The **UN Theme Group on HIV/AIDS** chaired by UNICEF brought together the expertise of UN agencies and partners to support policy formulation. A draft National Strategic Plan on HIV/AIDS has been developed and is currently under consideration by the Government. Under the guidance of the Theme Group and with funding from five UN agencies, a second-generation surveillance on HIV underway among at-risk populations in seven sites is expected to provide an evidence base for HIV/AIDS-related programming for the populations of Azerbaijan at highest risk. The Theme Group also supports Government and civil society in formulating the country's progress report for the UN General Assembly Special Session on HIV/AIDS (UNGASS) which monitors the Declaration of Commitment made at the Special Session in 2001.

A draft UN Joint Implementation Support Plan defining the roles and responsibilities of UN Agencies in supporting the national response to HIV/AIDS was prepared jointly by UNHCR, UNICEF, UNDP and WHO.

A national Concept Paper on Health Reform has been developed with technical assistance from WHO and a multi-stakeholder working group. Ministry of Finance, World Bank and UNICEF contributed substantially to the process.

UN agencies helped the Ministry of Health prepare a draft **National Reproductive Health Strategy** which now awaits endorsement. UNICEF, WHO and UNFPA provided financial and technical support to the Ministry of Health's task force drafting the strategy. The strategy will provide a clear vision and achievable short- and long-term objectives in resolving a wide range of health-related issues, including evidence-based measures to make significant progress in the area of reproductive health. Over the final two years of the UNDAF, UNICEF will support the Ministry in strengthening the capacities of health workers to implement the new policies and in piloting the new safe-motherhood and neonatal care strategy in selected facilities in Baku and Health Sector Reform districts.

Since the outbreak of **Avian Influenza** in 2006, UNICEF, on behalf of the UN Country Team, coordinates the efforts of the UN, donors and other partners in support of the Government's efforts to contain the contagious disease. Attracting wide membership by major partners including high-level government staff and representatives of embassies, WHO, FAO, UNDP, USAID, JICA, ADB,

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and civil society, this national Task Force has become the main forum for coordinating the Government's avian influenza contingency planning, information sharing and outbreak control. The Task Force spearheaded the preparation of a national communication strategy that guided the efforts of the Government and development partners.

The World Bank and UNICEF jointly supported the Government in implementing **education reforms** (teachers' professional development and school readiness [pre-school education]; significant support to the roll out of the new primary curriculum developed under the first phase of the reforms), **health** (UNICEF and WHO focus on strengthening child survival policies and practices and modelling the new programme on reducing neo-natal mortality), and **social protection** (modelling a national child-protection mechanism in line with modern, family-oriented child-care standards, with a strong and effective monitoring mechanism of all social-protection services, which ultimately will contribute to the gradual decrease in the number of institutionalized children in the country).

UNICEF and OHCHR helped implement the Juvenile Justice Reform Programme. Round tables on related topics developed national capacity and raised awareness about international standards.

UNDP and UNICEF continued contributing to enhancing national capacity in **mine action**. Since 2005, the Azerbaijan National Agency for Mine Action has certified more than 44 square kilometers as mine-free. Sustainable, community-based mine-risk education initiatives and medical, psychological, and employment services for mine victims have helped reduce the impact of mines/unexploded ammunition, creating a safe living environment that supports development and income generation for the populations of seven mine-affected regions.

Rolling out HACT

UNDG ExCom Agencies in Azerbaijan (UNDP, UNICEF and UNFPA) initiated work towards a common operational framework for transferring cash to government and non-government Implementing Partners – the Harmonized Approach to Cash Transfers to Implementing Partners or HACT.

Mr. Moise Halafu, UNICEF Chief of Operations in the South Caucasus briefed Heads of ExCom Agencies on HACT and conducted a joint training of all ExCom Agency staff on HACT tools. The UNICEF National Operations Officer and UNDP Chief of Finance & Administration attended a UNICEF HACT Orientation Workshop.

A Working Group of representatives of the ExCom Agencies, with WFP as an observer since HACT does not apply to its emergency operations in Azerbaijan, chaired by UNDP approved a HACT Rollout Plan. A letter from the RC presented HACT to the Prime Minister. An international consultant conducted a macro-assessment of Azerbaijan's Public Financial Management (PFM) system in November-December 2007 and made a list of Government Implementing Partners requiring micro assessment.

In a context of low and decreasing donor assistance against fast-rising Government resources, the bleak picture painted by the macro-assessment and the comparatively low volume of the UN ExCom Agency-financed projects implemented by Government Implementing Partners led the Agencies to conclude that the cost of implementing the risk-mitigation measures demanded by the macro-assessment would be far greater than the benefits accruing. Accordingly, it was agreed that cash transfers would not be made through the Azerbaijan PFM system in respect of those ExCom Agency projects implemented by government Implementing Partners.

The Agencies will reconsider this decision when the ongoing capacity-building support provided to the Government of Azerbaijan by the World Bank, USAID and the IMF results in a more robust PFM system. Any PFM support by the ExCom Agencies will be coordinated with the Government's key development partners in PFM capacity development, i.e. the IMF, World Bank and USAID, to ensure consistency, complementarity and additionality. Meanwhile, the Agencies will attempt to harmonize their project implementation modalities for each government Implementing Partner.

Consistent with HACT, i) Micro-Assessments will be required of government Implementing Partners where separate bank accounts are opened by them specifically for the purpose of implementing

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ExCom Agency projects; and ii) in order to minimize the burden on government Implementing Partners of learning and implementing project-specific as opposed to Azerbaijan-standard PFM procedures and rules, the implementation modality of projects for which government Implementing Partners currently manage separate bank accounts specifically for the purpose of implementing the projects will be re-evaluated. NGO Implementing Partners will require Micro-Assessments.

Other highlights in coordination

Participating in the Great Return initiative

In response to a request from Government, the UN Country Team supports national efforts to develop a plan for the return of IDPs in the event of a resolution to the Nagorno Karabakh conflict. UNHCR, the lead UN agency for the Great Return initiative made suggestions on behalf of the UN Country Team to: reflect in the plan the readiness of UN Agencies to be active and leading participants in sectoral working groups which will address the specialized needs of vulnerable groups; lay emphasis on voluntary return; and define the necessary prior conditions to the voluntary return of IDPs.

Advocating for the ratification of the UN Convention on the Rights of Persons with Disabilities

UNICEF chaired the UN Task Force advocating for Azerbaijan's ratification of the UN Convention on the Rights of Persons with Disabilities and supported the translation of the Convention and its additional protocol into Azerbaijani. The Government signed the Convention in January 2008. In partnership with the Ombudsperson and line ministries, the UN Country Team will continue advocating for its discussion and ratification by Parliament at its March 2008 session.

Helping mitigate the impact on the poor of increased public utility tariffs

While the IFIs recommended increasing tariffs towards cost-recovery primarily to improve the provision of services, they also assist Government to accelerate complementary reforms of fiscal policy and social protection, better administer social protection programmes, make the pension system more sustainable and build national capacity to better target social assistance benefits to the most vulnerable groups, thereby mitigating the social impact of utility sector reform on the poor. UNDP assists the Pension Fund improve its operations through computerizing its records, using individual ATM cards and extending regional offices. The IFIs continued monitoring progress in social protection reform as well as the development of social services and safety nets that minimize temporary hardship, particularly to the more vulnerable groups of the poor, pensioners and other social groups at risk. The Government increased social benefits and introduced a new targeted family/poverty benefit scheme to help compensate for the impact of the utility price increase.

Human Rights

The UN Country Team supported missions by **Prof. Walter Kälin**, Representative of the Secretary-General on the Human Rights of Internally-Displaced Persons and by **Mr. Ambeyi Ligabo**, Special Rapporteur on Freedom of Opinion and Expression, as well as an advocacy visit of **Dr. Nafis Sadik**, Special Advisor of UN Secretary-General and Special Envoy on HIV for Asia and the Pacific. All three visits took place at the invitation of the Government.

- i) Mr. Kälin acknowledged real progress in protecting the political, civil, social and economic rights of internally-displaced persons since his predecessor's visit in 1998. He encouraged the Government to focus on supporting the self-sufficiency and social inclusion of the displaced persons.
- ii) Mr. Ligabo encouraged the Government and state representatives to take immediate measures to review national policies and several courts decisions to secure more editorial freedom for journalists.

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- iii) Dr. Sadik was a guest speaker in the National Conference on Youth against HIV organized by UNICEF and UNAIDS, where she urged young people to take the lead in tackling the issue of stigma and discrimination faced by people living with HIV.

The UN Country Team will explore the opportunities for joint initiatives to follow up the recommendations of the Special Rapporteurs.

III. Progress towards UNDAF outcomes

An **UNDAF Annual Review** was conducted in November-December 2007 to review cumulative progress since the start of the UNDAF cycle in 2005 and help launch the preparation of the next cycle (2010-2014).

The Annual Review focused on progress toward UNDAF results, changes in agency roles that affect UNDAF reporting, relevance of the UNDAF, constraints experienced and emerging opportunities, changes in risks and assumptions, and capacity development needs (especially in regard to monitoring and evaluation of progress toward national goals).

To feed into the Review and make UNDAF monitoring more systematic during the remainder of the current UNDAF cycle, four UNDAF **Outcome Groups** were established:

- Poverty & Development Group (UNDAF Outcome 1)
- Governance Group (UNDAF Outcome 2)
- Health, Food Security, and Nutrition Group (UNDAF Outcome 3)
- Education Group (UNDAF Outcome 4)

The Poverty & Development Group expands on the UN Theme Group of the same name. The other Outcome Groups convened for the first time during the Annual Review process. The UN Country Team anticipates that the Groups will meet four times a year and report to the Country Team twice a year. UN and Government partners participated in this first meeting of each Outcome Group. The Groups' membership will expand to include representatives of civil society and other international development partners.

Hosted by the Government counterpart who signed the UNDAF, the Ministry of Economic Development, the UNDAF Annual Review Meeting provided an opportunity for Government partners and UN agencies to review the contribution of the United Nations to the achievement of national goals.

The key findings of the UNDAF Annual Review 2007 address: (a) the changes in agency roles during the course of the current cycle that affect UNDAF reporting; (b) the continuing relevance of the UNDAF; (c) the constraints to achieving expected UNDAF results; (d) risks and assumptions, (e) new challenges and opportunities, and (f) considerations for preparation of the next UNDAF.

The Annual Review found that the UNDAF **Outcomes** remain relevant to national priorities and the country's overall development situation. Some of the Country Programme Outcomes and Outputs, however, are affected by the strategies chosen by the Government and UN agencies to ensure continuing alignment with evolving national priorities. This is particularly true in the area of health, education, and rights of the child (see in Annex a description of the implications on the role of UNICEF in the country).

The **indicators** presented in the Monitoring and Evaluation Framework will require a thorough review. Some are no longer relevant, some are not measurable, some require clarification or refinement, and some new indicators have been suggested. The UN and its partners will refine the indicators over the course of the next year in a revitalized effort to monitor and evaluate progress toward the achievement of UNDAF results.

The Annual Review reported that UN agencies and their partners refer to **multiple strategy documents** in addition to the UNDAF and agency Country Programmes. To name just a few: State Programmes for Poverty Reduction and Sustainable Development (draft), De-institutionalization and Alternative Care, Maternal and Child Health, Provision of General Education, Development of Preschool Institutions; National Youth Policy; Recommendations of international treaty bodies (e.g.,

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Committee on the Rights of the Child and Committee on the Elimination of Discrimination against Women); Government/World Bank reform programmes for the education and health sectors; State Migration Policy; National Agricultural Strategy and Plan; Strategic Framework of the UN Theme Group on HIV/AIDS; European Union's New Neighbourhood Policy.

The **assumptions** that underlie the fulfilment of expected results have generally remained relevant. Macroeconomic stability is challenged to some extent by inflation which not only affects the general population but raises UN agencies' operating costs and reduces the reach of their funding. The UN Poverty & Development Theme Group proposed the addition of another UNDAF assumption: *The business environment continues to improve*, which could be measured through the *Doing Business Report*, which benchmarks regulatory cost in 178 countries and publishes an annual report on Azerbaijan.

IV. Joint UN efforts

The UN Country Team continued a successful practice of events to mark International Days and the **UN Communication Group** was instrumental in providing added support and visibility to Government efforts.

The UN Communication Group was able to enhance inter-agency information exchange through regular monthly meetings and a joint calendar of events, and to establish and maintain a consultation mechanism with the UN Theme Groups. It encouraged the sharing of several valuable but expensive information resources: eight UN Agencies now jointly subscribe to several electronic media bulletins.

The **Operations Management Team** conducted an interim salary survey and an accelerated cost-of-living survey to reflect the impact of Azerbaijan's high inflation. A corporate MOU for common premises was finalised and submitted to the UN Agencies occupying UN House for signature (at the HQ level). WHO and UNDP have signed the agreement.

Relations with the Bretton Woods Institutions

The Bretton Woods Institutions are welcome members of the UN Country Team. The World Bank and occasionally IMF participate in UN Country Team meetings. The World Bank participates in the UN Theme Groups on poverty, gender, HIV/AIDS and communication, and joined the UNDAF Annual Review process.

UN House

The present occupants of UN House are UNFPA, WHO, ILO, UNDP, OHCHR, UNDSS, and WFP. UNHCR occupy separate premises where they provide space to UNAIDS and UNODC. FAO have been provided space by Government in the Ministry of Agriculture.

In recent years, both UNDP and UNICEF have had to move out of the UN House for lack of space. UNDP rents space in an adjacent building, UNICEF further away. With WFP closing its office in the middle of 2008, the priority is for either UNICEF or UNDP to return to the building into the space vacated by WFP. UNICEF are currently assessing the feasibility of returning to UN House, in which case they will share UNDP's rental costs in the adjacent building. Alternatively, UNDP will move in. FAO, UNAIDS and UNODC have expressed interest in joining the UN House whenever possible. In the process of looking at UNICEF's needs, we will explore the possibility of turning into offices the string of garages at the back of UN House.

In 2005, the agencies agreed to fund an extension to the building to replace and expand an existing prefabricated wing. Regrettably, the authorities declined to authorize this construction despite a written appeal from the Chair of the UNDG, then Mark Malloch Brown, on behalf of all the agencies. The authorities occasionally still **mention** their awareness of the need to provide larger premises for the UN, often in connection with a possible creation of a new "diplomatic village". Should this offer be formalized, the proposed facility will have to be located near the city centre to be compatible with the need for close, continuous contact with UN clients in Government or civil society.

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Security

Overall Security for UN staff, premises and assets was enhanced in 2007 with the adoption of improved country-specific Minimum Operating Security Standards. Minimum Operating Residential Security Standards were also improved to increase security for UN staff residences. An updated Security Risks Assessment was developed, based on which the Country Security Plan was significantly revised. Standard Operating Procedures for police guards assigned to UN House were developed and the guards adequately trained. All mandatory Security Management Team meetings were held and members were trained by the UN Department of Safety and Security on the UN Security management system, Security Risks Assessment, hostage incident management, accountability, contingency planning and Security Management Team operations. 18 UN drivers received First Aid training.

UN RC Office

The UN Coordination Analyst position was filled after an 18 month gap to strengthen the coordination of the UN Country Team. The Coordination Analyst attended the UNDP Virtual Development Academy.

V. 2008 work plan priority areas

1. Formulating the new CCA and UNDAF for the cycle 2010-2014

Azerbaijan is a 2008 CCA and UNDAF roll-out country. As noted in Part III above, the UN Country Team will launch the preparation of the new CCA and UNDAF cycle for 2010-2014 in collaboration with the Government and development partners to promote greater programme coherence, effectiveness and impact of the country-level coordination in support of the national development plans and priorities. In the process, the staff of the UN Country Team and partners (Government, civil society, donors) will receive training in UN Common Country Programming, within the context of the Millennium Development Goals and UN Reform, by engaging Resource Persons, thereby strengthening the relevance of discussion and ensuring a sense of genuine ownership in the UNDAF preparation. The formulation process will be based on the findings of the UNDAF Annual Review 2007.

2. Preparing the MDG Progress Report 2008

With UN Country Team support, the Millennium Development Goals were brought into the mainstream of government policy making in Azerbaijan. The country needs to use its new oil riches in a transparent fashion to reduce poverty and promote democracy, good governance, and respect for human rights. The UN agencies and partners are helping build national monitoring and evaluation capacities in a variety of areas. The UN Country Team will help the Government launch the MDG Progress Report to monitor its progress towards social inclusion and poverty reduction. The Report shall provide recommendations vis-à-vis each country-specific MDG and contribute to the Government's efforts towards poverty reduction with the particular focus on mitigating regional disparities at the country level.

3. Marking the 60th Anniversary of the UN Declaration on Human Rights

In 2009, the UN Human Rights Council is scheduled to review Azerbaijan's human rights achievements as part of the Universal Periodic Review process. The UN agencies provide regular support to Azerbaijan's reporting to international treaty bodies on national progress and implementing their recommendations. The recently-established Office of the High Commissioner for Human Rights (OHCHR) in Azerbaijan is dedicated solely to supporting national efforts to promote respect for human rights in the country. To mark the 60th Anniversary of the Universal Declaration of Human Rights, the UN Country Team, with OHCHR support, will launch a year-long public awareness campaign leading to Human Rights Day on 10 December 2008 -- thereby supporting the recognition of all human beings' having fundamental rights and freedoms as well as contributing to the promotion and protection of human rights in Azerbaijan.

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4. Supporting the Government in submitting its next periodic report to the CEDAW in August 2008.

The Republic of Azerbaijan acceded without reservations to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) on 10 June 1995. Five years later, on 6 June 2000, it also signed the Optional Protocol, which entered into force on 16 February 2001. Azerbaijan has made progress in putting into practice the Convention's provisions. This year, Azerbaijan is to report on the legislative, judicial, administrative and other measures adopted by the Government to comply with its treaty obligations. The UN Country Team will support the Government in submitting this fourth report.

VI. Recommendations for changes in policies, rules and regulations

While the introduction of annual UNDAF Reviews was expected to substitute for individual agency reviews, this has not happened for all agencies. As a result, UNDAF Annual Reviews continue to be perceived as additional burdens of secondary importance.



Annex: Progress towards UNDAF outcomes

Key findings of the UNDAF Annual Review

A. Changes in Agency Roles that Affect UNDAF Reporting

UNICEF: Emphasis on policy reform and modeling for policy impact

At the time the UNDAF was prepared (2003-2004), UNICEF and the Government of Azerbaijan envisioned that their cooperation would revolve in large part around community-based integrated service delivery in focus districts. This approach was consistent with the expectation, embodied in legislation proposed in 2002, that significant devolution of authority to municipalities would soon take place. In reality, the envisioned devolution of authority did not occur, and a highly sectoral and centralized structure of governance remains in place.

An evaluation of the Primary Health Care Reform Project in 2005 revealed that even highly successful interventions in selected districts had only local impact; they were not leading to changes at the national policy level. Government authorities, UNICEF, and other development partners recognize that sustainable improvements in the delivery of primary health care in the present centralized system of governance will first require substantial health care reform at the national level.

The community-based integrated services programme, as envisioned in the UNDAF, is no longer regarded as the most appropriate mechanism to trigger policy change. UNICEF's increased emphasis on policy relative to local service delivery is also consistent with Azerbaijan's transition to a Middle Income Country with a sizeable national budget.

The recently completed Mid-term Review of the UNICEF Country Programme formalized UNICEF's change in approach. UNICEF will support national efforts to strengthen the design and implementation of policies and the monitoring of access, quality, and affordability of services for children. The modeling of new approaches will continue to inform policy makers, with community level work verifying the impact of sectoral reforms. The structure of UNICEF's contributions in Azerbaijan was also influenced by the Government's decision not to pursue a planned ADB programme on Early Childhood Development.

WHO: Expanded programme in Azerbaijan

When the UNDAF was prepared, the Government and the UN Country Team envisioned that WHO would play a role primarily in HIV/AIDS prevention and malaria control. WHO operates on two-year cycles under Biennial Collaborative Agreements with the Government, rather than the five-year cycle of the UNDAF. Those agreements, for 2006-07 and 2008-09 have evolved considerably, with WHO playing a substantial role in both the policy and capacity-building aspects of health system reform. Several new Outputs are proposed for the UNDAF in this Annual Review to reflect WHO's expanded contributions.

OHCHR: Opening of Office

With the increasing emphasis on the rights-based approach to UN programming, the opening of an OHCHR office in 2005 gives Azerbaijan an opportunity to get ahead of the curve. One of the

Annex: Progress towards UNDAF outcomes (continued)

main services OHCHR provides is capacity building and coordination support for Azerbaijan's process of reporting to international human rights bodies on national progress. So far during the UNDAF cycle, OHCHR has helped the Government coordinate three official visits to Azerbaijan from UN Special Rapporteurs – on freedom of religion and belief, the rights of refugees, migrants, and internally displaced persons, and freedom of expression – and is supporting follow-up action by all stakeholders. OHCHR has provided training and advisory services for the country's judicial reform process, especially in the area of juvenile justice, where the Government, OHCHR, and UNICEF are working closely together.

In addition, OHCHR organizes public events to raise human rights awareness, provides training opportunities on human rights, and translates international human rights instruments into the Azerbaijani language for use by policy makers, civil society, and the general public. As the process of preparing for the next UNDAF cycle begins, OHCHR will play an important role in building the capacity of the UN agencies and their partners to follow a rights-based approach to programming, which is now required.

WFP: Phasing-out

Azerbaijan's rapid economic growth and the development of national capacity has enabled the Government to provide food assistance to the internally-displaced population independently. As a result, WFP is phasing out its role in Azerbaijan. At the time the UNDAF was prepared, a possible role for WFP in the development of mother and child health centers was envisioned, but this was not pursued. The office expects to close in mid-2008.

B. Constraints to Achieving Expected UNDAF Results

Representatives of the UN agencies, the UN theme groups, and national partners who participated in the UNDAF Annual Review 2007 identified the following key constraints in achieving the expected UNDAF results:

Lack of an overarching national development strategy and focal point

The adoption of the State Programme for Poverty Reduction and Sustainable Development (SPPRSD) and the assignment of a clear focal point for its implementation will help the Government and the UN agencies ensure that the UN role in Azerbaijan is explicitly aligned with national priorities. The UN agencies provided considerable technical support to the Secretariat that supported the implementation of the previous national development strategy (SPPRED) and hope to have an equally clear and empowered Government counterpart for its support to the upcoming SPPRSD. In the absence of an approved poverty reduction strategy, some UN agencies and theme groups have aligned their work to components of the draft SPPRSD.

Inconsistencies between national priorities and budget allocations

Azerbaijan's rapid economic growth has created substantial resources with which to pursue development. National priorities, as reflected in policy statements and strategies, have also changed rapidly. The changing priorities reflect the necessities and opportunities that have emerged in the context of Azerbaijan's development and its position internationally. The national budgeting process, however, has not kept pace. The general structure of the budget remains linked to structures

Annex: Progress towards UNDAF outcomes (continued)

established during the Soviet era and allocations are often inconsistent with national priorities. For example, the state budget for health as a proportion of GDP is among the lowest in the NIS, a miniscule proportion of the education budget is allocated to preschool education, and the health and education systems are largely geared toward serving better-off citizens rather than the poor and disadvantaged. Systematic reforms need to be continued so that Government resources are used optimally. In this context, the decision to link the forthcoming SPPRSD to the national budget is an encouraging step forward. The United Nations is prepared to support the Government in strengthening the alignment between national priorities and resource allocation.

Weak monitoring and evaluation systems

Accurate and reliable data is essential for determining the policies and resource allocations needed for any country's development and to enable the measurement of that progress. Weaknesses in Azerbaijan's data collection, analysis, and reporting procedures are obstacles to development. Azerbaijan would benefit from substantial capacity building in this area, underpinned by strong political commitment. These concerns are particularly acute in the health sector, where the country remains far behind international standards.

The UN agencies and partners are helping build national M&E capacity in a variety of areas including national reporting to international treaty bodies, surveys (especially the Demographic and Health Survey), the use of DevInfo for monitoring progress toward the MDGs and national development goals, financial reforms of the health sector, reproductive health-demand analysis, the establishment of a farm data and monitoring system and the use of UNESCO indicators in the Education Monitoring and Information System. Without full national commitment to the collection and use of reliable data and indicators, however, these efforts will remain piecemeal.

The UN system would also benefit from increased attention to monitoring and evaluation of its progress toward fulfilling its commitments to the Government in the UNDAF. The agencies have different levels of competence in their use of data. As described above, the existing UNDAF M&E Framework requires refining to ensure that the indicators are measurable and that they truly reflect progress. The UN Theme Groups and newly formed UNDAF Outcome Groups are expected to use the M&E Framework for regular monitoring of UNDAF progress and to report results to the UN Country Team. The UN Country Team is also considering recruiting an M&E expert.¹ Training of all UN staff in results-based management would also strengthen UN reporting. One important step for both the Government and the UN agencies is the expanding use of AzerbaijanInfo.

¹ The responsibilities of the UN M&E expert are proposed to include: supporting the M&E and reporting processes of all UN agencies; providing capacity-building support to the agencies and national partners; collecting, analyzing, and disseminating data and studies; advocating institutional changes needed to improve M&E in Azerbaijan; keeping track of the UNDAF's alignment with the national development framework and international commitments; and monitoring whether risks and assumptions are realized.

Limited capacity and mechanisms to coordinate complex development processes

Economic growth and globalization have made the development process highly complex. In the modern world, isolated sectoral approaches to development are no longer valid. The development process is far too complicated to be handled in a vertical manner. The importance of coordination in this environment cannot be overstated. Yet many participants in the

Annex: Progress towards UNDAF outcomes (continued)

Annual Review reported that mechanisms for the coordination of development interventions are weak in Azerbaijan. The current fragmentation often leaves little alternative to reliance on personal interactions rather than more systematic and enduring processes. The establishment of coordination units and unified, interconnected M&E systems is needed at all levels, starting with mapping exercises (showing “who’s doing what where”).

Some initiatives to strengthen coordination are underway, such as the Ministry of Economic Development’s establishment of a coordination unit, the establishment of the State Migration Services to coordinate the government entities involved in migration management and WHO’s promotion of cooperation between the Ministries of Health and Finance on health-finance reforms. Again, however, the success of these efforts depends on clear manifestations of political will. The United Nations is ready to support the establishment of effective coordination mechanisms.

Tendency to focus on easily demonstrable progress

Azerbaijan has a tremendous need for infrastructure development and has taken important steps to meet those needs. Combined with the increasing availability of funds for development, this places enormous pressure on all Government entities to make demonstrable progress. The focus on the most visible aspects of development, such as construction of new buildings and the opening of new institutions could divert attention from the longer-term processes necessary to make development sustainable when economic growth, inevitably, begins to slow. The comparative advantage of the UN lies in these deeper, less immediately visible development changes – for example, those related to capacity building, equality, respect for human rights, and empowerment of the poor and disadvantaged.

Gender Stereotypes

Azerbaijan is making strong progress in revising its policies related to gender. The next challenge is to change attitudes and practices to ensure their alignment with the new policies. This challenge is far more complicated and will require concerted efforts at all levels – from national to community and family – to turn the spirit of the new policies into reality. The newly-established State Committee on Family, Women, and Children’s Affairs embodies substantial gender awareness, but gender stereotypes remain common among the general population, Government, and Parliament. This impedes progress toward the cross-cutting UNDAF objective of gender equality and the advancement of women, which in turn impedes the development process.

Funding scenario

As Azerbaijan becomes wealthier, the core funding of many UN agencies has declined, making them increasingly dependent on local resource mobilization – at a time when, for the same reason, donors are disengaging from Azerbaijan’s development process. Participants in the Annual Review noted that resource mobilization is time-consuming and imposes a somewhat opportunistic approach to programming, making it more difficult to follow a framework like UNDAF. Inflation has created added pressure by raising UN agencies’ operating costs.

C. Considerations for the Next CCA/UNDAF Cycle (2010-2014)

Although the next UNDAF cycle starts two years from now, preparation for the next UNDAF will begin very soon – in early 2008. Based on the findings of the Annual Review 2007, this section suggests topics for consideration in the preparation of the UNDAF 2010-2014. Many of them could also influence programming during the remaining two years of the current cycle.

Human rights based approach

The next UNDAF is required to follow a rights-based approach to programming. This will entail careful delineation of the roles of rights-holders and duty-bearers. The UN Development Group and OHCHR will provide resources to assist the Government and the UN Country Team in this process and the findings of the UN Human Rights Council review of Azerbaijan in 2009 may provide a basis for specific points of action.

Youth education abroad

The number of Azerbaijani students provided opportunities to study abroad who return to make contributions to Azerbaijan's development is an indicator of the country's commitment to channeling state oil and pipeline resources toward development. Encouraging skilled Azerbaijanis to return from abroad will require investment in civil-service reform and other institutional changes to make working for national advancement a feasible and attractive option.

Qualitative monitoring

Qualitative monitoring methods could provide insights into causal processes and perspectives of the poor and disadvantaged using relatively low-cost assessment procedures (e.g., focus group discussions). These methods are particularly useful where quantitative data are lacking and for supplementary purposes.

Coordination for better use of national resources

This could involve initiatives to strengthen national systems for data collection, mapping exercises, and advocacy for institutional change. While UNDP will provide capacity-building support to the new Coordination Unit of the Ministry of Economic Development, similar coordination bodies in various sectors of Government/UN cooperation also need support.

HIV/AIDS treatment and care

In the present UNDAF, the role of the UN in regard to HIV/AIDS centers on prevention. As the Government builds capacity, resources, and its commitment to combating HIV/AIDS – and as the Government proceeds with decentralization of testing and treatment facilities – opportunities for Government/UN collaboration on treatment and care are likely to emerge. A UNODC mapping of services for high-risk groups in 2008 will provide useful input.

New opportunities for gender equality and empowerment of women

Participants in the UNDAF Annual Review confirmed that early marriage and high early drop-out rates for girls, as identified by the Ombudsman, are important issues to address in the area of gender equality and empowerment of women. Gender-based violence is another issue that was raised. The Demographic and Health Survey is likely to provide insights into the nature of gender-based violence and ways to address it. In collaboration with the Heydar Aliyev Foundation, UNFPA will help boost national capacities to fight gender-based violence.

Annex: Progress towards UNDAF outcomes (continued)

Azerbaijan's role on the regional and international stage

The Government has expressed an interest in Azerbaijan's potential transition to a donor country, nation branding and pursuing opportunities for regional leadership (for example in mine action and as a business hub). These are areas where cooperation between the UN and the Government could prove fruitful.

Higher expectations for reducing child mortality

Recent developments in the Health Sector provide opportunities for rapid progress on reducing child mortality. The State Programme on Protection of Mother and Child Health will focus on improving peri-natal care, and UNICEF will prioritize the upgrading of Soviet-era protocols and guidelines on childbirth and neonatal care. The Ministry of Health and UNICEF are currently undertaking a study on the causes of child mortality, which is expected to provide comprehensive data for related programming. A substantial effort to change practices and mentalities will be needed as new policies for child health are adopted.

Juvenile justice

As reflected in the proposed changes to the Country Programme Outcomes and Outputs of the current UNDAF, UNICEF and OHCHR have begun to support the Government's process of juvenile justice reform. This process is likely to continue and to yield substantial results during the next UNDAF cycle.