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Strengthening administrative capacity for green transition in **Azerbaijan**

State of play and reflections on possible improvements



Action implemented by:



Strengthening administrative capacity for green transition in Azerbaijan: State of play and reflections on possible improvements

Foreword

A well-functioning public administration is a prerequisite for transparent and effective democratic governance. It is the foundation for the functioning of the state, determining a government's ability to provide public services and foster competitiveness and growth.

Public institutions are the principal drivers of a country's economic and sectoral policies. Public authorities also play an important role in aligning various goals and interests and evaluating progress in, and adjusting towards, meeting policy objectives.

The same applies to the institutions that develop and implement policies related to environmental management and greening economic growth. They set up ambitious but realistic objectives of environmental policies and design mechanisms that minimise impacts of human activities on the environment and natural resources. Environmental agencies also help build the scientific understanding to meet objectives such as sustainable use of natural resources, protection of public health, and protection of valued species or places. They also provide needed information and infrastructure, resolve conflict, induce compliance with rules and facilitate adaptation to change.

Public authorities responsible for environmental management in the Eastern Partnership (EaP) countries are key partners of the EU-funded EU4Environment Programme. This programme supports environment-related action, demonstrates and unlocks opportunities for greener growth, and sets mechanisms to better manage environmental risks and impacts.

EU4Environment analyses the administrative capacities for environmental management and green economy in Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine to identify strengths and weaknesses of the system and reflect on possible improvements. This report takes a snapshot of administrative capacity in the field of environment management and green economy in Azerbaijan at central and subnational levels. It provides recommendations for strengthening the capacities of the government institutions and their staff. This report was prepared by Venelina Varbova and Ruslan Zhechkov (GreenEdge Consulting) under supervision of Krzysztof Michalak (OECD) and Irina Belkahlia (OECD) with the valuable contribution of national and international experts: Angela Bularga (DG NEAR, European Commission); Andrzej Januszewski and Madalina Ivanica (DG Environment, European Commission); Rainer Freund (EU Delegation in Azerbaijan); Faig Mutallimov (Ministry of Ecology and Natural Resources); Aytekin Guluzade, Humbet Mansirli, Zaur Mammadov, Ilkin Alyyev (Ministry of Economy); Yashar Karimov (RECP component of EU4Environment in Azerbaijan); Elchin Sultanov (Azerbaijan Ornithological Society); Ilaha Abasli (Researcher, circular economy); Tatiana Chernyavskaya (UNIDO); Leonid Kalashnyk (UNECE); Ria Tsutsumi (UNEP); Olga Olson (OECD); Nelly Petkova (OECD) and Andrew Davis (OECD SIGMA).

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Abbreviations and acronyms

AZN	Azerbaijani manat
CSO	Civil society organisation
DG	Directorate General
EBRD	European Bank for Reconstruction and Development
ECRAN	Environmental and Climate Regional Accession Framework
EECCA	Eastern Europe, Caucasus and Central Asia
EEA	European Environment Agency
EIA	Environmental impact assessment
EPR	Environmental Performance Review
EaP	EU Eastern Partnership
GPP	Green public procurement
RECP	Resource Efficient and Cleaner Production
IMPEL	European Union Network for the Implementation and Enforcement of Environmental Law
MENR	Ministry of Ecology and Natural Resources
MinEcon	Ministry of Economy
NFP	National Focal Points
OECD	Organisation for Economic Co-operation and Development
PARS	Public administration reforms
PEF	Product environmental footprint
PIU	Project Implementation Unit
RENA	Regional Environmental Network for Accession
REPIN	Regulatory Environmental Programme Implementation Network
SBA	Small Business Act
SEA	Strategic environmental assessment
SME	Small and medium-sized enterprise
TAIEX	Technical Assistance and Information Exchange instrument of the European Commission
UIEP	Unit for Implementation of Environmental Projects
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organization
WEF	World Economic Forum

Executive summary

Overview

In recent years, Azerbaijan has embarked on an ambitious road of economic reforms to reduce the environmental footprint of economic activities and reconcile development goals with environmental sustainability. Green transformation is challenging for Azerbaijan as its large oil reserves are the main source of income for the country. It needs to balance the economic benefits of fossil fuels with sustainable development.

This study highlights Azerbaijan's progress towards these reforms, pointing out the main gaps and weaknesses of environmental administration at national, regional and local levels. It offers realistic, actionable and country-tailored suggestions to help improve environmental management. These aim to support national efforts towards a green transition, as well as to help the country achieve its international commitments.

Key findings

- **Central legislative authority:** Milli Majlis has committees to adopt environment/green economy legislation, but they lack the tailored expertise and independent specialists needed for such a large portfolio. No reports on its activities are publicly available.
- **Central executive authority:** The Administration of the President plays a central role in the green agenda, but there is no department dedicated to the green transition.
- **Strategic policy:** Good policy frameworks are in place or in development, but the strategies and policies lack the capacity needs assessment for their implementation. There is no national green economy strategy, leaving a patchwork approach for green elements. New legislation is needed in emerging areas, such as green bonds and eco-labelling.
- **E-government:** Key ministries are adopting e-government models but have not fully incorporated green elements in e-service portals.
- **Financial incentives:** While salaries for civil servants have increased significantly since 2019, they are not public, which prevents detailed analysis.
- **Ministry of Ecology and Natural Resources (MENR):** The ministry has made efforts to strengthen the green agenda but is hampered by low co-ordination among departments, knowledge gaps and practical skills on a green economy, insufficient capacity for data-driven policy making and high staff turnover.
- **Institutions subordinate to the MENR:** These entities lack qualified staff on a green economy, due to similar issues faced by the ministry itself and to limited training opportunities.
- **Environmental compliance and enforcement:** The recently created State Environmental Security Service, under the MENR, is a positive development, but the Service is constrained by a

moratorium on environmental inspections of private entities and the need for the Ministry of Economy (MinEcon) to approve ad hoc inspections.

- **The Ministry of Economy:** The MinEcon works increasingly with the MENR but lacks knowledge about a green economy, including its responsibilities.
- **Institutions subordinate to the MinEcon:** The ministry has several subordinate structures that may accommodate green elements, but they need greater capacity to incorporate green elements.
- **Sectoral ministries:** They are becoming more involved in the green transition but need more capacity at all levels, better understanding of a green economy, better data collection and institutional support, and closer relations with civil society.
- **Co-ordination among government agencies on a green economy:** Co-ordination is improving, but a dedicated inter-ministerial body is needed to leverage the environmental profile, enhance sectoral co-operation, involve civil society and local executive authorities (LEAs)/municipalities, as relevant.
- **Regional and municipal levels:** Both LEAs and municipalities have limited capacities to initiate any green activities due to lack of independence, limited financial resources, unclear division of their roles, and lack of qualified personnel, training opportunities and incentives.
- **Public participation in decision making and awareness:** Public participation in environmental governance has been improving, but information is limited on the Public Councils' activities (no annual reports), engagement is low, sectoral co-operation and international ties are weak, and non-governmental organisations lack qualified staff, jeopardising their effectiveness.
- **Role of universities:** More efforts are needed to ensure universities support green education, including a new curriculum.
- **External groups:** Such groups provide most of the green economy training, while the government focuses on more general issues like ethical behaviour and new legislation.
- **Donors and international organisations:** These play a crucial role in upskilling civil servants on a green economy, but Azerbaijan struggles to maximise their impact to ensure sustainability beyond the end of a project.

Key recommendations

- Develop an action plan for strengthening capacity for environmental management and green economy, analyse optimal set-up and create a national co-ordination mechanism on a green economy.
- Reinforce legislation and policies with adequate capacity needs assessments, strengthen analytical capacity of the legislative pillar, and continue seizing digital opportunities and innovations in public administration.
- Continue improving attractiveness of environmental administration, address knowledge gaps on a green economy at all levels and scale up role of universities.
- Reinforce the MENR with analytical capacity for policy design, address knowledge gaps, optimise value-added of trained specialists, build institutional memory, improve co-ordination among departments and get the most out of performance assessment.
- Continue strengthening environmental compliance and enforcement.
- Vest to the MinEcon a leading role on greening the economy, establish a centralised approach to deal with the green agenda, leverage expertise and address knowledge gaps.
- Clearly define the roles of the MENR and MinEcon on a green economy and improve capacities of their subordinate institutions.

- Enhance green thinking and capacities of sectoral ministries to deal with the green agenda, and scale up role of the State Statistical Committee in monitoring progress towards a green economy.
- Empower LEAs and municipalities with functions, budget and knowledge on a green economy.
- Enhance public participation and capacity of civil society.
- Continue engaging in regional and international co-operation and replicating best practices.
- Build capacity at national and subnational levels with technical support from donors and international partners to ensure sustainability, engage civil society and international networks, and develop a tool for (self-)assessment and monitoring of administrative capacity.

1 Introduction

Background and objectives

The drive to integrate environmental and economic policies

In the Eastern Partnership (EaP) countries, ministries of environment traditionally drive often ambitious, strategic and legal frameworks for environmental improvements and support policy implementation at national and subnational levels. However, they have been relatively weak compared with other ministries relevant for a green and circular economy (economy and finance). Environment measures were considered an unnecessary obstacle to economic development.

More recently, environmental ministries have received more support for greening public policies from line ministries. For instance, ministries of economy took the lead on developing national green economy strategies. They also led work on specific policies or regulations related, for example, to sustainable public procurement, greening small and medium-sized enterprises (SMEs) and green finance. The engagement of economic agencies resulted from two factors. First, there is a growing recognition of environmental problems affecting economic growth. Second, there is a worldwide push to engage economic decision makers in some of the most critical environmental problems.

This study examines the Azerbaijani institutional framework for managing the environmental impacts of human activities and promoting green growth; co-ordination mechanisms for integrating environmental concerns into sectoral policies; and the roles of central executive and legislative authorities, regional and local governments and civil society organisations (CSOs). It applies universal approaches to administrative capacity, namely: the role of institutions in environmental management and green economy, good practices, benchmarks and indicators for evaluation of environmental governance performance.

Against this background, the study highlights reform and capacity building efforts. It also points out the main gaps and weaknesses of environmental administration at national, regional and local levels. Finally, it offers realistic, actionable and country-tailored suggestions for improvement.

In this way, the study aims to help improve environmental management and support national efforts towards a green transition, as well as to help achieve the country's international commitments. These commitments are underlined in the EaP Summit declarations and EU-Azerbaijan Partnership Priorities (endorsed in 2018), where environment and climate action are among the four main areas of co-operation (EaP, 2021).

The need to build institutional and human capacity

Despite progress over the past 20 years in strengthening institutional capacities for environmental management and greening the economic growth, many government agencies in the EaP countries remain poorly resourced with high staff turnover. Those in charge of the environment face particular challenges due to low budget allocations or remuneration of public civil servants. In addition to deficiencies in human and financial capacity, they have been subject to frequent structural changes, including mergers with other

line ministries. Although sectoral ministries develop environmental policy, they lack co-ordination and monitoring mechanisms on environment and green economy issues.

Lack of understanding about economic costs related to poor administrative and institutional capacity in the environmental sector is one reason for slow institutional reforms. Institutional capacity is the “ability to perform tasks and produce outputs, to identify and solve problems, and to make informed choices”. The effectiveness of environmental administration can be defined as its ability to fulfil its mission to protect the environment while allowing sustainable economic development.

Insufficient capacity to manage the environment leads to a number of tangible consequences. These include lack of, or poor quality, legislation; weak policy implementation and enforcement; low level of funding for the environment; and, ultimately, a low level of protection of the environment and health of citizens.

There is no one ideal institutional structure for managing the country’s environment and its natural resources. The architecture of public institutions is a result of political, cultural and economic factors. Nor is there one single universal benchmark for assessing environmental capacity. However, several benchmarks and tools in combination could provide guidance.

Public authorities in the EaP countries are the key partners and beneficiaries of the regional EU-funded “EU4Environment – Green Economy” Programme which helps partner countries initiate and implement environment-related actions. This can demonstrate and unlock opportunities for greener growth and set mechanisms to better manage environmental risks and impacts (Box 1.1).

Box 1.1. EU4Environment – Green Economy

The “European Union for Environment” (EU4Environment – Green Economy) Programme aims to help the Eastern Partnership countries preserve their natural capital and increase people’s environmental well-being. It is structured around five work streams (“Results”): 1) greener decision making; 2) circular economy and new growth opportunities; 3) an environmental level playing field; 4) ecosystem services and livelihoods; and 5) regional knowledge sharing and co-ordination. EU4Environment is funded by the European Union and implemented jointly over 2019-24 by five international organisations – OECD, United Nations Economic Commission for Europe, United Nations Environment Programme, United Nations Industrial Development Organization and the World Bank.

Source: www.eu4environment.org.

Output 3.4 of EU4Environment, which is implemented by the OECD, provides analytical and technical support to strengthen the institutional and human capacity of public administration for greening the economy. This support is mainly targeted at the ministries of environment as key players of environmental action. However, it also extends to the ministries of economy as their ability to promote green economy development has become stronger and requires reinforcement.

As part of this work, the institutional capacities for environmental and green growth management have been analysed in Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine to review the strengths and weaknesses of the system and provide recommendations for improvements.

Setting the scene in Azerbaijan

Good environmental administration is a key for the Azerbaijani government to successfully delivery on its priorities and ensure a smooth transition to a green economy. There is no one “one-size-fits-all” approach, as each country has its own priorities, changing over time, and its own historical and socio-economic

context. Thus, strengthening environmental governance is a comprehensive and continuous process of reforming the environmental institutions and building the human capital.

A considerable push for a green transformation and decarbonization of economy came from the 2014-15 oil crisis. Since 2016, after a sharp economic slowdown in the wake of the oil price collapse, Azerbaijan has accelerated reforms in all areas towards diversification of its economy and improving business environment. In this context, the need raised for a new approach in reforming governance process to accelerate the economic reforms. Institutional framework was identified as one of two fundamental enablers, along with innovation and technology, to improve business environment.¹

The push for change couples with the international commitments, undertaken by Azerbaijan, under 2030 Agenda, Paris Agreement, EaP Summits, and various conventions. In 2018, Azerbaijan renewed basis for a political dialogue with the EU with adoption of the new partnership priorities, setting the joint policy directions in line with the European Neighbourhood Policy, notably in the areas of environment, strengthening institutions and good governance. The UN-Azerbaijan Sustainable Development Cooperation Framework 2021-25 sets a basis for cooperation with UN agencies on sustainable agenda.

COVID-19 crisis and deep economic shock in 2020-21, with losses up to AZN 120-150 mln (USD 70.7-88.4 mln) per day,² levelled up the attention to health and environment, reinforcing the links between social, economic, environmental dimensions and people's well-being. A study on the impact of COVID-19 on the quality of human capital development in Azerbaijan shows that the development of cognitive skills can help neutralize the negative dynamics of economic development during the economic crisis, as well as ensure steady growth of Azerbaijan's GDP in the post-crisis period.³

The changes were further accelerated at the end of 2020, with a strong focus on the ecological restoration, building "smart cities and villages" and creating a "green energy" zone.

In 2021-22, Azerbaijan has framed its strategic vision of the socio-economic development for the next decade in two key documents - "Azerbaijan 2030" (approved in February 2021) and National Socio-Economic Strategy for 2022-26 (approved in July 2022), making "clean environment" and "green growth" among five national priorities.⁴

Alongside, the legislation has been modernized with adoption or amendment of several laws and policies, including the Law "On Environmental Protection" with provisions on the polyethylene bags and plastic containers, the Law on Environmental Impact Assessment and development of the EIA/SEA secondary legislation, the Law on the Use of Renewable Energy Sources and Strategy for 2022-26, development of the packing waste law.

Azerbaijan climbed its role in green energy with the new EU strategic partnership and the ambitious target to become "green energy" corridor to Europe. It targets to increase the use of renewable energy sources to 30 percent by 2030, exploring its potential in solar and wind energy,⁵ invest in green technologies, sustainable agriculture, green businesses, notably by introducing the assessment tool for greening SMEs, and introduce "green budget" aspects.

In September 2022, the Center for Analysis and Communication of Economic Reforms, chaired by Prime Minister of Azerbaijan, with the support of the Ministry of Ecology and Natural Resources prepared the *Green Economy* study.⁶ According to the Scientific Council of the Academy of Public Administration under the President, it is the first comprehensive research work in this field in Azerbaijan, to be used in preparing state programs, strategic documents, regional and local projects on economic development and enhancing "green thinking", and illustration of high-level attention to green agenda.⁷

Against this backdrop, the environmental administration in Azerbaijan needs significant capacity to implement well-tailored and good quality policies in line with national and international commitments towards a green transformation. Good environmental governance and development of human capital are the fundamental enablers to succeed this transformation.

Scope and methodology

This report was based on several methodological tools:

- A literature review delved into previous work by the European Commission as a funding agency, the OECD and other implementing partners – United Nations Economic Commission for Europe (UNECE), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO) and the World Bank – and into recent national strategic and policy documents, including public administration reform strategies.
- A questionnaire collected information and was completed with support of the EU4Environment National Action Coordinators in close consultation with ministries of environment and economy.
- Interviews with relevant stakeholders were held between January and August 2021, including with the Ministry of Ecology and Natural Resources (MENR), Ministry of Economy (MinEcon) and CSOs. In addition, other relevant experts helped reveal some of the less tangible issues, obstacles and drivers of change (see Acknowledgements).
- Discussions with representatives of the European Commission (DG NEAR and DG Environment) and the EU Delegation in Azerbaijan provided additional perspectives with regard to alignment with the EU acquis, donor co-ordination and enforcement of adopted legislation.

The report singles out several factors influencing the effectiveness of implementation of legislation to analyse implementation in more detail, as well as overall effectiveness of the administration (Ecotec, 2000):

- number and type of national ministries, whether national, regional or local institutions implement the work and the relationship between them
- structures within an institution (e.g. whether each medium has a separate department), including whether an institution can consider an integrated approach to environmental protection and greening the economic growth
- the formal and informal communication and co-ordinating mechanisms that exist horizontally between institutions but also vertically between different levels – national, regional, municipal – to ensure feedback between policy and practice
- the number of staff in an institution, working conditions and how staff are deployed
- technical support, such as equipment resources
- staff expertise
- staff morale and organisational ethos.

Thematically, the study focuses on areas covered by EU4Environment: green and circular economy; strategic planning; environmental impact assessment and strategic environmental assessment; public awareness raising and education; Resource Efficient and Cleaner Production; eco-innovation; green public procurement; waste management; “smart” regulation and greening SMEs; environmental compliance assurance; green finance and investment planning; and monitoring of progress at the economy-environment nexus. The report focuses on underlying, horizontal issues within these sectors. Concrete thematic insights and suggestions for strengthening the administrative capacity are also provided where possible.

Structure

The structure of this report is as follows:

- The executive summary presents the main findings and recommendations from the analysis.
- Chapter 1 explains the objectives of the assignment, its scope and methodology.

- Chapter 2 provides the theoretical background by introducing definitions and various assessment tools and methodologies.
- Chapter 3 presents the administrative capacity in Azerbaijan for environmental management and green economy.
- Chapter 4 summarises progress, remaining challenges and ways forward.
- Annexes contain the administrative and policy context for strengthening administrative capacity for a green economy in Azerbaijan, as well as various assessment tools.

Target audience

The report is targeted both at national and international stakeholders. National stakeholders include the MENR and the MinEcon as the key counterparts and beneficiaries of the EU4Environment Programme. Additional targets include other line ministries, regional and local administrations, and different governmental structures involved in environmental reform, public administration reform and the green transition (EaP, CSF, n.d.).

International stakeholders include all implementing agencies of the EU4Environment Programme and the European Union. The report could also be useful to other international donors in Azerbaijan.

2 Administrative capacity: Definitions and measuring effectiveness

This chapter defines terms related to environmental administration, including institutional (or administrative) capacity, capacity development, effectiveness and efficiency. It suggests three “fracture points” in environmental administration can lead to policy failures: implementation of legislation; a weak voice for environment in government; and power imbalance between different ministries. The chapter also identifies four building blocks of institutional development: enabling conditions; organisational set-up and stakeholder interaction; intra-organisation processes; and individual competence. It argues this process should improve overall effectiveness instead of focusing on individual issues. Referring to the OECD/SIGMA Principles of Public Administration, the chapter identifies enabling conditions and obstacles to improve capacity, including the importance of political will. In addition, it presents benchmarks and indicators to assess institutional capacity, as well as areas of good governance and capacity, types of benchmarks and methodological tools.

Definitions and elements of environmental administration

A well-functioning public administration is a prerequisite for transparent and effective democratic governance. It is the foundation for sound functioning of the state, determining a government's ability to provide public services and foster competitiveness and growth. Achieving the necessary standard of public administration requires reforms in many areas of policy and administration. This aims to build the institutional capacity to implement developed policies and legislation and ensure they meet government objectives (OECD, 2017).

Institutional (or administrative) capacity can be defined as the “ability to perform tasks and produce outputs, to identify and solve problems, and to make informed choices”. Government's capacity is crucial for creating a policy and regulatory system conducive to economic and social development. It must be able to deliver the basic public services that enable adequate living standards. Lack of capacity can undermine development or lead to a development model that disregards production externalities. This, in turn, would affect the wealth of citizens and send the wrong signals about the real level of economic growth (OECD, 2010).

Achieving results requires governments to steer and co-ordinate implementation of an overall reform vision and prioritised objectives of capacity development. Public administration reforms should be sequential, with a coherent plan, and adopt a whole-of-government perspective.

Capacity development is the process by which individuals, groups and organisations, institutions and countries develop, enhance and organise their systems, resources and knowledge. Actual capacity development is reflected in their individual and collective abilities to perform functions, solve problems and achieve objectives (OECD, 2006). Within public management systems, capacity has several dimensions, which include:

- individual competences i.e. knowledge and skills of individuals, as well as their ability to set objectives and achieve those objectives
- organisational capacity i.e. mission, planning and decision-making processes, structure and resources, and the organisational culture
- partnerships/networks of organisations i.e. quality of interaction and co-operation among relevant public and private actors, as well as with development partners
- enabling environment, i.e. legal and policy frameworks and work approaches (OECD, 2010).

The same definitions and features apply to institutional capacity, and its development, for environmental management and greening economic growth. Important capacities for government institutions in charge of the environment are the ability to define the national vision to protect natural endowments and public health, as well as sustainable use of natural resources; formulate evidence-based policies to achieve set objectives, goals and targets; and manage implementation of these policies with the overall goal of improving the state of the environment and minimising impacts of different investments or activities of economic sectors.

Effectiveness can be defined as the extent to which environmental administrations and institutions “are able to fulfil their own mission” or achieve the desired result of balancing environmental protection with sustainable economic development (DG NEAR, 2017). Each institutional reform should aim to make institutions more effective and efficient.

Efficiency relates to the ability of achieving the level of performance that uses the least amount of inputs (people, money, equipment) to achieve the highest amount of output.

Even with an effective and efficient public environmental administration, environmental degradation can still occur. This can result from several contributing factors, including insufficient or inadequate performance of public administration. It is usually difficult to establish a direct relationship between the

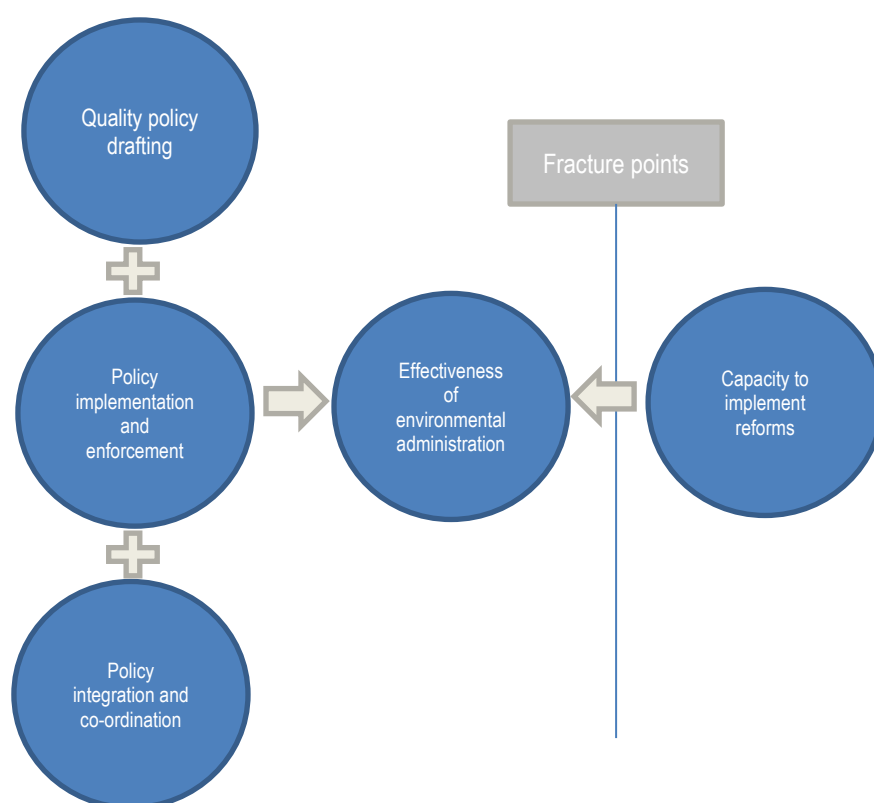
effectiveness of public institutions and the state of the environment. Consequently, several countries have introduced *intermediary* objectives to act as proxies, such as:

- drafting good quality, evidence-based environmental strategies, policies and legislation
- ensuring implementation and compliance of the adopted legislation across the whole territory of the country and on all governance and territorial levels
- integrating environmental concerns into other sectoral policies – economy, innovation, transport, agriculture – to ensure a co-ordinated approach.

Achieving these intermediary objectives depends on the capacity of the administration to look reflectively at its own performance. It must be able to analyse gaps and adjust institutional and administrative reforms, aligning them with political will and capacity for change (Figure 2.1).

Fracture points can lead to administrative failures

Figure 2.1. Elements of effectiveness of environmental administration

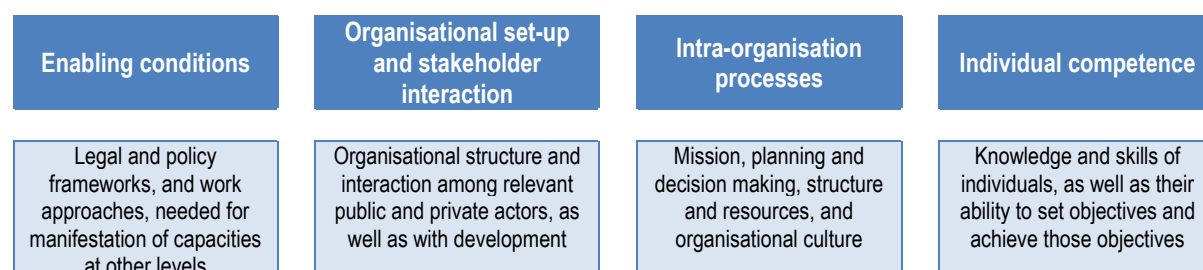


The goal of public administration reform should be to find fracture points and drum up political support to address them. Lack of political will to repair fractures may lead to administrative failures and reforms not taking place as intended, despite often intensive efforts (Kakabadse, 2021). This report attempts to discover these fracture points and suggest realistic approaches to tackling them.

It has identified three fracture points: 1) implementation of legislation, an issue faced by EU members that joined in 2004 and 2007; 2) the subservient position of environment in relation to economic development, leading to a relatively weak voice of the environment in government; and 3) the lack of de facto power balance between different ministries, which undermines institutional reforms in the environment and green economy sector.

There is wide consensus that institutional capacity development should improve overall effectiveness instead of focusing on individual issues. Such an approach would encompass enabling conditions, organisational set-up, stakeholder interaction, intra-organisational processes and individual competencies (Figure 2.2).

Figure 2.2. Building blocks of institutional capacity development



Source: Based on ADB (2008), Effectiveness of ADB's Capacity Development Assistance: How to Get Institutions Right, and OECD (2010), Assessing Environmental Management Capacity: Towards a Common Reference Framework.

Capacity improvements: Enabling conditions and obstacles

The political will for enhancing capacity of institutions is one of the most important prerequisites to a successful change. The Support for Improvement in Governance and Management (SIGMA-OECD) Principles of Public Administration stress that “successful implementation of public administration reform (PAR) requires a country’s key decision makers to share both an understanding of, and a collective commitment to, its purpose and the will to develop an effectively functioning public administration” (OECD, 2017).

In addition to top-level ministerial and official leadership, PAR also requires strategic and business-planning documents that provide a clear roadmap to implement individual policies. These planning documents should translate political-level priorities into clear objectives, establish performance indicators to measure the level of achievement, designate actions and institutions to realise them, allocate the necessary resources and provide other information for implementing the reform agenda. When planning documents are in place, adequate funding needs to support implementation, and data on identified performance indicators must be used to monitor overall progress of reform.

Several other factors must be considered in reforms that can both help improve capacity and create obstacles (Box 2.1) (Boesen et al., 2002).

Box 2.1. Capacity improvements: Enabling conditions and obstacles

Enabling conditions:

- Top management provides visible leadership for change.
- Change is approached in an integrated manner across segments, units and professions.
- A critical number of staff members are committed to the change and motivated to embrace changes.
- Organisational innovations are embraced, tested and adapted.
- Quick wins become visible early in the process.
- Scope of change is commensurate with internal commitment.
- Resources for developing capacities are prioritised.
- Top management and change agents manage the process strategically and proactively.

Obstacles:

- Segmented and compartmentalised organisations where centralism, strict hierarchy and authoritarian management impede information and ideas reaching decision makers.
- Overload of reform and change initiatives.
- Unpredictable, unbalanced or inflexible funding and staffing.
- Salary levels incompatible with living standards.
- Entrenched corruption and clientelism.
- Substantial dependence on fragmented and unpredictable donor support.
- Only formal commitment to a performance-oriented culture.

Source: Boesen et al. (2002).

Institutional capacity assessment tools: Benchmarks and indicators

Capacity assessment begins with recognising the need for change

There is no single ideal institutional structure for managing the country's environment and its natural resources. The level of administrative and institutional capacity is also not fixed for all time. The shape of public institutions is, in most cases, a result of historical and cultural developments. Institutional reform also adjusts to changes in domestic policies linked to the evolving political landscape. Institutions also change due to the need to regulate previously unregulated activities to develop the economy; increase effectiveness and efficiency of the public sector; or respond to environmental acquis adopted at the international level and ratified at the national level.

Therefore, capacity development, assessment and ensuing adjustments should be embedded in the institutional culture. Capacity assessment should start with the acceptance of the need for change. The political will for change opens the door for a capacity diagnosis/gap analysis. An honest recognition of the capacity gaps would serve as a basis for target setting and strategies for future capacity development. Reforms should be monitored, and periodically evaluated and adjusted (Figure 2.3).

Figure 2.3. Main elements of capacity assessment and development cycle



Source: OECD (2010), Assessing Environmental Management Capacity: Towards a Common Reference Framework.

A combination of tools can guide assessments

There is no one single framework for assessment of environmental governance and environmental capacity. However, several benchmarks, indices and tools, used in combination, could provide guidance and a sense of direction (Figure 2.4).

Figure 2.4. Areas of good governance and capacity, types of benchmarks and methodological tools

Ares of good governance and administrative capacity	Good and transformative governance	Adoption of EU acquis	Enforcement and compliance	Transition to the circular economy
Types of benchmarks	Indices			
	Descriptive criteria			
	Minimum criteria			
Methodological tools	Self-assessments			
	Performance reviews			
	Peer reviews			
	Evaluations			

Annexes B-E present examples of benchmarks related to administrative and institutional capacity, as well as the assessment frameworks that go with them. Some of these governance and capacity benchmarks have their own assessment tools.

The first category of benchmarks revolves around the OECD/SIGMA Principles of Public Administration. The SIGMA principles are a set of guidelines, developed by the European Union, to support public sector reform and improve governance in countries receiving EU assistance.

Although SIGMA principles comprise only key requirements for horizontal aspects of good governance, they are kept flexible and can be applied to all sectors and policies, including environment. Annex B presents the six core principles of public administration and the methodological framework in more detail. Their 41 indicators provide a comprehensive approach for assessing the state of play against each principle.

The application of the SIGMA principles to public administration reform in Azerbaijan was already discussed in 2016. It occurred at the joint SIGMA/Center for Analysis of Economic Reforms and Communication event, which coincided with Azerbaijan's recovery from the 2014-15 economic crisis (SIGMA, 2016). The current SIGMA work programme for Azerbaijan (agreed in December 2022) identifies three main priority areas for co-operation:

- the State Examination Center on developing the civil service legal framework and the Law on Legal Entities of Public Law
- the State Service for Antimonopoly Policy and Consumer Rights Protection on further developing the operational functioning of the procurement system, including electronic procurement
- the competent authorities for public administration reforms on reviewing their initiatives (OECD/SIGMA, n.d.).

However, to date, there has been no attempt to transpose the SIGMA principles and its Methodological Assessment Framework to the environmental sector in Azerbaijan. This work, in the format of self-assessment, would require amounts of data and analytical capacity that go beyond the scope of this report. Instead, Annex B gives some insights of possible ways in which the SIGMA principles could be used in Azerbaijan. Investing the necessary resources for such an assessment of the environmental sector would help Azerbaijan improve its governance and environmental management. Annex C presents other benchmarks, in addition to SIGMA principles, related to administrative and institutional capacity.

The second category of benchmarks includes assessments with relatively simple methodologies. These are designed as light self-assessment tools (e.g. transition to circular economy, see Annex D).

A third category of assessment benchmarks, such as handbooks, has gained notoriety through extensive use in similar circumstances (Handbook on implementation of the environmental acquis, see Annex E) and could be used as guidance for public administration.

None of the benchmarks and tools could be presented as the ultimate approach. Each still requires political will to integrate findings and recommendations and improve the institutions and their functioning. Some would better be applied in a formal process with the help of external consultants. For others, the administration could consult the tools to align with good practices.

3

Snapshot of environmental institutions and their capacities in Azerbaijan

This chapter presents government bodies, beginning with the central legislative authority (Milli Majlis and its committees) and central executive authorities (Presidential administration and its departments, ministries, state committees and state services). It reviews the mandate of the Ministry of Ecology and Natural Resources for environmental management, assessing its progress towards smart government and e-government, including through the Azerbaijani Service and Assessment Network. It examines how the Ministry of Economy fosters a green and circular economy, including its leadership in the National Coordination Council for Sustainable Development. Subordinate institutions for the two ministries, as well as other ministries and committees relevant to a green economy, are also highlighted. In addition, it reviews the role of regional and local governments relevant to a green economy, and the engagement civil society and academia, including through public councils. The chapter ends with efforts to upskill civil servants, including through external support such as twinning and exchanges.

Central legislative authority

Milli Majlis and its committees

Milli Majlis, the National Assembly, is the main legislative body in Azerbaijan. It consists of 125 members, elected for five years. The current and 6th Milli Majlis, formed by elections in February 2020, has 15 committees, 2 commissions and working groups. Table A.2 of Annex A provides more detailed overview of the Milli Majlis structure and its committees.

There are two committees relevant to the environment and green economy: natural resources, energy and ecology; and economic policy, industries and enterprising.

The **Committee for Natural Resources, Energy and Ecology** has a leading role in considering and approving laws and related decisions on formulation and implementation of the state policy on natural resources, energy and ecology. It consists of a Chair, Deputy Chair and nine members (Milli Majlis, n.d.). It is formed, like other committees, for a five-year period with its final composition approved by official decree of the Speaker. Its members are selected based on their experience and knowledge in the relevant field.

The committee draws up draft laws concerned with natural environment protection, development of natural and energy resources, oil, gas, energy, water and forestry, and hunting and fishing matters. It also gives opinions about draft laws already submitted. In addition, it gives opinions about draft laws related to environmental security and decisions when instructed to do so by the Milli Majlis or its Chair. The committee works closely with relevant government bodies in charge of preparing a law (Cabinet of Ministries, relevant ministries, non-governmental organisations), before officially submitting a law upon mutual agreement to Parliament for discussions and adoption.

The committee meets on average once or twice a month. All sessions are published on the website of the Milli Majlis,⁸ but information is limited on outcomes and impact. There are no publicly available reports on its activities to help the public and stakeholders better understand its work. In addition, the committee unites two potentially conflicting portfolios – energy and environment. This may undermine green decisions in favour of the energy sector, especially in Azerbaijan, which is known as an oil-producing country. At the same time, it may create an opportunity to reconcile these portfolios. It would be interesting to explore this relationship further.

Given the large portfolio and variety of topics, the committee needs a significant number of independent experts (e.g. civil society or invited international specialists) to provide opinions on laws presented for review and approval by Parliament. Committee members are parliamentarians, rather than experts, and often lack the required expertise. Though Milli Majlis has different specialists working in Parliament to help the committee analyse laws, their number and capacity are limited.⁹ In addition, despite positive trends, separation of powers is still in issue. Since they are not fully independent, committee members might face lobbying by interested parties.

The **Committee for Economic Policy, Industries and Enterprising** leads work on draft laws and decisions about the state economic, industrial and business enterprising policy, as well as the state budget, and fiscal and monetary policy. It draws up and comments on draft laws in several areas: regulation of the economy; industrial, investment and business activities, including development of small and medium-sized enterprises (SMEs); public-private partnership; economic security; special economic zones; and development, including establishment and promotion of innovation centres, as well as technology and industry parks. Given its portfolio, this committee is the logical lead for green economy policy. However, no green elements are explicitly mentioned in its activities. There is also a lack of information on interactions with the other committee (described above).

There is no direct link between the President and Milli Majlis as they represent two separate (executive

and legislative) bodies. Through administrative bodies, the President can prepare new laws or suggest changes to existing ones. According to the Constitution (Articles 104-107), the Milli Majlis approves the Cabinet of Ministers and other high-level officials appointed by the President.

Central executive authorities

Administration of the President

Executive power in Azerbaijan is headed by the President, who appoints the Prime Minister, the Cabinet of Ministers and other high-level officials (including Head of Courts and Head of the Central Bank), establishes territorial branches of state administration and appoints heads of local executive authorities (LEAs) (European Committee of the Regions, n.d.).

The Presidential Administration plays, therefore, a central role in all spheres of public policy, including the green transition. In recent years, improving the environment has become a priority. For instance, achieving environmentally sustainable socio-economic development is one of the main goals of the "Azerbaijan 2030" development strategy, approved by the President.

Though the Presidential Administration does not have a dedicated department for environmental/green economy issues, its officials participate in inter-ministerial working groups that deal with environment/green economy topics. This includes preparation and implementation of the National Socio-Economic Strategy for 2022-26. For instance, the Presidential Administration is part of working groups under the National Coordination Council on Sustainable Development. These groups were established for each of the five National Development Priorities 2030. At least one group is directly related to the environment and green transition and co-ordinates the activities of executive bodies in this field. The working groups, in their turn, report regularly to the Presidential Administration.

The Presidential Administration also has two departments that develop economic policy that are relevant to the green economy. They address:

- economic issues and innovative development policy (microeconomic sectoral questions/policies, including green energy and green economy in general)
- economic policy and industrial issues (macroeconomic policies, working with National Bank, Ministry of Finance, Ministry of Labor and Social Protection, and big investment projects) (Presidential Administration, n.d.).

The **Department of Economic Issues and Innovative Development Policy** was co-ordinating preparation of "Azerbaijan 2030" and Strategy for Socio-Economic Development for 2022-26, both of which contain green elements. The department also co-ordinates implementation of these strategies.

The **Department of Economic Policy and Industrial Issues** is the logical place to co-ordinate greening of the industry and unlocking of green finance, but information is lacking on this role.

In addition, alongside the Minister of the Economy (MinEcon), the heads of these two departments are also members of the supervisory board, of the national **Center for Analysis of Economic Reforms and Communication**, chaired by the Prime Minister (Ereforms, n.d.1). The Center, established in 2016 and overseen by the President, supports knowledge-based economic reforms and sustainable development. In September 2022, the Center published, together with the Ministry of Ecology and Natural Resources (MENR), "Green Economy in Azerbaijan". This is the first comprehensive study to shed light on various aspects of the green economy in the country (Ereforms, 2022a). The initiative illustrates high-level support and attention to the green agenda in the country. Through its Monitoring and Evaluation Group, the Center monitors and evaluates strategic roadmaps and government programmes, including the Strategy for Socio-Economic Development for 2022-26 (Ereforms, 2022b). The Group was established to institutionalise

monitoring, evaluation, co-ordination and communication processes into a single, e-government platform (Ereforms, n.d.2).

The President himself chairs the **State Agency for Public Service and Social Innovations**. The agency manages the innovative ASAN Service (one-stop shop for public services) and the transition to e-government, including services provided by the MENR (Box 3.1).

The **Civil Service Commission**, established in 2005 under the President, is a central executive agency that enforces statutory legal acts in the civil service field (Presidential Decree, 2005). It implements legislation in the field of recruitment and professional development of civil servants. The state budget finances the Commission's activity, but legislation does not prohibit other funding sources. As of January 2022, there were about 26 700 civil servants (State Statistical Committee, 2022).

Overall, given its central role in the executive pillar, the President is well positioned to lead the green transition. As stressed by SIGMA principles, political will and support of the country's key decision makers are a key enabler for successful reforms.

National government

Central executive authorities in Azerbaijan consist of the ministries, state committees and state services. Two government agencies are primarily involved in the green transition in Azerbaijan. The MENR is the main body responsible for environmental management, while the MinEcon is the steering force for green economy development. Other government agencies, including ministries of energy, agriculture and finance, play important roles to define the main policy directions. The State Statistical Committee collects data, including in the environmental field.

Ministry of Ecology and Natural Resources

The MENR is the central executive authority, responsible for developing and implementing environment policy and protection measures, monitoring implementation of environmental legislation and ensuring environmental compliance through the operations of the State Environmental Security Service. The ministry promotes environmental protection; efficient use of natural resources, groundwater and mineral reserves; and observation and forecasting of hydrometeorological processes (MinEcon, 2022).

With relevance to the EU4Environment areas of work, the ministry administers a pollution permit system and manages environmental impact assessment (EIA) processes. It oversees activities related to waste management and regulates hazardous waste, which includes issuing disposal permits for industrial facilities. It also monitors compliance and control (law enforcement) in the fields of municipal and industrial waste management.

The MENR, established in 2001 by Presidential Decree No. 485, consolidated three state committees: for ecology and natural resources; for geology and mineral resources; and for hydrometeorology, to avoid overlaps in their respective activities.

The ministry is guided by the Constitution, which guarantees everyone the right to live in a healthy environment, as well as "Regulation on the Ministry of Ecology and Natural Resources", approved by President Decree No. 583 on 18 September 2001.

The central structure of the ministry has only five main departments, in addition to others responsible for operations (Table 3.1). It also has several subordinate entities and regional branches. At the subnational level, six **Regional Ecology and Natural Resources Departments**, representing the ministry, manage hydrometeorology, forestry and environmental compliance.

Table 3.1. Structure of the Ministry of Ecology and National Resources

Minister				
Deputy Minister	Deputy Minister	Deputy Minister	Chief of staff	Audit Department
↓	↓	↓	↓	
Department of Environmental Policy	International Cooperation Department	Department of Environment and Natural Resources Regulation	Department of Technical Support and Organization of Economic Activities	
Water Resources Management Department	Department of Environmental Awareness and Public Relations		Human Resources Management Department	
			Legal Affairs Department	
			Department of Finance and Economics	
			General Department	
Specialised entities under the Ministry of Ecology and Natural Resources				
Forest Development Service	Biodiversity Conservation Service	National Hydrometeorological Service	State Environmental Security Service	
Caspian Complex Environmental Monitoring Department				
State Environmental Expertise Agency	State Agency for Utilization of Mineral Resources			
National Geological Survey	"Azerbaijan Landscaping and Landscape Construction" Open Joint Stock Company	"Geodesy and Cartography"	LLC "Hazardous Waste"	LLC "Intersectoral Transport and Complex Mechanical Support Department" ¹⁰

Note: Selected agencies under the ministry, highlighted in green, are described below.

Over the past few years, the ministry has been undergoing reforms. It is restructuring to optimise its structure and to strengthen systems such as compliance assurance and reduce corruption among civil servants related to administrative procedures. Other ministries are taking similar actions.

The most notable change in the ministry's structure is the creation of the **Environmental Policy and Sustainable Development Subdivision** within the Environmental Policy Division. This is considered a positive step towards strengthening the green economy agenda.

Back in 2019, the ministry began creating a new green growth structure – the **Green Development and Innovations Subdivision** within the International Cooperation Division. However, its creation was suspended due to the COVID-19 pandemic and changing priorities.

As another example of structural reform, the monitoring and hydrometeorological service was consolidated to modernise air quality monitoring and management systems in line with EU best practice (European Union, 2019). With the help of EU experts, the MENR revised and streamlined internal roles and responsibilities in environmental data collection. It also increased its data collection, processing, analysis,

reporting and communication capacities. Moreover, it replaced the conventional air quality monitoring station with a modern, online equivalent.

The MENR has **6 116 staff** across the country. The total is expected to reach 6 500 in 2023 with the creation of the Geology Agency. It will be upper-middle sized compared with other ministries.

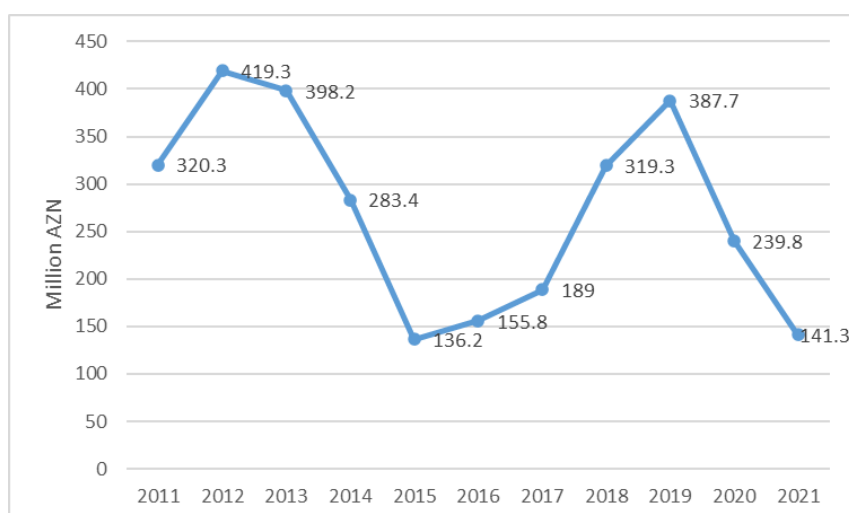
Although there is no information specific to the MENR, general statistics show that only 44% of civil servants remain in public service for 10 years and more (17.2% from 10-15 years; 26.8% for 15 years and over). This leaves nearly a quarter leaving the civil service after between one and five years.¹¹ Interviewers highlighted the significant **staff turnover** as a key challenge, and also drew attention to the **low appeal** of a civil service career for the young generation. According to national statistics, only 15.8% of civil servants are under 30 years of age, while 32.4% are 30-39 years old, 21.5% are 39-49 and 39.4% are aged 50 and over.¹²

As per the legislation, the MENR's civil servants go through **performance assessments**. However, according to interviewed stakeholders, it is a formality rather than a real assessment to set and achieve objectives for individuals each year.

The ministry's budget was about AZN 80 mln (EUR 44 mln) in 2022, which was the same as the previous year. It represented about 0.25% of total state expenditures approved for 2022.¹³ The 2023 budget is under approval. Over the past decade, the ministry's budget has been progressively increasing, mainly due to higher labour costs that resulted in salary increases across the country.¹⁴ In parallel, environmental spending increased from 2015-19. However, in 2021 the amount was halved compared to 2011, falling to its lowest level in more than a decade (Figure 3.1).

There is insufficient information to assess the impact of this sharp drop on ministry operations. However, it would have likely weakened its role and downgraded environmental priorities. The amount of environmental spending illustrates its weight as a priority. In 2019, the expenditure line on agriculture, forestry, fish farming, hunting and environmental protection represented 3.5% of total approved expenditures.¹⁵

Figure 3.1. Expenditure for environmental protection



Source: Information collected with support of the EU4Environment National Coordinator.

The ministry's budget, which comes primarily from state budget allocations, is complemented by other revenues generated from the services of its subordinate institutions. These include hydrometeorology,

monitoring, transportation and transplanted trees, as well as laboratory analysis. These additional sources of finance, however, are small.

Compared to other ministries, the MENR budget is in the middle range. The budgets of ministries differ depending on the area of activity, number of staff and other factors. The law of Azerbaijan for the relevant budget year provides an overview of the state budget allocations by field. The Ministry of Finance is working on changes to the 2023 budget.

The relevant presidential decree determines the salaries of civil servants, provided they are not less than the minimum wage for the country. The average monthly salary of civil servants has been progressively increasing in recent years at all levels in all government bodies, including the MENR. In 2018, average monthly salaries of civil servants increased by 15.3% compared to the previous year, amounting to AZN 796.5 (about EUR 425) (State Statistical Committee, 2019). The most significant increase of 28.3% occurred in 2019, bringing the monthly salary to AZN 1 022.2 (about EUR 545).¹⁶ In 2021, another 4.8% increase brought average monthly salaries to AZN 1 274.1 (about EUR 680). For comparison, as of January 2023, the average monthly salary was AZN 856.200 (about EUR 456),¹⁷ while the minimum monthly salary was AZN 345 (about EUR 184).¹⁸ In the beginning of 2023, there was a 15% increase in minimum salary, which of course affected the salary of employees financed from the central budget.¹⁹

Although average salaries in the MENR are not public, they are likely about EUR 700 per month, including core salary and incentives. These incentives may come from paid services by subordinate institutions noted above. They are used to strengthen the organisation's material and technical base, improve its infrastructure and incentivise employees.²⁰ Employees may be rewarded with bonus pay for holidays several times per year, for example. The amount of salary depends on position and length of service. The average income in the MENR is aligned with the average income of civil servants in the country.

Azerbaijan emphasises modernisation and digitalisation of public services. In line with these priorities, the MENR is adopting an innovative e-government model with e-service portals and offering its services via the ASAN system (Box 3.1).

Box 3.1. Smart government: ASAN and the Ministry of Ecology and Natural Resources

The **Azerbaijani Service and Assessment Network**, or “ASAN” – which means “easy” in the Azerbaijani language – is a one-stop shop for public services. It was created in 2012 under the State Agency for Public Service and Social Innovations under the President. The services are made available online through 22 ASAN centres (including 6 in Baku and 16 in regions). In 2015, ASAN won the UN Public Service Awards (CPI, 2016; World Bank, 2021).

ASAN services provided by the Ministry of Ecology and Natural Resources:

- Allowing the release of harmful substances into the atmosphere and harmful physical effects.
- Acceptance of applications and documents for the purpose of allocating quotas and issuing fishing tickets for industrial fishing of fish and other aquatic bioresources.
- Acceptance of applications for hunting permits for foreigners and stateless persons.
- Issuing permission for the circulation of objects (ozone-depleting substances and products containing such substances) whose civil circulation is restricted.
- Issuing permission for the circulation of objects (ozone-depleting substances and products containing such substances) whose civil circulation is restricted.
- Issuance of a hunting ticket to persons who wish to engage in hunting activities.
- Extension of the period of hunting license issued to persons who want to engage in hunting activities.

Mobile ASAN, innovative approach to bring public services to rural areas

To facilitate access to public services for rural population, mobile ASAN offices travel to remote areas via ten large well-equipped buses and one train.

Source: ASAN, <https://asan.gov.az/en/category/asan-xidmetler/funksional-yardimci-xidmetler/ekologiya-ve-tebii-servetler-nazirliyi-terefinden-goesterilen-xidmetler>; Inji Jafarli, Effective Public Service Delivery: The Case Of Azerbaijan, <https://www.astanahubjournal.org/index.php/ijcsrp/article/view/153/161>; State Agency for Public Services and Social Innovations, <https://vxida.gov.az/en>.

Box 3.2. Smart government: e-government and the Ministry of Ecology and Natural Resources

E-government

Reform of public administration and digitalisation of public services go hand in hand. Azerbaijan aims to improve efficiency and transparency of administrative services through **e-government** in line with SIGMA principles of good governance. It introduced the **E-Government Portal** (www.e-gov.az/en) offering 443 public e-services, provided by all ministries, including the MENR, most state agencies and local executive authorities. According to the report “Smart government: Case of Azerbaijan”, **468 tons of paper** and **7 962 trees** are saved through e-government in Azerbaijan (Aliyev, n.d).

Government agencies in charge of e-government: Department of Economic Issues and Innovative Development Policy of the Presidential Administration, State Agency for Public Service and Social Innovations under the President and its E-Government Development Center. The e-government executive team includes the Ministry of Ecology and Natural Resources (MENR), represented by Head of the Information Department of the Forest Fund, Biological Resources and Emergency Events of the State Information-Archive Fund for Environment and Natural Resources.

E-service portals, with relevance to environment and green economy

Among other services, the MENR issues permits for hunting and fishing through its e-services portal (<https://www.e-gov.az/en/services>). Other portals relevant to environment and the green economy are offered by:

- State Environmental Expertise Agency (<https://e-xidmet.eco.gov.az/>), including among others permits on release of harmful substances into the atmosphere, use of water bodies, categorization of land, waste disposal.
- Ministry of Economy (<https://e-services.economy.gov.az/>), including its "E-licenses and permits" portal (<https://lisenziya.gov.az/>), issuing licenses and permissions for commercial activities.
- “E-procurement” portal, centralizing procurement services of all government agencies (www.etender.gov.az).

“myGov”, e-government portal

The E-Government Development Center of the State Agency for Public Service and Social Innovations under the President launched the e-government portal “myGov” in 2019 and its mobile application in 2021. It provides electronic services based on the “single window” principle, connecting government institutions, citizens and business on a single platform and making public services more easily accessible to citizens.

The “myGov” platform works for several government agencies, including the Ministry of Economy. To date, the MENR is not included in the platform.

Source: ASAN, <https://asan.gov.az/en/category/asan-xidmetler/funksional-yardimci-xidmetler/ekologiya-ve-tebii-servetler-nazirliyi-terefinden-goesterilen-xidmetler>; Inji Jafarli, Effective Public Service Delivery: The Case Of Azerbaijan, <https://www.astanahubjournal.org/index.php/ijsrp/article/view/153/161>; State Agency for Public Services and Social Innovations, <https://vxida.gov.az/en>.

Institutions subordinate to the Ministry of Ecology and Natural Resources

The MENR is responsible for permitting, monitoring and enforcing compliance with environmental requirements, regulating activities of subsoil use and treating hazardous waste through its subordinate

agencies. All compliance inspections are co-ordinated and conducted jointly with the MinEcon. Compared to other countries, this is an unusual practice.

The third environmental performance review of Azerbaijan, completed in September 2022, reveals some competing functions within its subordinate agencies, such as the Forestry Development Service. It recommended, for example, shifting control function to the State Environmental Safety Service or production function either to an agency subordinate to the MENR or to the Ministry of Agriculture (UNECE, 2022).

State Environmental Expertise Agency

The State Environmental Expertise Agency, which employs 26 people, is a public legal entity that issues environmental permits and approvals and conducts EIA procedures.

Its funding, according to the status of the Agency, comes from fees collected for the issued permits and provision of expert services. The initial authorised budget of the Agency is AZN 2 million (EUR 1 068 million). This financing comes from dedicated funds, fees paid for state environmental expertise, funds from the State Fund for Environmental Protection, income from the Agency's activities, donations, grants, investments and other funds not prohibited by law. The Agency does not have branches at regional level.

State Environmental Security Service

The State Environmental Security Service is the main body responsible for environmental compliance and state oversight of environmental safety in Azerbaijan. It was established by Presidential Decree No. 975 on 27 March 2020 and took over the functions of the former environmental inspectorate. The Service is a public legal entity operating under the MENR. It is perceived as a positive step to strengthen compliance.

According to Article 1 of its Regulation, the Service is responsible for protection of the environment and natural resources (except for subsoil); the protection of biodiversity; flora, including forestry; fauna, including fish and other aquatic resources; protected areas and objects; prevention of air pollution; waste management; and environmental monitoring and enforcement of both environmental regulations and international treaties to which Azerbaijan is party. It also submits policy proposals to the government in these areas and on environmental education (Presidential Decree, 2020).

Service activities are financed by the state budget, extra-budgetary funds and other sources stipulated by the law. In 2022, its budget amounted to about **AZN 1.16 mln**. Total budget for the regional departments was about **AZN 6.64 mln**.²¹ The amount is tiny compared to the **AZN 80 mln** budget of the ministry.

The Head of the Service (Chief) is appointed (and dismissed) by the Minister of Ecology and Natural Resources. The Chief submits the structure of the Service, its staff and the cost estimate to the MENR for approval. Responsibilities of the Chief include professional training and additional education of employees. It organises training at least once a year to improve the professionalism of inspectors.²²

The Service has **55 staff units**, including 28 inspectors. It is supported by 12 regional departments²³ of the MENR, which has **506 staff units**, including 244 inspectors.²⁴ Since 2020, the Service oversees these regional departments.

The central office of the Service adopts an annual action plan by January every year. It usually lists its monitoring and awareness-raising activities, including co-operation with other entities. The Minister of Ecology and Natural Resources approves the plan.

The Service interacts with state and local self-government bodies and submits reports to the ministry on its activities.

The activities of the Service are constrained by the moratorium on environmental inspections of private entities. Ad hoc inspections need MinEcon approval. In 2015, Azerbaijan adopted the law "On Suspension

of Entrepreneurial Inspections”, abolishing environmental inspections in the field of entrepreneurship for two years to stimulate business development and reduce corruption among inspectors. The moratorium has been extended several times, with the most recent amendment (February 2022), suspending inspections until January 2024.²⁵ Planned inspections of public companies can take place. Unplanned environmental inspections of private companies can also still take place, but the MinEcon needs to approve a substantiated request by the MENR for such an inspection.²⁶ In case the Service detects non-compliance, it prepares environmental records for the imposition of fines. It also oversees imposition of fines and sanctions on non-compliant entities.

The Service is supported in its activities by the recently created modern laboratory "AzeLab" LLC. This was founded in 2020 under the MENR, consolidating three laboratories – the Laboratory Center of the National Hydrometeorology Service, the Laboratory of the Caspian Complex Ecological Monitoring Department and the Analytical Research Laboratory of the National Geological Exploration Service.²⁷

State Agency for Utilization of Mineral Resources

The State Agency for Utilization of Mineral Resources is a public legal entity that regulates activities on types of subsoil use envisaged in the "On subsoil" law. It also monitors compliance with legislation, establishes standards and requirements in the field for use and protection of the subsoil, and organises competitions and auctions. Established in July 2018, it grants licences for extracting mineral resources and controls the effectiveness of mineral deposit management.

Similar to the Environmental Expertise Agency, the State Agency for Utilization of Mineral Resources became a public legal entity to allow its funding to come from fees collected for the issued permits and provision of expert services.

LLC "Hazardous Waste" Company

The MENR established Hazardous Waste LLC in 2004 to neutralise mercury-contaminated soils formed in Sumgayit City. Over time, the company has also treated hazardous waste generated in the country.

Its main functions are accounting/registering hazardous waste generated, proper placement and safe treatment and disposal of hazardous waste from various sources. The MENR established a limited liability company (LLC) to provide services to private companies as well.

It specialises in the operations of a hazardous waste landfill (the polygon), which is monitored by the ministry.

Ministry of Economy

The MinEcon serves as a counterpart of the MENR in fostering a green and circular economy. It formulates and implements economic policy and prepares macroeconomic forecasts, creates favourable conditions for economic development and economic growth, promotes investment, develops entrepreneurship and industry, and regulates the licensing and authorisation system.

Although both ministries play a role in a green/circular economy, the MinEcon has a stronger voice, in principle, since it develops national sustainable economic development policy. For example, it played a central role in developing the Socio-Economic Development Strategy for 2022-26 (approved on 21 July 2022) and its action plan, which prioritise “clean environment” and “green growth”, among others (Presidential Administration, 2021).

Presidential Order of 15 January 2016 established the ministry, combining two ministries - of economy and of industry. Three years later, Presidential Decree of 23 October 2019 expanded the functions and structure of the MinEcon. It integrated three government bodies – the Ministry of Taxes, the State

Committee for Property Issues and the State Service for Antimonopoly Policy and Consumer Market Control – into its structure with the status of public services (Presidential Decree, 2019a).

The ministry is guided by the Constitution, Law "On Civil Service", international agreements, "Regulation on the Ministry of Economy of the Republic of Azerbaijan" (Presidential Decree, 2019b), presidential decrees and orders, and Cabinet of Ministers' decisions.

According to interviewers, the MinEcon does not have much of an environmental mandate. There is no centralised approach for defining "green" or a department dedicated to a green economy.

With relevance to environment, the ministry has the following core responsibilities/competencies:

- establishment and supervision of industrial zones (parks and neighbourhoods)
- development of intellectual capital in corresponding area
- assistance in application of innovative industrialisation trends and high technologies
- assistance in application of inclusive approaches and in development of modern concept models and projects.²⁸

Key structures with an environmental mandate are the Department of Industry (which covers industrial zones) and the Small and Medium Business (SMB) Development Agency (which operates under the auspices of the ministry).

Unlike many other countries, household waste management falls within the mandate of the MinEcon. There are plans to develop an extended producer responsibility framework to align with the EU best practice.

The ministry has a leading role in encouraging uptake of Resource Efficiency and Cleaner Production (RECP), which is at an early stage. In this context, the SMB Development Agency plays a growing role. The ministry also works with business associations to promote eco-innovation.

The MinEcon plays a central role in advancing the sustainable development agenda by overseeing the **National Coordination Council for Sustainable Development** (Box 3.1). It was leading the process of preparing the **UN-Azerbaijan Sustainable Development Cooperation Framework 2021-2025**, which constitutes the key instrument for UN development activities in Azerbaijan in support of the 2030 Agenda (UNSDG, 2021). Among the four strategic priority areas, one promotes an environmentally conscious economic recovery, recognising that energy transition is a tool to balance energy security, economic development and environmental protection. Within this framework, in September 2022, the MinEcon organised an event called "Azerbaijan in Global Sustainable Development Goals Index" (MinEcon, 2022). Azerbaijan ranks 50th among 163 countries in the 2022 Sustainable Development Report. It is among a few countries in the world that submitted their Voluntary National Reports three times (Box 3.3).

Box 3.3. National Coordination Council for Sustainable Development Secretariat under the auspices of the Ministry of Economy

Azerbaijan joined the Sustainable Development Goals (SDGs) initiative approved for 2016-30 at the UN Sustainable Development Summit on 25-27 September 2015.

On 6 October 2016, Presidential Decree No. 1066 established the **National Coordination Council for Sustainable Development** to co-ordinate implementation of obligations by responsible government agencies under the "2030 Agenda". The Council primarily aims to determine national priorities till 2030 and indicators, ensuring compliance of the state programmes and strategies covering social and economic spheres in the country to SDGs. It also prepares **annual reports** on achieving sustainable development.

The decree stipulated establishment of the **Council Secretariat** with the MinEcon overseeing its operations. Hence, the secretariat was established under the auspices of the ministry to provide support to the Council.

To ensure effective functioning of the Council, the **four working groups** were established and composed of the designated representatives from the government institutions: economic growth and decent work, social development, environment, and monitoring and evaluation.

The State Statistical Committee of Azerbaijan created a **Department of Statistics for Sustainable Development** to foster collection, processing and analysis of data to measure targets aligned with the SDGs.

From the establishment of the National Coordination Council on Sustainable Development (2016) to date, **AZN 1.96 mln (over EUR 1 million)** has been allocated from the state budget to implement "2030 Agenda".

Source: Ministry of Economy.

Box 3.4. Azerbaijan and 2030 Agenda

Azerbaijan is the first country in the region and among 12 countries around the globe that submitted its three national voluntary reviews (2017, 2019 and 2021) to the High-Level Political Forum on the implementation of the 2030 Agenda.

On 6-15 July 2021, the government of Azerbaijan presented its third report at the High-Level Political Forum in New York, which captures a set of 8 identified Sustainable Development Goals (SDGs) (SDGs 1, 2, 3, 8, 10, 12, 13 and 16) and SDG 17 on strengthening the means of implementation and revitalising the Global Partnership for Sustainable Development. The review covers the progress and challenges of Azerbaijan in achieving the 2030 Agenda, as well as the challenges during the COVID-19 and post-pandemic period.

According to the presidential decree, in addition to the national voluntary reviews, annual reports on SDG implementation are submitted to the President to ensure internal accountability. For this purpose, six reports (in 2017-22) have been prepared and reported to the President.

Source: Ministry of Economy.

The ministry plays a central role in promoting an innovative model of economic growth in the country. With support from the EU4Digital Initiative, it is leading development of the **Digital Economy Strategy** (MinEcon, 2023a) as part of the digital reform agenda in Azerbaijan. The ministry and its subordinate institutions are among 17 institutions of the working group established for preparing the strategy and ensuring effective co-ordination (EU4Digital, n.d.).

The ministry has **25 departments** (Table 3.2). Key structures relevant to environment/green economy elements are:

- **Department of Sustainable Development and Social Policy**, which co-ordinates sustainable development and activities for the 2030 Agenda. The minister determined the structure of the department and its number of employees. The department is directly subordinate to and reports to the minister, who appoints and can dismiss the head of the department.²⁹
- **Department of Industry**, which covers industrial zones.
- **Small and Medium Business Development Agency**, which operates under the auspices of the ministry and assist SMEs with innovative solutions and RECP (see below).
- **“Tamiz Shakar” OJSC** (recently transferred to Azerbaijan Investment Holding), which is responsible for household waste (see below).

The ministry employs about **400 people** at the central office. Together with eight regional branches employ about **8 000 people**. There is no information on the number of experts working on environmental issues across the ministry.

Table 3.2. Structure of the Ministry of Economy

Minister				
First Deputy Minister, five Deputy Ministers and Head of Administration				
HR department	Legal Department	Industry Department	Department of Regional Development and State Programmes	Tariff-price Policy Department
Department of Entrepreneurship Development Policy and Regulation	Department of Public Relations	Digital Management Department	Department of State Investments	State Investment Projects Monitoring Department
Sustainable Development and Social Policy Department	Housing and Communal Policy Department	Economic Policy Department	Department of Macroeconomic Forecasting and Analysis	Department of Trade Policy and World Trade Organization
Department of Interstate Economic Co-operation	Department of Co-operation with International Organizations	Internal Control Department	Department of Work with Documents and Citizens' Appeals	Finance and Supply Department
Territorial Rehabilitation and Development Department	Corporate Management Department	Mobilization Readiness Sector	Economy Statistics Sector	Protocol Service Sector
State services				
State Tax Service and its subordinate tax authorities	State Service for Property Issues and its local divisions	State Service for Antimonopoly and Consumer Market Supervision and its local divisions		
Eight regional branches of the ministry				
Absheron	Aran	Daglikh Shirvan	Guba-Khacmaz	Ganja-Gazakh
Lənkəran	Sheki-Zagatala	Yukhari Garabagkh		
Subordinate institutions that are not part of the structure of the ministry				
Small and Medium Business Development Agency	Entrepreneurship Development Fund	Azerbaijan Investment Company	Agency for Development of Economic Zones	Export and Investment Promotion Agency
Scientific Research Institute of Economics	Training Center under the Scientific Research Institute of Economics	Center for Analysis and Coordination of the Fourth Industrial Revolution	Information Technologies and Information Management Center	Construction and Supply Union
Baku Business Center				
Legal entities entrusted with maintenance or management of shares by the Ministry of Economy				
"Tamiz Shakar" OJSC [recently transferred to Azerbaijan Investment Holding]				
Subordinate institutions that are not part of the structure of the State Tax Service under the ministry				
Training Center of the State Tax Service				
Subordinate institutions that are not part of the structure of the State Service for Property Issues under the ministry				

Auction Center	Corporate Governance Organization and Coordination Center	State Real Estate Cadastre and Register	Territorial bodies subordinate to the State Real Estate Cadastre and Register	Design and Research Institute for Cadastre and Land Management
Subordinate institutions that are not part of the structure of the State Service for Antimonopoly and Consumer Market Supervision under the ministry				
Azerbaijan Institute of Standardization	Azerbaijan Institute of Metrology	Azerbaijan Accreditation Center	Consumer Goods Expertise Center	

Note: Agencies under the ministry highlighted in green are involved in greening the economy.

The main source of finance for the MinEcon is the state budget allocations, complemented by extra-budgetary funds. There is no publicly available information on the ministry's budget and average salary. The ministry could not disclose such financial information due to its internal procedures (MinEcon, n.d.1).³⁰

The Minister of Economy, as mentioned previously, is a member of the supervisory board, along with heads of two economic departments under the Presidential Administration and of the national **Center for Analysis of Economic Reforms and Communication**, chaired by the Prime Minister. In September 2022, the Center and the MENR published "Green Economy in Azerbaijan", which is the first comprehensive study in this field in the country (Gasimli et al., n.d.).

Like other ministries, according to the requirements of the law "On Public Participation" (adopted on 14 January 2014), the MinEcon has a **public council**, which is composed of 11 members. In its current composition, the Council has no representatives of the environmental associations (MinEcon, n.d.2). In February 2023, members of the Council met with members of the Economic Policy, Industries and Enterprising Committee of the Milli Majlis to discuss Council activities and directions for expanding co-operation (MinEcon, 2023b). Such meetings represent an opportunity for civil society representatives to promote the green agenda. In that light, the Council might benefit from having an environmental association as a member.

Institutions subordinate to the Ministry of Economy, with relevance to a green economy

Small and Medium Business Development Agency

The SMB Development Agency (KOBİA), established in December 2017, is a legal entity under the MinEcon. It supports development of SMEs by providing services and ensuring co-ordination and regulation of services rendered by government entities to SMEs. It aims to boost their role in the national economy and increase competitiveness. The creation of the Agency is a major milestone in shaping the SME support infrastructure, according to 2020 SME Policy Index Assessment in Azerbaijan. Its mandate covers five strategic directions: 1) promoting entrepreneurship; 2) protecting entrepreneurs; 3) facilitating SME financing; 4) providing training and consultancy services; and 5) serving as a one-stop shop (OECD et al., 2020).

Environmental issues are not explicitly mentioned among the activities of the Agency. However, it is well positioned to promote the green agenda among SMEs, e.g. through sectoral meetings with entrepreneurs organised within the framework of the public-private partnership platform. For instance, under the EU4Environment Programme, the Agency has an online tool for SMEs to conduct self-assessment on environment-friendly production and receive tailored advice on application of green processes and technologies (Box 3.5).

Box 3.5. Success story – Practical tool to help entrepreneurs in Azerbaijan become “greener”

The recently launched **online self-assessment tool for small and medium-sized enterprises (SMEs)** provides tailored advice on resource efficiency and improved environmental performance for enterprises. The tool has about 60 questions that evaluate business performance related to energy management, waste management, water management, green procurement and sustainability. It produces a tailor-made report for each business, outlining actions to improve sustainability. A green action plan and a score in the report can be a starting point for SMEs to start greening their work.

In Azerbaijan, this tool has already benefited the **ten pilot companies** under the Resource Efficiency and Cleaner Production component. For instance, companies have better understanding of the need to save water, electricity and other resources in light of increasing prices and have identified areas for further improvement. One of the main obstacles to going green for SMEs in Azerbaijan is access to affordable finance so they can invest in environmentally friendly equipment. Its wide promotion is under discussion with the SMB Development Agency.

Source: EU4Environment country profile.

As the country's main institutional framework for SME development, the Agency may play a central role in promoting sustainable development and environmental stewardship within its SME sector. The 2020 SME Policy Index score for Azerbaijan on the green economy dimension was the lowest among other dimensions (2.31) and below EaP average (2.77) (OECD et al., 2020).

The Agency, managed by the supervisory board and chaired by the Minister of Economy, has seven members – deputy ministers of finance, labour and social protection, and agriculture; a representative of the State Tax Service under the MinEcon; Deputy Chairman of the State Agency for Citizens' Service and Social Innovation under the President; and President of the National Confederation of Entrepreneurs (Employers') Organizations.

The structure of the Agency includes five main organisational units: office of the Agency, Small and Medium Business Houses (SMB Houses, one-stop shops providing access to governmental services), SME development centres, public-private partnership platform and SME development fund (KOBIA, n.d.1). The SME development centres operate in various cities and regions to increase knowledge and skills of entrepreneurs, expand access to innovation and organise trainings (KOBIM, n.d.2).

Azerbaijan is strengthening institutional support for SME development with the creation of the SMB Development Agency and the Innovation and Digital Development Agency. In addition, with OECD support, it is designing policies to foster the digital transformation of Azerbaijan's SME sector (OECD, 2022). This will provide an opportunity to integrate green elements into the digital transformation of SMEs at earlier stages.

“Tamiz Shahar” Joint Stock Company

“Tamiz Shahar” (Clean City) JSC, a state enterprise established in 2008, improves the environment by organising placement, recycling and disposal of solid waste in Baku. Until recently, it was supervised by the MinEcon.

Together with the Baku City Executive Power, Tamiz Shahar develops and operates municipal waste management. Baku City Executive Power is in charge of waste collection, while Tamiz Shahar handles post-collection transport and final disposal. Tamiz Shahar operates a site at Balakhani, with a sorting facility and a manual sorting line (which allows recycling of 25% of waste received), an incinerator with energy recovery and a landfill.

The company's facilities include the Balakhani landfill, the Balakhani solid waste plant, solid waste plant in Baku and the Balakhani Industrial Park, which promotes recycling and green economy among businesses (Box 3.6).

Box 3.6. The Balakhani Industrial Park – promoting recycling and green economy

The Balakhani Industrial Park, created by presidential decree, has been operational since September 2017. The park is a positive example of public-private co-operation in developing a green economy. It aims to create favourable conditions for potential entrepreneurs and investors interested in the recycling industry. Investors were exempt from various taxes and customs duties for seven years. There are 17 enterprises in the industrial park, 8 of which are operating. About 400 employees work in park enterprises and their number is expected to reach 680. The park is close to the Balakhany landfill, the Balakhani solid waste plant and the main transportation hub. This is ideal in terms of accessing raw materials, energy supplies and manufactured products.

Source: "Tamiz Shahar" JSC website.

Tamiz Shahar also aims to increase public awareness on waste and environmental issues. For example, summer schools for university students are held in co-operation with ADA University and cover various aspects related to sustainable waste management. These events also contributed to raising the attractiveness of the company as a place to work. Some participants in summer schools ultimately joined Tamiz Shahar as employees (Tamiz Shahar, 2018).

In September 2021, in keeping with recent structural changes at the MinEcon, Tamiz Shahar was transferred to **Azerbaijan Investment Holding**. The holding created in 2020 to improve operations of state-owned companies (Box 3.7), is monitored by a supervisory board. Led by the Prime Minister, the Board is composed of the ministers of economy and finance, along with two heads of departments under the Presidential Administration – economic issues and innovative development policy, and economic policy and industrial issues. The First Deputy Minister of Economy and Chief of the State Service for Property Issues under the MinEcon are members of the Executive Board of the Holding (Azerbaijan Investment Holding, n.d.). Tamiz Shahar also has a supervisory board chaired by the Minister of Ecology and Natural Resources. The scope of activities of Tamiz Shahar has been expanded to collection, transportation and disposal of solid household waste in the liberated territories. The responsibilities of Tamiz Shahar are as follows:

- placement and neutralisation of solid household waste generated in Baku city, and collection and transportation of such waste generated in the territory of Gala settlement of Baku city
- collection, transportation, placement and neutralisation of solid household waste generated in the territories freed from occupation, and placement and neutralisation of other safe solid waste (until a new solid household waste management is created)
- placement and disposal of solid household waste in Tartar region and Shusha city.

Box 3.7. Restructuring large utility companies – a possibility for integrating environmental aspects

In 2020, the President Decree established an investment body under the Ministry of Economy – **Azerbaijan Investment Holding** – to improve the efficiency of large state-owned enterprises managing utilities (e.g. water, energy), as well as oil, airlines and shipping industries.

Azerbaijan Investment Holding is a public legal entity to improve the management system and operation of state-owned companies and enterprises, as well as business entities with a share of state capital. These companies and entities were transferred to the management of the Holding based on common principles. The Holding aims to increase economic efficiency and transparency of their investment programmes, while ensuring their competitiveness and improving their financial health and sustainability.

Initially, the Holding managed two to three companies. In November-December 2022, its number increased to 17. Of these, four relate to energy and natural resources – “SOCAR”, state oil company; “Azerenergy”, state company operating electric power system; “Azerishiq”, state company purchasing/selling electricity; and “AzerGold”, state company managing metal ore deposits.

The Holding aims to make these organisations more effective, reduce corruption and address capacity gaps. The investment body is at an early stage of implementing its functions and covers two companies. It is assumed this is an opportunity to integrate green objectives while reforming these enterprises.

Source: Interviews; see more on the website: [Companies of Azerbaijan Investment Holding - Finance - AIH \(aih.gov.az\)](https://aih.gov.az).

Azerbaijan Investment Company

The state-owned Azerbaijan Investment Company Joint Stock Company was established in 2006 under the MinEcon to attract capital investments into non-oil sectors of the country. Over 17 years, it has invested USD 184.6 mln into the Azerbaijan economy (AIC, n.d.1). Though green investments or green projects are not explicitly mentioned in its activities, the company is the logical place to promote environmentally friendly economic diversification and attract green finance. For instance, a green criterion may be added to the project submission form, which may help prioritise green investment (AIC, n.d.2).

Other ministries and committees with relevance to a green economy

Ministry of Energy

Green transition requires a co-ordinated approach across all government bodies. The **Ministry of Energy** undeniably plays a crucial role, given the strategic importance of the sector for the national economy. It is responsible for Azerbaijan's energy policy, development of an energy efficiency legal framework and implementation of energy efficiency measures. Among other duties, the ministry develops government policy for renewable energy sources through its specialised agency.

On 22 September 2020, Presidential Decree No. 1159 established the **Azerbaijan Renewable Energy Agency** under the Ministry of Energy. The Agency co-ordinates activities in the field of renewable energy sources and their efficient use. In this way, it seeks to increase the share of renewable energy sources within installed electricity generation capacity up to 30% by 2030.³¹ It also leads development and implementation of the Law on the Use of Renewable Energy Sources and Strategy for 2022-26.

The role of the Ministry of Energy in shaping the country's green agenda has expanded with the strategic energy partnership between Azerbaijan and the European Union and the government's strategic priority to establish a "green energy" corridor from Azerbaijan to Europe. On 18 July 2022, Azerbaijan and the European Union signed the "Memorandum of Understanding on a Strategic Partnership in the Field of Energy" to expand co-operation on energy transition, renewable energy, energy efficiency and renewable hydrogen. A few months later, on 17 December 2022, with Georgia, Hungary and Romania, Azerbaijan signed the "Agreement on strategic partnership in the field of green energy development and transmission", (European Commission, 2023a) considered a historic step to connect the Caspian Sea and Europe with green energy. Initially, it will transmit 3-4 gigawatts (GW) of "green energy" in its quest to become the "green energy" corridor of the 21st century. The country's co-operation with international energy companies on more than 25 GW of green energy power projects enables Azerbaijan to become a main partner for Europe in "green energy" and hydrogen supply in the near future (Ministry of Energy, 2023).

In the framework of the Azerbaijan-EU strategic energy partnership, the first Green Energy Advisory Council Ministerial meeting was held in Baku in February 2023. It created a platform for partner countries, financial institutions and companies to discuss co-operation on the green agenda, create international green energy linkages and turn Azerbaijan into a green energy supplier for European markets.

Ministry of Finance

The Ministry of Finance is the central executive body responsible for the state financial policy and management of state finance. It operates on the basis of Presidential Decree No. 48 of 9 February 2009.

As the responsible body for preparing the budget, monitoring its implementation and introducing amendments, the ministry gathers proposals from line ministries for each year's budget, as well as overall financial proposals extending over three years.

While these proposals are based on actual needs and planned activities, they also need to align with government strategies, including on environment/green economy. In addition to reviewing the financial component, the Ministry of Finance also ensures its relevance to government policies in various areas. Given that environment/green economy is one of the five priorities in the national strategy "Azerbaijan 2030", it also becomes one of the main criteria for reviewing and discussing proposals from line ministries.

Ministry of Agriculture

The **Ministry of Agriculture** is the central executive body that implements state policy in the agrarian sector. This includes production and processing of agricultural products, provision of essential services to producers, veterinary, plant protection and quarantine, and efficient use of land. The sector is the third largest contributor to the national economy, after oil and industry, representing about 6% of gross domestic product (World Bank, n.d.1). It is the largest employer in the country, providing 34% of jobs (World Bank, n.d.2).

In 2018, the **Green Park Azerbaijan** LLC was established under the Ministry of Agriculture. It is responsible for the production, processing and sale of agricultural products. It also provides various services, and promotes scientific and technical innovations in the agricultural sector.

The government passed a law on environmentally friendly agricultural industry in 2008 (CIS, 2008), but information on institutional support to organic agriculture within the ministry is limited.

The report on organic agriculture in Azerbaijan, published by the Food and Agriculture Organization of the United Nations, reveals the need for capacity building at all levels. For example, it draws attention to the lack of data collected by the State Statistical Committee on organic agriculture (FAO, 2017).

The ministry may explore co-operation with leading NGOs in organic agriculture, such as the Ganja Agribusiness Association to fill these gaps (GABA, n.d.).

State Statistical Committee

Monitoring is an important element of implementing environmental and green economy policy implementation. The **State Statistical Committee** is primarily responsible for collecting data. It implements state policy and regulations in the field of statistics and compiles official statistical data on the social, economic, demographic and environmental situation.

The Committee has three departments with relevance to environment/green economy:

- sustainable development statistics department (created to foster collection, processing and analysis of data to measure targets aligned with the SDGs) (State Statistical Committee, n.d.1)
- energy and environmental statistics department (which collects data in the field of energy and environment and preparing the indicators on the socio-economic development of the regions) (State Statistical Committee, n.d.2)
- finance and economy department (which might be a place to monitor the green economy, although no green elements are mentioned) (State Statistical Committee, n.d.3).

There is no specialised department on green/circular economy in the current Committee structure.

In 2018, under the EU-funded EaP GREEN Project and with OECD support, Azerbaijan developed a national set of **green growth indicators** to monitor progress towards a green economy. The work was led by the inter-agency working group, established by the MinEcon, and consisting of representatives from the State Committee of Statistics and the MENR, among others (EaP GREEN, 2018). The institutionalisation and regular collection of data on green growth indicators may be considered as a step forward to strengthen monitoring on a green economy.

The Committee also manages the **National Information Portal on SDGs** (Azstat, n.d.) and provides the annual statistical report on SDGs. The “State Programme on Improvement of Official Statistics in Azerbaijan 2018-25” was aligned with the relevant SDGs. It reflected such measures as obtaining statistical information on the labour force, monitoring the status of SDG achievement, and creating a statistical database and Internet portal for public awareness. The National Information Portal on SDGs, released on line by the Committee in 2019, plays an important role in raising awareness. It provides regular access to information on the global goals, targets and indicators, national priorities for the SDGs, applicable legal framework, implementation mechanisms and government programmes (Republic of Azerbaijan, 2022).

Co-ordination mechanisms for greening the economy

Although there is no dedicated inter-ministerial body on the green economy in Azerbaijan, a number of mechanisms do help with co-ordination. The MENR has made efforts to raise awareness about the environment in recent years among the other ministries through inter-ministerial commissions and working groups. This includes:

- **National Coordination Council on Sustainable Development** (established in 2016 and led by Vice Prime Minister) and the working groups for each of five National Development Priorities 2030.
- **State Commission on Climate Change** (established in April 1997 and led by Vice Prime Minister and Minister of Ecology as deputy).
- **State Commission on Rational Use of Water Resources** (established in April 2020 and led by Vice Prime Minister).
- **National Commission on Solid Waste Management** (established in November 2021 and led by Vice Prime Minister and Minister of Ecology as deputy).

The **National Coordination Council on Sustainable Development** was established in 2016 to determine national priorities and co-ordinate national socio-economic programmes and strategies with the SDGs. The

council's secretariat is at the MinEcon. Activities are implemented in consultation with various stakeholders, including Parliament, line ministries, public institutions, NGOs, the private sector and academic institutions.

Special inter-ministerial working groups incorporate green aspects in the strategic vision of Azerbaijan. For example, the National Socio-Economic Strategy for 2022-26 is prepared in line with "Azerbaijan 2030" (the President's National Development Priorities). Working groups under the Cabinet of Ministers support development of the strategy. Among these groups, one on **green growth** defines the main directions and plans under the priority "Nurturing a clean environment and national 'green growth'". This group, in turn, has sub-groups; the MENR leads two, while the Ministry of Energy leads another.

There are mechanisms that allow the ministries to co-operate bilaterally. One example, the MENR and the Ministry of Agriculture developed and approved a **Joint Action Plan to Support Green Agriculture** (2020-23). This aims to further strengthen co-ordination of the two ministries in the field of agrobiodiversity, ecosystem protection and efficient use of natural resources, and improve information exchange. Within the framework of the Joint Action Plan, a working group is planned to be established to implement sub-activities (Republic of Azerbaijan, 2022).

Box 3.8. Co ordinating reconstruction of Karabakh region for green development

Azerbaijan's goal is to foster reconstruction of Karabakh region with a focus on green technologies and clean cities. The starting point is building governance framework. The President set up a **co-ordination headquarters** to address socio-economic, organisational and other urgent issues in the region. The structure will synchronise the work of major government agencies to compile a development strategy for Karabakh. The foundation of the first smart village has already been laid in the Zangilan region. It is centred on five components: housing, manufacturing, social services, "smart agriculture" and alternative energy. The other newly established unit, the Karabakh Revival Fund, will provide financial support for restoration and reconstruction in the Azerbaijani territories. A state commission of urban planning is preparing a territorial plan, which will be followed by a master plan for each district. A pilot strategic environmental assessment will be done for one of the district plans.

Source: Bayramov (2021), "Karabakh economy: New driver for sustainable economic development in Azerbaijan", 25 April, *Azerbaijan Today*, <https://azerbaijantoday.az/2021/04/25/karabakh-economy-new-driver-for-sustainable-economic-development-in-azerbaijan/>.

In light of an increasing focus on green growth, discussions are ongoing within the EU4Environment programme on establishing an inter-ministerial working group on a green economy. Moldova could be a good reference in this regard (Box 3.9).

Box 3.9. To get inspired... Success story in the Republic of Moldova: Inter-ministerial Working Group for the promotion of Sustainable Development and Green Economy 2015-23

The Inter-ministerial Working Group for the promotion of Sustainable Development and Green Economy in Moldova was established jointly by the Ministry of Economy and Ministry of Environment in 2015. Initially, it was created as part of the EU-funded EaP GREEN project, but it became the platform for high-level inter-ministerial dialogue on a green economy. Since 2019, the working group also served as National Implementation Committee for EU4Environment in Moldova. It discusses a wide range of green issues, such as eco-innovation, eco-labelling and clean public transport.

Members of the working group include national focal points from the ministries of environment and economy, technical focal points from these ministries, National Coordinator and key beneficiaries (Organization for Small and Medium Enterprise Sector Development (ODIMM), Public Property Agency, NGOs). High-level state representatives and other ministries, as relevant, are invited to attend the meetings. The working group meets twice a year (in February and September).

Source: EU4Environment.

Role of regional and local governments with relevance to a green economy

Azerbaijan is a unitary state, consisting of districts, cities (*şəhər*) and municipalities (*bələdiyyə*). Its administrative division comprises 66 districts and 11 cities, which are further divided into 2 669 municipalities. As of 7 July 2021, the districts are grouped into 14 economic regions according to the presidential decree on the new economic regions of Azerbaijan. However, these are not administrative divisions (Azerbaijanca News Agency, 2021).

According to the Constitution, Azerbaijan has three layers of governance: central government, local executive powers and municipalities. There have been no major public administration reforms in this regard since the country's independence.

- The highest layer is the **central executive power** headed by the President (Article 99). The President establishes local branches of state administration and appoints their heads.
- The second layer is the **local executive authorities** (LEAs), local bodies of state administration in the districts. The LEAs can only nominally be referred to as a local layer of government as they do not have independence. They implement decisions of the central government (European Committee of Regions, n.d.1).
- The third layer is **municipalities**, empowered by Constitution (Article 142) to carry out local self-government.

Environmental protection in Azerbaijan is concentrated within the competence of the central government. LEAs, as an extension of the central executive power, implement national policies and legislation in the environment sector. No other competencies in the environment field were identified at the local level (European Committee of Regions, n.d.2). Municipalities can accept and implement local ecological programmes, according to Article 144 of the Constitution.

As highlighted in several sources, both LEAs and municipalities **lack independence** in decision making. The former depend on the central government for decisions, while municipalities lack finance and

administrative power to decide on local issues. Another constraint is **unclearly defined roles** between the LEAs and municipalities (European Committee of Regions, n.d.1).

Local executive authorities, local branches of state administration

LEAs are the local bodies of state administration, responsible for governance of their respective districts and cities.³² Their legal status is defined by the Constitution and Provision on Local Executive Authority (16 June 1999). In 2012, their mandate was expanded by the new regulation, approved by the President, to strengthen their role in local issues. However, they do not have independence as a local layer of government and instead implement decisions of the central government, as pointed above.

The President has significant authority over the LEAs. According to Article 124 of the Constitution, heads of executive power bodies are appointed and dismissed by the President, who also determines limits of authority of local executive power bodies (Mincom, 2023).

LEAs play a significant role in implementing government policies, ensuring public services and overseeing local development, as most socio-economic functions fall within their authority. They also administer state budget allocations to the regions.

LEAs are mainly responsible for socio-economic development of their respective districts and cities without specific activities related to a green economy. However, they may be assigned a project related to a green economy or support implementation of specific projects. They also collect, transport and dispose of municipal waste on their territory and manage operation of landfills and dumpsites.

As pointed above, relations between the municipalities and local state administration are only vaguely described in Azeri legislation, including in the field of environment.

Municipal governments, non-state institutions

Municipalities, whose councillors are elected by the public, provide another level of local governance. Given that LEAs represent the state, municipalities are the only local self-government. Their legal status is defined by the Constitution (Article 142), Law on Municipal Elections, the Law on the Status of Municipalities (2 July 1999) and other laws. In 2022, as a member of the Council of Europe, Azerbaijan ratified the European Charter on Local Self-Government.

Article 6 of the Law on the Status of Municipalities defines their role with regard to local ecological programmes. Such programmes shall target locally significant environment issues, which are not covered by state ecological programmes, or complement state programmes. Municipalities shall assist the co-ordination of state and local ecological programmes and may implement joint measures. Local ecological programmes may include:

- maintaining the ecological balance existing in the local area
- cleaning and improving the municipal area
- collecting, transporting and recycling waste products and other measures necessary for tackling other issues in this field
- protecting water, air and land from all types of pollution
- implementing ecological measures with neighbouring municipalities (Venice Commission, 2009).

Therefore, in theory, municipalities are empowered to address local ecological issues. However, division of powers between municipalities and local executive bodies are not governed by legal mechanisms (UCLG/OECD, n.d.). The municipalities also have limited revenues (mostly used for operational expenditures), giving them limited ability to initiate or implement activities. For example, with regard to waste (under LEA responsibility), municipalities may collect and manage waste on their territory under the

agreement with LEAs. In other words, with regard to environment, municipalities implement activities that complement state environmental programmes.

Municipalities, like LEAs, do not have specific activities related to a green economy, apart from those described above. Moreover, the scope of their responsibilities remains unclear.

The municipalities are designated as being outside public administration. A recent monitoring report of the Council of Europe's Congress of Local and Regional Authorities highlights that municipalities in Azerbaijan are not considered state institutions which exercise public services as part of the overall public administration but rather an expression of civil society; the distribution of powers and functions between municipalities and Local Executive Authorities as well as their factual relations remain ill-defined; the powers of municipalities are not full and exclusive; no separate law exists on the capital city, and Baku remains the only capital city in the Council of Europe area with no directly elected governance. The report also mentions that "in the context of the COVID-19 pandemic, municipalities have been completely sidelined and their budget has been considerably reduced". It provides a number of urgent recommendations, such as inviting authorities to unambiguously recognise municipalities as state institutions exercising public power as part of the overall public administration (Council of Europe, 2021).

Role of civil society and academia

Public councils: Institutional framework for public participation

Public consultation on public policy is one of the indicators of good public administration, according to the SIGMA principles. In 2012, Azerbaijan adopted its first national action plan on Promotion of Open Government. It aims to boost public participation in the policy-making process across the state administration, among other goals.

As part of this reform, the 2014 Law on Public Participation³³ provided a legal basis for citizens and civil society organisations (CSOs) to participate in governance through a variety of mechanisms. One such mechanism is **public councils**, which serve as consultative bodies to the government. The councils are composed of 5-15 members (citizens or representatives of NGOs), elected for a two-year period. The councils aim to engage citizens and CSOs in preparing and implementing state policy in various spheres of public life, decision making at state and local levels, and oversight of central and local authorities.

Since 2014, such public councils have been established in all ministries and in nearly 20 LEAs, and a dedicated online platform links them (Public Councils, n.d.).

The MENR established the first public council in Azerbaijan in 2010 (Public Councils, n.d.). It discusses ways of addressing environmental problems in the country with participation of independent experts and CSOs. For instance, it can obtain and publicly discuss draft environmental laws and policy documents, prepare joint proposals, provide recommendations on state policy in the field of environment. It also works to increase efficiency in the implementation of provisions of the Aarhus Convention that grant citizens the right to access environmental information and participate in decision making towards healthy environment (United Public Councils, n.d.).

Meetings of the Council are open and held at least four times a year. It has 15 members following elections in December 2021 (Box 3.10).

Box 3.10. Public Council under the Ministry of Ecology and Natural Resources

The Chairman, elected in February 2022, represents the Public Union of Experts in the Field of Water Use.

The public council under the Ministry of Ecology and Natural Resources is represented by 15 organisations, covering mainly environmental concerns (water, sustainable tourism, biosphere, environmental awareness).

Environmental concerns:

- Public Union "Experts in the field of water use" – **Chairman**
- "Support to the Development of Sustainable Tourism" Public Union – **Deputy Chairman**
- "Biosphere" Public Union
- "EKO-TES" Environmental Research and Enlightenment Public Union
- Public Union "Help to Protect Nature in Gabala Region"
- "EkoSfera" Social Ecological Center
- "Socio-Economic and Ecological Development" Public Union
- "Environmental Awareness and Monitoring" Public Union

Socio-economic concerns:

- "Social and Political Research" Public Union
- "For Development and Prosperity" Public Union
- Youth Social-Economic and Cultural Development Support Public Union

Others:

- "Contribution of Youth" Public Union – **Deputy Chairman**
- "Support for innovative education of women and children" Public Union
- "Law World" Legal Advocacy Public Union
- "Azerbaijan Food and Beverage Industry Association" Public Union

Source: Ministry of Ecology and Natural Resources of Azerbaijan, <http://eco.gov.az/index.php?ln=az&pg=640>; unified online platform for public councils, <https://ictimaishura.az/eco/members/az>.

The public council in the MENR was a positive initiative, but little is known about its impact. The council bridged the gap between the ministry and the public to increase public awareness and participation in environmental protection and promote a more transparent and accountable government. According to an OECD report, public councils "appear to be a definite step towards strengthening of public oversight" (OECD, 2019). However, a lack of publicly available information on their activities and impact of their work on the ministry's decision making makes it difficult to assess their effectiveness. Although the councils are supposed to prepare and publish annual reports, no such reports are available on the ministry's website or the dedicated platform for the public councils.

Some researchers have also expressed concerns about the top-down relationship between officials and the councils and the general environment for civil society in the country. They are concerned this undermines possibilities for public participation (Kamilsoy, 2022). In general, CSOs in the different sectors have low levels of co-operation and weak international linkages (NISPA, 2010). NGOs are also not active participants, in part because few have knowledgeable and qualified staff in key areas. In many cases, their

activities are limited to cleaning of territories (beaches, forests) and planting trees. Work with NGOs to increase their capacity may help in this regard.

More information on Council activities (e.g. publishing annual reports on activities) could further support Azerbaijan's efforts to increase public awareness and participation in the field of environment. This would allow better access to the outcomes and impact of their work. A diversification of public councils, engaging NGOs from different sectors, may also strengthen their position and co-ordination.

Azerbaijan could also further explore the Council's role in environmental education. The Council has potential to become an effective mechanism for promoting dialogue, developing public policies in the field of environment, facilitating communication between the government and the public, and monitoring implementation of policies.

At the local level, in parallel to local governance structures, community organisations and co-operatives have been established under various development projects. For example, the EU EaP supported establishment of **advisory councils** in a number of local communities to build "capacity for increased participation by citizens and increased accountability of elected bodies". In another example, UNICEF and the Ministry of Youth supported creation of youth advisory councils in at least five districts to support LEAs and increase the role of youth in community decisions. Yet information is lacking on the councils' role in regard to environment.

Role of universities in enhancing "green" thinking: Institutionalising green education

By investing in human capital development for a green economy, Azerbaijan aims to create a skilled workforce that can drive sustainable growth, with universities playing a leadership role. These efforts contribute to its broader goal of green transformation. The country is developing possibilities for active involvement of universities in implementation of projects, training and a new curriculum. These efforts could be broadened to continue building human capital on a green economy.

The need for knowledgeable and skilled civil servants and experts to shape and implement green policies has been rising in recent years. Development of human capital is among the "Azerbaijan 2030" priorities. The Azerbaijani government emphasises **engaging universities in developing human capital on a green economy** and institutionalising green education.

A study on the impact of COVID-19 revealed the positive impact of cognitive skills on the economy during a crisis. The study showed that development of cognitive skills helped neutralise the negative dynamics of economic development during the economic crisis. It could also ensure steady growth of Azerbaijan's GDP in the post-crisis period (Ismayilzade et al., 2021).

Azerbaijan has begun working with two key universities to develop human capital for a green economy. The Azerbaijan State University of Economics (UNEC) is one of the largest higher education institutions in the Southern Caucasus (UNEC, n.d.). Meanwhile, Ganja State University (GDU, n.d.) is situated in the second biggest city of the country. Other universities and NGOs are expected to gradually join the pattern.

Human capital is developed in the following three ways:

- involvement of professors and students in the implementation of green international/regional projects (for instance, EU4Environment)
- organisation of trainings for trainers and students on green economy, covering at least six institutions to date:
 - Azerbaijan State Economic University (Baku)
 - ADA University (Baku)
 - Public Administration Academy under the President of Azerbaijan (Baku)
 - Ganja State University (Ganja)

- Azerbaijani State Agrarian University (Ganja)
- Nakchivan State University (Nakchivan)
- development of a curriculum in these universities.

In December 2021, the **Research Centre on Sustainable Development and Green Economy**, named after Nizami Ganjavi, was created at the Azerbaijan State University of Economics. It aims to support sustainable development and a green economy through participating in “green” international projects, conducting research and training specialists. The Board of Directors is led by the Deputy Minister of Ecology and Natural Resources and has high-level officials represented from several government entities.

A **virtual forum** on public awareness and human capital development for green economy between the universities and international organisations is being created. The forum is supported by the United Nations Environment Programme (UNEP) in collaboration with the Economic University and its Research Centre. It will introduce training courses for civil servants on green economy in the Azerbaijani language.

Several initiatives are planned, involving UNEC and the Ganja State University, to build human capital through the promotion of green economy and green entrepreneurship. At the request of the government, the two institutions will prepare a curriculum and provide lectures on green economy. In addition, they are forming RECP Clubs to upskill SMEs and experts on resource efficiency methods.

Azerbaijan could also draw on international experience to explore the creation of a separate university or high school specialised in sustainable development or green economy.

Action will be needed to mitigate the impact of the green transition on employment. A recent World Bank report on green growth in Azerbaijan warns about the negative impact of the green transition on employment. It stresses the importance of mitigating this impact through reskilling and upskilling of workers, and encouragement of self-learning (World Bank, 2022). This is also relevant for civil servants in the MENR, MinEcon and other institutions who must keep up with new concepts and acquire tailor-made skills (such as green economy, SEA/EIA, RECP, green finance, green bonds) (Box 3.11).

Box 3.11. REFRESH: Upskilling on renewable energy in Azerbaijan

The REFRESH project, which stands for “Green and sustainable global economic improvement in Azerbaijani universities: Renewable energy sources and climate change mitigation”, is co-ordinated by the Azerbaijan State University of Economics. It receives EUR 703 000 from the EC Erasmus+ programme to train local experts in universities on renewable energy sources in Azerbaijani universities.

Source: “UNEC is the winner of 2 projects worth 733 thousand euros of the European Commission”, 10 July 2022, IN-News, <https://innews.media/en/news/id-5282>

Capacity building

National efforts

Institutional framework for upskilling civil servants

There is political support for investing and developing human capital evidenced by an 18% increase for education (USD 2.28 bln in 2022 compared to USD 1.93 bln in 2021).³⁴ In practice, this also means promoting education for sustainable development through closer co-operation with academia and civil society.

Until recently, the **Civil Service Commission** under the President determined training needs and prepared a training strategy for civil servants across the country (Presidential Decree, 2005). The Commission published annual reports on the civil service and established the Training and Strategy Unit with UNDP support (2014-17 project). The same project drafted Civil Service Code chapters regulating development, training and professional education of civil servants. A new tool – Training Information Management System – was created.

The Commission was recently abolished, and its functions are divided between the **Academy of Public Administration** under the President and the **State Examination Center**. The first entity took over mainly legal matters, whereas the Committee handles recruitment exams and training.

The **Academy** offers and finances master's programmes in public administration to build knowledge on sustainability. Each year, every ministry, agency or public institution can enrol one person in one of three programmes, including the topic of sustainable development. While the curriculum could further integrate green economy concerns, the programme is an opportunity to increase knowledge on sustainability issues. In addition, civil servants can participate in training from external organisations. The Academy also conducts short-term leadership training each year.

Every year, the **State Examination Center** conducts various training sessions and seminars to increase the capacity of civil servants and publishes regular reports. Recent training includes improving internal control mechanisms in government agencies, rules for conducting the interview phase of civil service exams, fighting corruption and performance appraisal of civil servants (December 2022). Yet the Center did not provide tailored training on sustainable development or green economy.

The Center also recruits civil servants. According to Article 10.1 of the Law “On Civil Service”, positions in state bodies are divided into administrative (heads, deputies and specialists) and support roles (technical work). While a state body recruits for its support roles directly, the Center recruits for administrative positions. It conducts test examinations, issuing a five-year certificate that makes a candidate legitimate to pass an interview (announced on the web portals of the Center and of the concerned state body). Candidates apply for an interview via the Center's portal (SEC, n.d.1).

According to the Register of Civil Servants, 3 639 persons who obtained a certificate passed an interview and were accepted into the civil service, as of 2 June 2023. Of these, **224** were admitted to the **MENR** and **243** to the **MinEcon** (Reyestr, n.d). For comparison, the highest number accepted to civil services is Ministry of Labor and Social Protection (502).

In line with the digital transformation of the country, the Center has heavily adopted modern information and communications technologies. In 2019, for example, it provided more than 7 mln e-services. These included information on examination and interview results for civil service admission; information from the Registry of Civil Servants; receiving requests on rules for ethical conduct; and information on civil service internships (SEC, 2022).

Overall, the institutional framework offering learning opportunities to civil servants uses an aggregate approach. However, there is room to incorporate more training adapted to an institution's specific needs and to the new paradigm, for instance, on sustainable development and green economy. Such training would be useful not only to the main beneficiaries – MNER and MinEcon – but also other institutions involved in green transition.

Local think tanks, alternative opportunity for upskilling civil servants

The role of **local think tanks** in training civil servants has been significantly increasing. For example, the Center for Economic and Social Development, a leading independent economic think tank in Azerbaijan, has provided some training. The Center analyses socio-economic issues to support public policy making (CESD, n.d.), but its research groups do not specifically cover green economy.³⁵ Research groups on economic growth and economic educations would be well placed to cover the subject.

Upskilling civil servants in the Ministry of Ecology and Natural Recourses and spreading environmental education

MENR staff, according to legislation on civil servants, are regularly evaluated, with the supervisor setting objectives for employees. However, according to interviewers, this is more a formality than a meaningful assessment.³⁶ Yet such evaluations could help determine specific training needs for staff, collecting first-hand information on knowledge gaps.

One important issue is ensuring supervisors allocate enough time in employees' workloads to pursue learning. Sometimes, learning might be seen as conflicting with daily tasks and performance. The evaluation on the e-learning course "Green Transition in Eastern Partnership" illustrates the challenge. It showed that officials nominated for training who did not attend or dropped out early commonly cited "professional workload" as the reason (23 of 73 nominated officials from EaP countries; 4 of 11 in Azerbaijan) (EU4Environment, 2023).

According to the interviewers, while the government funds master's programmes at the Public Administration Academy, most training for ministries is provided with external support.

As one example of a training organised by the MENR, 15 employees had intensive (daily) courses to improve English language skills in September-December 2019. This was based on an agreement signed between the Armed Forces Training and Education Center and the ministry.

Overall, in 2022, the MENR had 27 training sessions (on average 2 per month) on different subjects with the participation of over 4 000 people. In 2023, the MENR had 6 training sessions. This number covers both training provided by the government and with external support (international organisations). To date, there is no distinction between them. Since 2023, the ministry began identifying training with external support to have more precise statistical information. The training topics offered by the government usually cover general issues such as ethical behaviour, human resource management, leadership, new administrative regulations and introduction of new legislation. Those with external support focus on more specific topics (climate, environment, waste management).³⁷

As part of environmental education, the MENR also organises webinars, courses for school children and university students on sustainability topics. In this regard, it collaborates closely with the Ministry of Education. As one example, open classes are regularly held in national parks for secondary school students, with visits to national parks and tree planting campaigns (Ismayilova, 2020).

Upskilling civil servants in the Ministry of Economy on green economy

As in the MENR, external organisations provide most of the training for MinEcon staff that contains green elements. The government did not offer any specific training activities on environment or green economy to MinEcon staff (Box 3.12).

Box 3.12. Strengthening institutional capacity through the strategic plan of the Ministry of Economy

The strategic plan for 2017-20 (the new one is under development) of the Ministry of Economy sets a target to strengthen institutional capacity. It focuses on 1) responding to citizens' requests: continue improving relationships and quality of electronic services by establishing e-government system; 2) creating a single database: deepen the relationship between structural parts and information exchange; and 3) effective functioning of the organisation: timely and successful implementation of decrees, orders and strategic documents. The plan does not specifically mention green elements.

Source: Country profile, www.oecd.org/countries/azerbaijan/Country-profile-Azerbaijan-2019-2020.pdf.

External support

EU assistance via regional programmes

The donor community and international organisations, as implementing entities, play an important role in training civil servants in Azerbaijan, given that external support has been driving most capacity building efforts. This support includes, among others, various EU-funded projects such as EU4Environment (and its predecessor EaP GREEN), EU4Business, EU4Climate and EU4Energy. Within EU4Environment, UNEP supports capacity building on a green economy. The United Nations Economic Commission for Europe (UNECE) focuses on capacity building on SEI and EIA. The United Nations Industrial Organization (UNIDO) targets circular economy, resource efficiency and cleaner production, eco-industrial parks and a single market for green products. The OECD addresses one of the main institutional weaknesses, namely environmental compliance assurance and environmental liability regimes.

Azerbaijan is an active participant of regional projects implemented within the EaP initiative. To date, however, there is no EU country programme for Azerbaijan; assistance is provided via regional programmes. However, a country programme is in the pipeline.

E-learning and self-education – new approaches to building knowledge

The COVID-19 pandemic plunged capacity building into a virtual world, advancing use of e-learning and self-education (Box 3.13). This trend expanded opportunities for government officials and the broader audience to learn, while trainers could reach a wider number of participants. Since 2019, with EU4Environment support, an impressive number of government officials and stakeholders were trained across the EaP region: more than 1 800 on sustainable public procurement and eco-labelling, over 800 on SEA, over 750 on the RECP, over 200 on environmental compliance, 180 on extended producer responsibility, 150 on green public investment and 50 on green economy (EU4Environment, n.d.).

Box 3.13. E-learning courses on green economy in Azerbaijan

“Introduction to the Green Economy” course

EU4Environment launched the online course “Introduction to the Green Economy” and its Azerbaijani version. The course, open to civil servants and the broader public, shows how an inclusive green economy can be achieved at the international, national and sectoral levels. The ten-hour course is free; upon completion, learners receive a certificate.

The course includes basic concepts, policy instruments and international frameworks that promote inclusive green economies at all levels. It has five modules with interactive exercises that reinforce readers’ learning.

It is publicly available at: <https://unccelearn.org/course/view.php?id=120&page=overview>.

“Green Transition in Eastern Partnership Countries”: In-depth course on green economy for civil servants

EU4Environment also organised a tailored course for selected civil servants from EaP countries working on green economy policies. The pilot e-learning course “Green Transition in Eastern Partnership Countries” took place from 15 February to 9 April 2021. The course develops the abilities of policy makers to analyse, set in place and implement green economy policies in their respective countries. It included interactive lessons, live webinars, forums, assessments, assignments and peer reviews.

In Azerbaijan, 7 of 11 nominated participants completed the course, with 5 of 7 receiving a certificate. The most common reasons cited by nominated officials who did not take the training included professional workload, change of jobs and issues related to COVID-19.

Different paths are explored to institutionalise the green courses. This includes collaboration with the Azerbaijan State Economic University for regular delivery and promotion of green economy training among civil servants from key government agencies. There are plans to develop a “green economy” curriculum for universities. All these efforts will positively affect the capacity and knowledge of government staff and broader audience on this issue.

Source: EU4Environment, www.eu4environment.org/news/launch-of-an-e-learning-course-introduction-to-the-green-economy-in-azerbaijan/ and EU4Environment, UNITAR, evaluation report, e-learning course Green Transition in Eastern Partnership, www.eu4environment.org/app/uploads/2023/06/e-course_GE-in-EaP-countries_EvaluationReport_final.pdf.

The green economy courses in Azerbaijan are complemented by several tailored capacity building activities, with some examples presented in Box 3.14.

Box 3.14. Examples of tailored capacity building activities in Azerbaijan

Capacity building on resource efficiency

EU4Environment completed the training of professionals on resource efficiency in Azerbaijan. For over 30 years, the United Nations Industrial Development Organization (UNIDO) has been advancing the application of the Resource Efficient and Cleaner Production (RECP) methodology in industries across the globe, and now in Azerbaijan within EU4Environment. In Azerbaijan, UNIDO works to build the capacity of over 35 Azerbaijani small and medium-sized enterprises to use RECP and innovative approaches in their production process. RECP Clubs were established in Baku and Ganja, providing coaching programmes to about 20 enterprises. The RECP training for Azerbaijani in December 2022 gathered 20 participants and marked the last stage of the learning curve for RECP experts in the country.

Source: EU4Environment, www.eu4environment.org/events/recp-training-for-azerbaijani-industries/.

Designing and implementing green public investment programmes

Azerbaijan held two training workshops on designing and implementing green public investment programmes in June 2021 and February 2022. They aimed to increase the capacity of government authorities to better manage public environmental expenditure with a special focus on achieving national objectives in the water supply sector.

Source : EU4Environment, www.eu4environment.org/events/training-workshop-on-designing-and-implementing-green-public-investment-programmes/ and www.eu4environment.org/events/designing-green-public-investment-programme-and-conducting-training-in-azerbaijan/.

Gender sensitisation in greening the Azerbaijani industry

Women in Azerbaijan represent 21.5% of total entrepreneurs. UNIDO supports greening industrial production and promoting gender balance in entrepreneurship and employment in the industrial sector with a view to fostering sustainable economic conditions. To this end, UNIDO supported a training workshop on gender sensitisation in greening the national industry in May 2022.

Source: EU4Environment, www.eu4environment.org/events/training-workshop-on-gender-sensitization-in-greening-the-national-industry/.

Strategic environmental assessment

Two training workshops on applying strategic environmental assessment (SEA) in regional and spatial planning were held in April and October 2021. These aimed to enhance capacities for application of SEA in Azerbaijan in line with requirements of the UNECE Protocol on SEA, EU SEA Directive and national legislation on SEA. The workshop gathered up to 40 participants from the Ministry of Ecology and Natural Resources, city planning authorities, the Architectural Committee, selected line ministries/agencies and environmental non-governmental organisations. SEA has already been applied to the Master Plan of Baku and Renewable Energy Strategy for 2015-20. The scoping phase of the pilot SEA application for a draft Master Plan of the city of Ganja was completed in April 2023.

Source: <http://www.eu4environment.org/events/training-workshop-on-the-practical-application-of-strategic-environmental-assessment-sea-in-regional-and-spatial-planning-in-azerbaijan/> and www.eu4environment.org/events/second-training-workshop-on-the-practical-application-of-strategic-environmental-assessment-sea-in-regional-and-spatial-planning/

Box 3.15. Examples of tailored capacity building activities in Azerbaijan

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Twinning and TAIEX, instruments of bilateral interventions

Bilateral interventions, such as Twinning and Technical Assistance and Information Exchange (TAIEX), have proved effective tools for transferring EU best practices in the field of institutional reforms and legislation.

Twinning is an EU instrument for institutional co-operation between public administrations of EU member states and beneficiary countries (SEC, n.d.1). It was launched in 1998 to support candidate countries in the EU integration process. Today, it is widely used as an effective peer-to-peer learning instrument, relying on the learning by doing principle and sharing of best practices.

Azerbaijan has implemented twinning projects since 2006, and reportedly has the most in the region (Mammadli, 2022). Over a decade, more than 25 ministries and public institutions in Azerbaijan have participated in almost 50 twinning projects (EaP, 2021).

An example of EU and Azerbaijan co-operation via twinning in the environmental field is “Upgrading the National Environmental Monitoring System of Azerbaijan” project. The European Union selected this project as one of the most successful in 2019. The MENR was the main beneficiary of the project, which focused on strengthening the environmental monitoring system and ensuring high-quality information supports strategic environmental policy planning and compliance control (EaP, 2019). With regard to environmental monitoring, the MENR also closely co-operates with GIZ and KWF.

In the field of civil service system reform, examples of twinning projects include “Support to further reforms in civil service system of Azerbaijan” (2017). This aimed to improve capacity of the State Examination Centre, thus contributing to the development of a professional civil service system in Azerbaijan (MinEcon, n.d.3).

Among the six ongoing twinning projects in Azerbaijan, the MENR is the beneficiary of “Strengthening Hydrometeorological and Climate services in Azerbaijan” project (duration: 2022-24). The MinEcon is benefiting from “EU Support to Lankaran-Astara Economic Region of Azerbaijan” technical assistance project (duration: 2021-24) (MinEcon n.d.4).

TAIEX (Technical Assistance and Information Exchange) (European Commission, n.d.1) is another EU instrument, designed to support public administrations with the approximation, application and enforcement of EU legislation and sharing of EU best practices, including in environment policy. It is largely needs-driven and delivers tailor-made expertise through workshops, expert missions and study visits (European Commission, n.d.2). It was launched in 1996 to support the EU accession process with adoption of the EU acquis. Today, TAIEX is available for all countries covered by the European Neighbourhood Policy, by the Partnership Instrument and EU development policies. The TAIEX mandate covers, therefore, Azerbaijan and environment, among other policy fields (Box 3.16).

Box 3.16. TAIEX mandate in environment and energy policy fields

Classical TAIEX assistance or support via the Environment and Climate Regional Accession Network (ECRAN) provides beneficiaries in all fields covered by environmental legislation (air quality, waste management, nature protection, chemicals, industrial pollution and climate change). Environment and energy are key policies closely linked as production of energy has an impact on the environment and the climate. Topics range from renewable energy and energy savings to market liberalisation in the oil, gas and electricity sectors.

Source: EU Commission, n.d.2, https://neighbourhood-enlargement.ec.europa.eu/funding-and-technical-assistance/taiex_en.

Since 2006, TAIEX has become one of the key co-operation tools in Azerbaijan within the frame of the EU Neighbourhood Instrument.³⁸ This is evidenced by a high number of TAIEX events in the country and number of applications submitted by Azerbaijan. According to the MinEcon, Azerbaijan has submitted a significant number of TAIEX applications to the European Commission in recent years:

- 26 in 2021, including 11 for workshops, 8 for study visits, 7 for expert missions to Azerbaijan
- 29 in 2022, including 7 for workshops, 11 for study visits, 9 for expert missions to Azerbaijan
- 10 in 2023, including 5 on study visits, 5 on expert mission to Azerbaijan (MinEcon, n.d.3).

In 2023, Azerbaijan benefited from two expert missions and one workshop via the TAIEX instrument. One mission, for example, advised the MENR on deposit refund systems for reusable beverage containers (European Commission, 2023b). As another example, both the MENR and MinEcon, along with the Ministry of Digital Development and Transport, benefited from “Shifting to Green Road Transport Infrastructure”, a workshop held in November 2022 (Mincom, 2022).

The State Examination Center also benefited from the TAIEX tool through the expert mission on application of E-marking in 2016 (SEC, n.d.2).

Overall, both instruments – twinning and TAIEX – are largely applied in Azerbaijan and foster co-operation and international ties in the field of environment and green economy.

Other capacity building opportunities with external support

MENR staff can also benefit from fellowship programmes, such as offered by the **Korea International Cooperation Agency** (KOICA), and other similar programmes on various environmental and public administration topics (Box 3.17).

Box 3.17. Korea International Cooperation Agency

The KOICA is a state agency under the Korean Ministry of Foreign Affairs, implementing grant and co-operation programmes for developing countries. The KOICA has been inviting Azerbaijani public officials to various fellowship and scholarship programmes since 1994. As of 2021, the number of KOICA alumni has reached over 830. In June 2021, officials of the Ministry of Ecology and Natural Resources participated in the KOICA ten-day training programme “Early Warning System for Natural Disasters” to improve national disaster prevention. Korea’s Country Partnership Strategy for Azerbaijan builds on two priority areas for co-operation, including public administration innovation.

Source: KOICA, n.d., 2021.

Other examples of co-operation in public administration include the Lithuanian Institute of Public Administration project to improve human resources management in Azerbaijan (NISPA, 2010) and the UNDP project “Good governance through civil service reforms: Implementing the MDG 9” to operationalise the Azerbaijan’s commitment to good governance and public sector reform.

Learning from institutional innovations in the EaP countries and beyond

Lessons can be drawn from the experience of other EaP countries to address institutional and administrative caveats with relevance to environment and green economy. This includes the Environmental Information and Education Centre under the Ministry of Environmental Protection and Agriculture of in Georgia (Box 3.18), the Inter-Ministerial Working Group for the Promotion of Sustainable Development and Green Economy in the Republic of Moldova (Box 3.9) and the “Reform Support Teams” in Ukraine (Box 3.19).

Box 3.18. *To get inspired...* Environmental Information and Education Centre in Georgia: Uplevel environmental education – 2022 winner of “VET Excellence Award”

Since its establishment in 2013 under the Ministry of Environmental Protection and Agriculture of Georgia, the Environmental Information and Education Centre has been playing a core role in:

- promoting environmental and agricultural education among Georgian society and raising public awareness
- supporting public participation in decision making
- ensuring access to environmental and agricultural information
- introducing and implementing integrated information technology policy of the ministry.

The Centre publishes annual reports on its activities, which are available on its website.

In 2022, the Centre won the “VET Excellence Award”, which rewards best practices to become fit for the green economy. “Environmental and Agricultural Education at School” programme was voted a winner within “European Vocational Skills Week 2022,” organised by the European Commission.

Source: <https://eiec.gov.ge/En>.

Box 3.19. To get inspired... Reform Support Teams in Ukraine, an innovative institutional approach to boost reforms

In Ukraine, under public administration reform, structures called **Reform Support Teams (RSTs)** are placed in a number of ministries, including the Ministry of Environment. They are not ministry employees; their salaries are funded by the Ukraine Multi-donor Account. The teams are usually composed of Ukrainian professionals complemented by international experts as needed.

The teams develop policy proposals, provide expertise on strategic legislation and facilitate co-ordination with different international projects. Their main advantage, in addition to expertise and financial independence from the ministry, is not being overburdened with everyday activities. Therefore, RSTs are helpful with pipelines of reforms and strategic thinking.

The RST in the Ministry of Environment is expected to boost reforms in the environment. It is operating based on a Memorandum of Understanding, indicating needs and capacity gaps. This is based on the EU Association Agreement.

Overall, RSTs are mainly seen as a positive institutional innovation and as agents of change both by national and international stakeholders and experts. A list of their qualities appears below:

- demand-driven: responsive to the needs of each institution, with full Ukrainian ownership
- rapid mobilisation of teams
- complementary to host capacities and other international assistance
- results-oriented: focusing on results and impact for citizens
- dynamic and flexible: adapting to changing priorities and needs.

RST impacts could be summarised as follows:

- strengthened reform capacity of the host institution
- capacity development of civil servant staff with knowledge transfer and coaching by RST experts
- planning and support of institutional reorganisation, modernisation of procedures and other actions within the public administration reform framework
- advantage of project approach with flexibility to work outside of the formal bureaucratic procedures
- improved co-ordination and communication with donors to ensure complementarity of advisory and technical support.

RST experience as innovative institutional approach can be useful for Azerbaijan to boost reforms in the environment.

Source: URA PPT, Reform Support Teams as Drivers of Reforms, Capacity Development & Sustainable Change in Ministries and Agencies.

Beyond the EaP countries, institutional innovations in EU member states can also provide inspiration for Azerbaijan. One example is tailored institutional support to SEA and EIA (Box 3.20).

Box 3.20. To get inspired... Institutional innovations to ensure high quality of EIA information

France: An environmental authority (Autorité Environnementale) was created in 2009 to advise on the quality of certain environmental impact assessment (EIA) reports, when the project/programme developer is the Ministry of the Environment or a public organisation under its supervision (e.g. large infrastructure projects) or when the ministry has the final decision (e.g. nuclear installations). This measure primarily provides a guarantee for impartiality but also a guarantee for quality and transparency towards the public. It includes 17 persons, 12 of whom are part of the evaluation services of the Ministry of the Environment (CGEDD) and 5 are external qualified experts.

Netherlands: A specific agency, the Netherlands Commission for Environmental Assessment, independent from the Ministry of Ecology, advises the competent authority on the quality of EIA reports, upon request from the competent authority. It is composed of a pool of 700 experts, working for governmental organisations, research institutes or universities and private companies. They are hired on a project-by-project basis. For every EIA or strategic environmental assessment, a working group is created, usually counting three to six experts.

Source: ECRAN (2016).

4 Highlights of progress, remaining challenges and ways forward

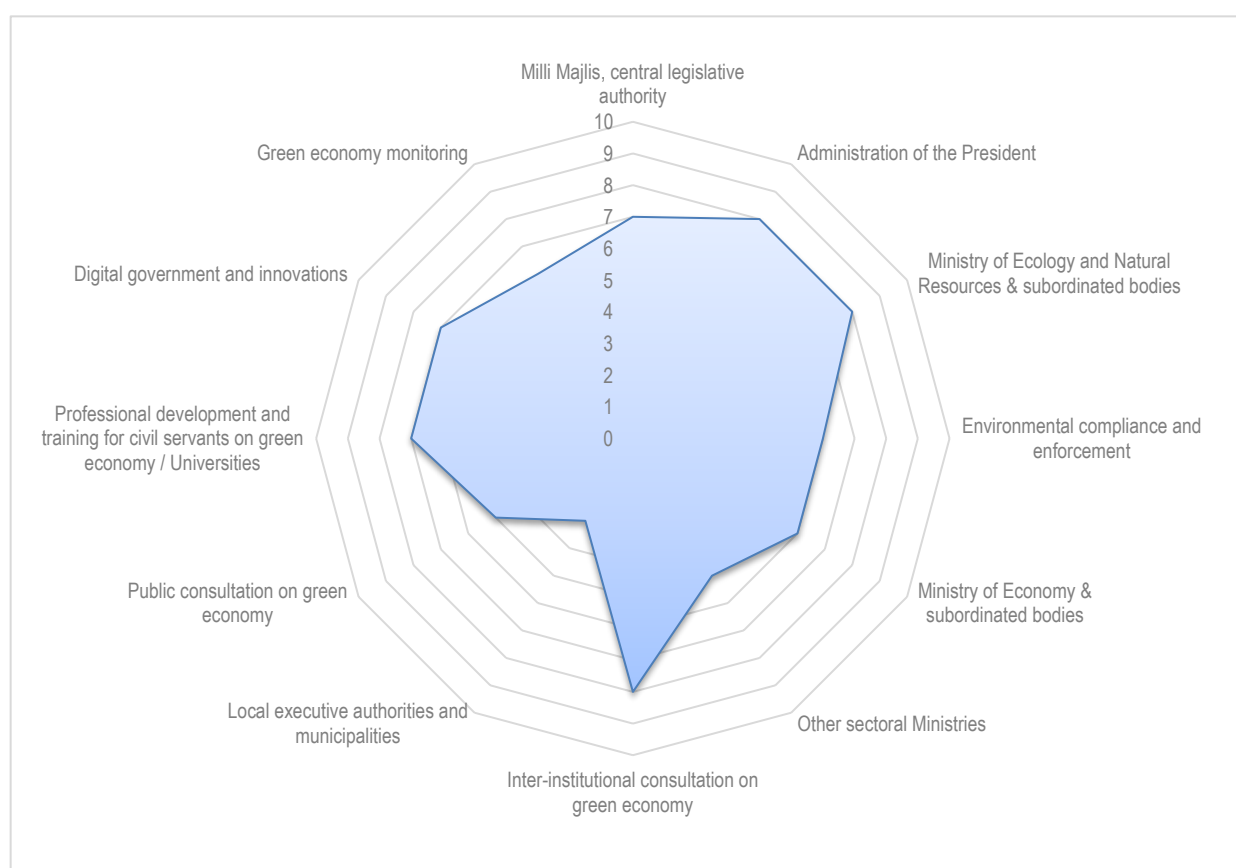
This chapter summarises progress towards strengthening administrative capacity for environment and green economy management, as well as remaining challenges to protect and manage the country's natural resources and environment. It covers central legislative and executive authorities, as well as policy frameworks for a green economy, digitalisation and innovations in public administration, and financial incentives. The chapter pays special attention to the ability of the Ministry of Ecology and Natural Resources, the Ministry of Economy and their respective subordinate institutions to work in environmental spheres. Other sectoral ministries and institutions relevant to a green economy are also discussed, as well as efforts to improve co-ordination among government agencies. After looking at areas of improvement for local executive authorities and municipalities, the chapter assesses public participation in decision making and awareness, the role of universities in institutionalising environmental education, capacity building opportunities for environmental professionals, and regional and international co-operation. The chapter ends with recommendations targeted at national authorities and international stakeholders to address various capacity gaps.

The issues presented in this chapter were identified based on information in the report but also on interviews with representatives of the government, international organisations, civil society organisations (CSOs) and experts. This approach is inevitably subjective. The findings indicate the need for more in-depth analysis, possible reforms, capacity development and external support.

The Ministry of Ecology and Natural Resources is the main player of environmental action in Azerbaijan and the primary focus of this report, alongside the Ministry of Economy, serving as its counterpart in fostering green and circular economy. Yet, the green economy concept is well beyond and requires a multi-facets approach, engaging multiple actors at all levels. Thus, the report covers central legislative and executive authorities, subordinated institutions, inter-Ministerial dialogue, role of sub-national level, civil society, academia.

The matrix below presents different angles covered by the report and progress/areas for improvement, estimated by the authors (from 1 to 10). This assessment inevitably is subjective. It has to be interpreted as possible directions for in-depth analysis, needed support and potential reforms rather than as a solid assessment.

Figure 4.1. Administrative capacity for a green economy in Azerbaijan: View from different angles



Note: Score scale is from 1 to 10 (1 is lowest; 10 is highest).

Areas of progress and remaining challenges

In recent years, Azerbaijan, traditionally known as an oil-producing country, has made considerable efforts to launch a green transformation of its economy and improve environment management. This section acknowledges **positive developments** to strengthen environmental administration. It summarises progress and highlights areas for further strengthening administrative capacity for environment and green economy management. It also highlights remaining challenges to protect and manage the country's natural resources and environment effectively.

Central legislative authority: Milli Majlis and its committees. Institutional structures are in place to provide opinions on legislation with relevance to the environment/green economy. Two Committees - for natural resources, energy and ecology, and for economic policy, industries and enterprising - provide such opinions on legislation, presented to Milli Majlis for approval.

Remaining challenges or areas for improvement:

- The large portfolio and variety of topics covered by the Committee for Natural Resources, Energy and Ecology requires an appropriate number of experts. The committee lacks the tailored expertise and independent specialists (e.g. civil society or invited international experts) to provide independent opinion on laws presented for review and approval by Parliament. The 11 committee members are parliamentarians rather than experts. There are also specialists working in Parliament to support the committee in analysing laws, but their number and capacity are limited. Moreover, they are not fully independent; real separation of powers is still an issue despite positive trends, which could lead to lobbying. The committee also unites two potentially conflicting portfolios – energy and environment – which may create opportunities but also undermine certain green decisions in favour of the energy sector. Given its portfolio, the Committee for economic policy, industries and enterprising should be involved in adoption of legislation to green large industries and small and medium-sized enterprises (SMEs). However, no green elements are explicitly mentioned in its activities. Overall, there is limited information on the outcomes of the committee's work and no publicly available reports on its activities. There is also a lack of information on the interactions between the two committees in regard to a green economy.

Central executive authority: Administration of the President. The Administration of the President, heading the executive pillar, plays a central role in shaping the green agenda. High-level support, evidenced by making “clean environment” one of five national priorities in “Azerbaijan 2030”, is a positive signal for change and a key enabler for successful reforms, according to SIGMA principles. The Presidential Administration has designated officials to participate in the inter-ministerial working groups dealing with environment/green economy. In addition, two departments are responsible for economic policy, one of which – the Department of Economic Issues and Innovative Development Policy – deals with green energy and green economy in general. This includes co-ordinating preparation and implementation of “Azerbaijan 2030” and the Socio-Economic Development Strategy 2022-26, both of which contain green elements. The President oversees the **Center for Analysis of Economic Reforms and Communication**, established to support economic reforms and sustainable development of the country. The Center and the Ministry of Ecology and Natural Resources (MENR) published “Green Economy in Azerbaijan”, the country's first comprehensive study in the field. The President also chairs the **State Agency for Public Service and Social Innovations**, which manages the Azerbaijani Service and Assessment Network (ASAN) and transition to e-government, including services provided by the MENR.

Remaining challenges or areas for improvement:

- The Presidential Administration lacks a dedicated department for environmental/green economy issues. The green economy requires better co-ordination and a clearer split of responsibilities between the two existing departments responsible for economic policy. The Department of Economic Policy and Industrial Issues, working closely with the National Bank and Ministry of

Finance, and co-ordinating big investment projects, might be the logical place to lead greening the industry and unlocking green finance. However, information is lacking on the role of the department in this field.

Policy frameworks for a green economy. Most legislation and policies relevant to a green economy have been adopted or are under development based on good international practices. Thus, in 2021-22, Azerbaijan adopted a strategic framework that integrated environment and green growth elements into two key documents, setting the country's socio-economic development for the next decade. These are "Azerbaijan 2030" (approved in February 2021) and National Socio-Economic Strategy for 2022-26 (approved in July 2022). In addition, Azerbaijan is modernising its legislation with adoption of several laws and regulations on environmental protection. This includes the amended law on environmental protection with provisions on polyethylene bags and plastic containers and tools; the law on environmental impact assessment (EIA) and development of secondary legislation on EIA and strategic environmental assessment (SEA); the law on use of renewable energy sources and strategy for 2022-26; and development of the packing waste law. These legal frameworks provide the foundation for environmental and green economy management in Azerbaijan.

Remaining challenges or areas for improvement:

- Although some "good" policies are in place or under development, the strategies and programmes lack the appropriate capacity needs assessment for implementation, which in turn may jeopardise their effectiveness. There is no dedicated national green economy strategy that sets targets and timelines, and accesses needed capacity and institutional support. The legislation takes a patchwork approach to growth elements. There are also emerging areas, such as green bonds and eco-labelling, where adoption of legislation or an amendment is still needed.

Digitalisation and innovations in public administration. Azerbaijan can leverage e-government solutions to enhance environmental protection. In line with the country's digitalisation priorities, the MENR member of the e-government executive team, is adopting an innovative e-government model with e-service portals. This includes the E-services Portal of the MENR (with e-services of the State Environmental Expertise Agency), the E-services Portal of the Ministry of Economy (MinEcon) – with the "E-licenses and Permits" Portal issuing licences and permissions for commercial activities – and the "E-procurement" Portal, centralising online all procurement processes of government agencies. The MENR also offers its services via ASAN (one-stop shop) system, including 24 centres and mobile offices travelling to rural areas. In 2015, ASAN received the UN Public Service Award. Transition to e-government opens multiple opportunities to enhance environmental protection by facilitating information and data exchange, environmental monitoring and public consultations, and awareness raising. Digitalisation of government services also contributes to reducing paper and energy consumption, associated carbon emissions and the need for commuting.

Remaining challenges or areas for improvement:

- Green elements are not yet fully incorporated into e-service portals to fully exploit the opportunities of a digital world. For example, e-procurement allows a transparent and streamlined procurement process. Azerbaijan can leverage this capacity by including sustainability criteria, thus stimulating the economy by creating demand for sustainable goods. Transition to e-government also requires the appropriate digital infrastructure and knowledge. Capacity building is needed for local executive authorities (LEAs) and municipalities.

Ministry of Ecology and Natural Resources. Over the past years, the MENR has been going through (mainly internal) administrative reforms to optimise its structure and strengthen some of its systems. Its structure (central apparatus) has only five main departments plus those responsible for operations, a number of subordinate entities and six regional branches. The most notable change in the ministry's structure was the creation of the **Environmental Policy and Sustainable Development Subdivision**

within the Environmental Policy Division. This is considered a positive step towards strengthening the green economy agenda. Back in 2019, the ministry started to create a new green growth structure – the **Green Development and Innovations Subdivision** within the International Co-operation Division. However, its creation was suspended due to the COVID-19 pandemic and changing priorities. The ministry has **6 116 staff** across the country. This number is expected to reach 6 500 in 2023 with creation of the new Geology Agency. It has an upper-middle size compared with other ministries in the country.

The average monthly salary of civil servants in Azerbaijan has been progressively increasing in recent years at all levels in all government bodies, including the MENR (by 15.3% in 2018, by 28.3% in 2019 and by 4.8% in 2021). The average salary of civil servants is AZN 1 274.1 (about EUR 680), which is above the average salary in the country (AZN 856.200 or about EUR 456). Although there is no public information on average salaries in the MENR, it is estimated at EUR 700 per month, which is aligned with the average income of civil servants. Such significant salary increases provide incentives to increase attractiveness of the environment administration. The MENR budget has also been progressively increasing, mainly due to the increase of labour costs from rising salaries. It amounted to about AZN 80 mln (approx. EUR 44 mln) in 2022.

Remaining challenges or areas for improvement:

- The interviews revealed that despite the optimisation of its structure, lack of internal **co-ordination** among departments hampers efficient policy planning and implementation. Another obstacle is **knowledge gaps** on green economy and tailored skills, for example, on practical application of strategic environmental assessment (SEA). There is also insufficient capacity for data-driven and evidence-based policy making (also relevant to other ministries), related to the loose connection between policy making and research; and insufficient capacity for good analytics (including data analysis) prior to drafting laws. **Performance assessment** is more a formality than a meaningful assessment of setting objectives, evaluating their achievement or identifying capacity development needs.
- Although there is no information specific to the MENR, civil service statistics show most **staff** (56%) leave before completing ten years of service. The **appeal** of public and environmental administration for the younger generation is another issue, with only one-sixth (15.8%) of civil servants younger than 30 years. Despite efforts to retain experienced staff and attract new qualified individuals, such as increased salaries and more training and career development opportunities, the environmental administration is not perceived as an attractive place to work for ambitious and qualified experts. Salaries are still lower compared to alternatives, especially in the private sector. This results in a **high turnover** of experts who, after a short stint in environmental administration, leave for the private sector (mostly oil and gas companies). As a result, the administration suffers from a low level of knowledge retention and institutional memory. Some interviewees indicated an unbalanced workload may push away knowledgeable experts from public administration. In some structures, of 10-12 staff, 1 or 2 experts with solid expertise perform most of the tasks. Often, public institutions hire people with only minimum knowledge, which is a concern.
- Financial aspects remain sensitive and subject to internal disclosures. The lack of accurate budgetary information for the MENR does not allow analysis of the financial resources available for its activities and related issues. Information is also insufficient to assess the impact of the sharp drop in environmental spending, occurring in 2019, on operations. It likely had negative consequences from downgraded environmental priorities.

Institutions subordinate to the Ministry of Ecology and Natural Resources: The MENR is responsible for permitting, monitoring and enforcing compliance with environmental requirements. It also regulates subsoil use and treats hazardous waste through its subordinate agencies, which progressively adopt international practices and, wherever possible, invite international experts.

Remaining challenges or areas for improvement:

- Subordinate entities lack qualified staff on a green economy due to similar issues faced by the ministry itself (e.g. limited training opportunities).

Environmental compliance and enforcement. On the positive side, creation of the **State Environmental Security Service** in 2020 under the MENR strengthened the focus on environmental compliance and enforcement. The Service has more power, compared to the Inspectorate, with higher positions and salaries providing good incentives for staff. Overall, it is perceived as a positive step to strengthen compliance. It has 28 inspectors (out of 55 staff units in the central apparatus) and 244 inspectors (out of 506 staff units across the country, counting 12 regional departments). It has a budget of about AZN 1.16 mln for the central apparatus, which rises to about AZN 6.64 million when regional departments are included (2022). The Head of the Service provides training to staff, including for inspectors at least once a year. The recently created modern laboratory "AzeLab" strengthens activities of the Service.

Remaining challenges or areas for improvement:

- Service activities are constrained by the 2015 moratorium on environmental inspections of private entities and the need for MinEcon approval of ad hoc inspections. This arrangement is unusual compared to practice in other countries. The moratorium is expected to end in January 2024. Given the relatively recent creation of the Service, staff need training and engagement with international initiatives to promote effective implementation and enforcement of environmental legislation. Azerbaijan, as a non-EU member country, may not be a direct participant in the EU Network for the Implementation and Enforcement of Environmental Law (IMPEL). However, it can still benefit from international collaboration and knowledge sharing on best practices in environment law enforcement.

Ministry of Economy. The MinEcon is increasingly engaged in green economy promotion and closer co-ordination with the MENR in this regard, particularly within regional initiatives, such as EU4Environment and its predecessor EaP GREEN. Although it has a limited mandate in environmental spheres, some of the ministry's structures and subordinate bodies are becoming more involved. This includes the Department of Industry (covering industrial zones) and the SMB Development Agency, which operates under the ministry's auspices to assist SMEs with innovative solutions and Resource Efficiency and Cleaner Production (RECP). Unlike in many other countries, household waste management falls within the MinEcon's mandate. It is under the responsibility of "Tamiz Shakar" (Clean City) OJSC, which was recently transferred to Azerbaijan Investment Holding. The ministry plays a role in developing extended producer responsibility and promoting eco-innovation, although this remains at an initial stage. Similar to other ministries, the MinEcon optimised its administrative structure to strengthen institutional capacity and improve quality of services. It also plays a central role in advancing the sustainable development agenda. To that end, it oversees the National Coordination Council for Sustainable Development and has a dedicated department in its structure – Department on Sustainable Development and Social Policy with its 11 staff units – to co-ordinate the "2030 Agenda".

Remaining challenges or areas for improvement:

- According to interviewers, the ministry does not have much of a mandate to work in environmental spheres. There is no centralised approach for promoting green ideas or a department/unit dedicated to a green economy. Moreover, there is no clear understanding which ministry – the MENR or MinEcon – is responsible for a green and circular economy and which aspects are covered by each of them. However, the MinEcon should have a leading role in this area. There are knowledge gaps in understanding a green and circular economy, green finance and investment, green procurement and greening SMEs among the ministry's staff.

Institutions subordinate to the Ministry of Economy, with relevance to green economy. The MinEcon has a number of subordinate structures, which may accommodate green elements. The creation of the

SMB Development Agency (KOBİA) in 2017 is a major milestone in shaping the SME support infrastructure. Although environmental issues are not explicitly mentioned among its activities, it is well positioned to promote the green agenda among SMEs. One example is the development of an online self-assessment tool on greening SMEs. Until recently, the MinEcon supervised Tamiz Shahar JSC, responsible for municipal waste management in Baku.¹ The Azerbaijan Investment Company under the MinEcon aims to attract investments into non-oil sectors. Though green investments are not explicitly mentioned in its activities, it may play a role in attracting green finance.

Remaining challenges or areas for improvement:

- Although some subordinate structures are well placed to accommodate green elements, training and specialised departments/units are needed to increase their capacity for a green economy.

Other sectoral ministries and government institutions with relevance to a green economy. Green transition requires a co-ordinated approach across all government bodies. The sectoral ministries are becoming progressively involved in greening the economy. The **Ministry of Energy** plays a crucial role, given the strategic importance of the sector for the national economy. It is responsible for energy policy and development of renewable energy sources (to meet 30% target by 2030) through a specialised agency within its structure – the **Azerbaijan Renewable Energy Agency**. It leads development and implementation of the Law on the Use of Renewable Energy Sources and Strategy for 2022-26. The role of the ministry has expanded with the new EU-Azerbaijan strategic energy partnership and the government's ambitious priority to establish a "green energy" corridor from Azerbaijan to Europe. The **State Statistical Committee** has a specialised department of sustainable development statistics, manages the National Information Portal on SDGs and publishes the annual report on SDGs. In 2018, the committee supported development of a national set of green growth indicators to monitor progress towards a green economy. The institutionalisation and regular collection of data on green growth indicators may be considered as a step forward to strengthen monitoring on a green economy.

Remaining challenges or areas for improvement:

- There is still low awareness of environmental costs/benefits among staff of sectoral agencies. The MENR has made efforts to raise awareness among sectoral ministries about the importance of good environmental management for the country's sustainable economic development. However, the commitments of other sectors have been, for a long time, mostly on paper. Environmental impacts were regarded as an inevitable side effect of economic development. Thus, environmental management was limited to nature conservation or dealing with pollution that already occurred. The green economy and related concepts are not well understood from either conceptual or technical perspectives. Terms like green finance, green investments and green procurement are new for a large number of public administration staff. There is a need for capacity building at all levels. The adoption of the strategic document "Azerbaijan 2030", which includes an explicit priority on green growth, is expected to provide stronger political support for the green agenda and stimulate greater engagement of sectoral ministries. The Ministry of Agriculture lacks institutional support and data collection on organic agriculture. The State Statistical Committee does not have a specialised department on green/circular economy. The national set of green growth indicators needs to be institutionalised to ensure regular data collection and strengthened monitoring on a green economy.

¹ Tamiz Shahar operates a site at Balakhani, with a sorting facility that recycles 25% of received waste. The Balakhani Industrial Park promotes recycling and green economy among businesses. In September 2021, given recent changes at the MinEcon, Tamiz Shahar was transferred to Azerbaijan Investment Holding, which was created in 2020 to improve operation of state-owned companies. The Holding is monitored by the supervisory board led by the Prime Minister, with the Minister of Economy as one of its members.

Co-ordination among government agencies on a green economy. Government agencies have improved co-ordination through a number of mechanisms relevant to environment/green economy. Examples include the National Coordination Council on Sustainable Development and its working groups, and inter-ministerial commissions on climate change, water resources and solid waste management. Azerbaijan has also launched a process to create an inter-ministerial working group on green economy to support “Azerbaijan 2030”. There are mechanisms of bilateral co-operation between ministries, e.g. the MENR and Ministry of Agriculture have a Joint Action Plan to Support Green Agriculture.

Remaining challenges or areas for improvement:

- The pursuit of green economy objectives requires strong co-operation between institutions. There is no dedicated inter-ministerial co-ordination body on green economy in Azerbaijan. In general, co-operation between environmental and sectoral agencies is still limited since environmental management is often perceived as the sole domain of the MENR. Interviews indicated it has been difficult to raise the profile of environmental issues in these commissions, which are chaired by the Deputy Prime Minister. Not all ministries or all agencies fully consider environment as a priority. Many civil servants believe environmental protection goes *against* economic development. Consequently, they generally avoid discussion of relevant issues. Communication with and involvement of CSOs is perceived to be insufficient. Drafting new legislation is considered a lengthy process. Many regulations and concepts are new, and insufficient co-ordination makes reaching consensus among ministries more difficult. Interviewees indicated that sometimes it can take five to seven years for ministries to review and endorse a draft legal document. Some areas seem to have fragmented mandates. For example, responsibilities in the water sector are spread between 11-12 institutions with little co-ordination and information exchange. The work of an inter-ministerial commission on water helps facilitate dialogue and co-operation between institutions in this domain. However, its work should be intensified and focus on co-ordination challenges. With EU4Environment support, the MENR envisages to establish an inter-ministerial working group on green economy to support implementation of “Azerbaijan 2030” and involve line ministries and academia.

Regional and municipal levels. There have been no significant changes with regard to the three layers of governance (central, local executive authorities (LEAs) and municipalities) and their respective roles in environment/green economy. Environmental protection is concentrated within the central government. LEAs as local bodies of state administration do not have independence. They implement national policies and legislation in the environment sector and manage municipal waste on their territories. Municipalities, the only local self-government, are empowered in principle to implement local ecological programmes not covered by the state programmes or to complement them. The role of municipalities was leveraged through “smart” villages, pioneering by Azerbaijan, that run fully on renewable energy, as well as local green projects such as “Clean City” of the Ministry of Economy and “White City” of the Baku city. These projects were presented at the exhibition organised by the United Nations Economic Commission for Europe in April 2019 at the UN in Geneva within “Day of Cities”.

Remaining challenges or areas for improvement:

- Both LEAs and municipalities lack specific activities related to a green economy and independence in decision making. The former depends on the central government in the decision-making process, while municipalities lack finance and administrative power to decide on local issues. In addition, their respective roles are not clearly defined, including in the field of environment. In theory, municipalities are empowered to address local ecological issues. However, unclear division of roles and limited revenues (mostly for operations) limit their capacity to initiate activities. Moreover, municipalities are not recognised as part of public administration. In addition, both levels face lack of qualified personnel. There is almost no training or incentives, which leads to lack of motivation.

- Lack of knowledge and understanding of environmental topics are even more visible at local level. Stakeholders noted high turnover of staff, low salaries and lack of administrative capacity were among the problems at local and regional level. Subnational-level bodies also lack information, knowledge of new legislation and priorities. They are usually not involved in policy making. For example, municipalities may collect and manage waste on their territory to complement activities of the LEAs in waste management. However, few municipalities do this as they lack knowledge, expertise, equipment and financial resources. Thus, public utility departments of the LEAs generally collect and manage waste. Local- and regional-level problems are linked with difficulties of decentralisation. As mentioned earlier, municipalities may also have executive powers, but the LEA controls such competences, including with respect to waste collection (EaP, 2017).

Public participation in decision making and awareness. Public participation in environmental governance has been gradually improving through the public council at the MENR and similar structures in other ministries. Public councils serve as consultative bodies to the government and, overall, are a positive initiative. As a bridge between the ministry and the public, they increase public awareness and participation in environmental protection, and promote more transparency and accountability of government.

Remaining challenges or areas for improvement:

- Lack of publicly available information on their activities and the impact of their work on ministry decisions makes it difficult to assess their effectiveness. Though public councils are supposed to prepare and publish annual reports, no such reports are available on the ministry's website or their dedicated platform. There are some concerns about their effectiveness in relation to civil society environment in the country, encumbering possibilities for public participation. NGOs are usually not active participants. They lack knowledgeable and qualified staff in some important topics. In many cases, their activities are limited to cleaning of territories (beaches, forests) and planting trees. There is a low level of co-operation among CSOs in the different sectors and weak international linkages. There is a need to work closer with NGOs to increase their capacity, stimulating their participation. There is a lack of sectoral diversification among the CSO-members of public councils. For instance, they mainly represent environmental issues in the MENR Public Council. Other public participation mechanisms at local level are advisory councils, established with external support. However, most are not sustainable after the project ends.

Role of universities in institutionalising environmental education. The need for knowledgeable and skilled civil servants and experts to shape green policies has been growing in recent years. The development of human capital is among the "Azerbaijan 2030" priorities. The Azerbaijani government strongly emphasises engaging universities in developing human capital on green economy and institutionalising green education. It started with two pioneering institutions – the Azerbaijan State University of Economics in Baku (UNEC) and Ganja State University – implementing projects, organising training on green economy and introducing new a curriculum. In 2021, the Research Centre on Sustainable Development and Green Economy was created at UNEC. The Board of Directors is led by the Deputy Minister of Ecology and Natural Resources. A virtual forum on public awareness and human capital development for green economy between the universities and international organisations is being created. In addition, at the UNEC research centre and Ganja State University, RECP Clubs were created to upskill SMEs on green entrepreneurship, another aspect of human capital development.

Remaining challenges or areas for improvement:

- A green transition requires mitigating the negative impact of new concepts on civil servants, and the public in general, with reskilling and upskilling, tailored skills (such as green economy, SEA/EIA, RECP, green finance, green bonds) and new technologies (such as digital infrastructure). The sustainability and institutionalisation of green economy education requires transferring ownership to universities. There is no a separate university or high school on sustainable development or

green economy but its creation is being discussed. Possibilities for further involvement of universities through implementing projects, training and developing a new curriculum need to be further explored to continue building human capital on green economy. A lack of corresponding field of study in universities relevant for new elements of environmental legislation turns into a knowledge gap. For example, the university has no forest management service programme.

Capacity building opportunities for environmental professionals. Human capital development is among the “Azerbaijan 2030” priorities, evidenced by the 18% increase in budget for education in 2022. Opportunities for upskilling and reskilling ministries’ staff, offered by the government, are growing. This includes master’s programmes in public administration related to sustainable development offered and financed by the Academy of Public Administration under the President. In addition to recruiting civil servants, the State Examination Center also offers various training opportunities annually to increase civil servants’ capacity. Local think tanks provide an alternative opportunity for upskilling civil servants. In 2022, the ministry had 27 opportunities engaging more than 4 000 people and 6 training sessions in 2023. These mainly covered topics of ethical behavior, human resource management, leadership and introduction of new legislation. They also provided training to improve English language skills. Internally, according to the legislation on civil service, the ministry’s staff are regularly evaluated with supervisors setting objectives for employees and evaluating their achievements.

Remaining challenges or areas for improvement:

- Most training on green economy or related issues for ministry are provided with external support. Thus, the ministry itself offered no green economy training in 2022-23. There is a centralised and aggregated approach for upskilling civil servants. The State Examination Center does not offer tailored training on a green economy. There is a need to incorporate training tailored to a specific institution’s needs and new concepts, such as green economy, green finance, greening SMEs, green procurement, SEA/EIA, eco-innovation and eco-labelling. Such training would be useful not only to the main beneficiaries – the MENR and MinEcon – but also other institutions involved in green transition. Local think tanks do not specifically cover green economy.
- The regular internal evaluation for staff in the MENR, according to interviewers, remains a formality rather than a meaningful assessment. It is not used to identify specific training needs or get first-hand insights on knowledge gaps. Lack of time in their workload for learning discourages officials from profiting from training opportunities.
- The MinEcon does not mention green elements in its strategic plan related to building institutional capacity.

Regional and international co-operation. The donor community and international organisations, as implementing entities, play a crucial role in training civil servants in green economy and related issues. This is not surprising given that external support has, to date, driven most capacity building efforts in Azerbaijan. Most international and regional initiatives contain capacity building elements and remain essential to addressing knowledge gaps. This includes various EU-funded initiatives and instruments of bilateral interventions, such as twinning, TAIEX and fellowship programmes.

Remaining challenges or areas for improvement:

- Often, training ends with the project, undermining continuity and impact. Addressing this issue requires transferring ownership to the country through institutionalisation of training. Discussions are ongoing to institutionalise green economy courses in two of the universities and develop a new curriculum. Retaining trained officials in the public service is another concern that affects the ministry’s overall capacity. Additional incentives would encourage staff to stay but also maximise use of their knowledge.

Overall, despite the remaining challenges, Azerbaijan has made a good start, acknowledged in this part, to develop a green economy and strengthen administrative capacity for its management.

Ways forward and insights for the action plan

Although the MENR remains the main player of environmental action, the increasing involvement of the MinEcon in green economy concepts requires a multi-faceted approach with more actors and at all levels to manage a green transition effectively. The report develops a number of recommendations targeted at national authorities and international stakeholders to address various capacity gaps, identified during the analysis.

Targeted at the central government

- **Develop an action plan for strengthening administrative capacity for environmental management and green economy**, with clear targets, timeline and indicators at national and subnational levels, with regular revisions to address the new acquis. The selected SIGMA indicators can provide some guidance in this regard (see Annex B).
- **Create a national co-ordination mechanism on a green economy and needed capacity**, involving the MENR, MinEcon, sectoral ministries and agencies as relevant horizontally, and different administrative levels vertically. CSOs and academia can be invited as observers. The meetings could be held twice a year, on an ad hoc basis. It should be closely linked with development and implementation of the action plan (as above).
- **Conduct in-depth analysis on optimal institutional set-up and capacities** for environmental management and green economy to assess the system's effectiveness, identify gaps and opportunities for optimisation, and eliminate overlaps. This report can serve as a starting point. The analysis may also attempt to transpose the SIGMA principles of good public administration to the environment/green economy sector with external support.
- **Strengthen the analytical capacity of legislative authority.** Civil society or international specialists could support the Committee for Natural Resources, Energy and Ecology with tailored expertise to analyse and provide independent opinion on laws presented to Milli Majlis for approval.
- **Scale up role of the Administration of the President.** Both departments responsible for economic policy should be involved in green economy and their roles need to be clearly defined. The Department of Economic Policy and Industrial Issues may play a stronger role in greening the industry and unlocking green finance. Alternatively, it could consider a dedicated department dealing with the environmental/green economy issues.
- **Reinforce policy frameworks for a green economy with capacity needs assessments.** The development of a national green economy strategy could set targets and timelines, and access needed capacity and institutional support. Each new strategy or programme should assess capacity needed to implement those policies. There are also emerging areas, such as green bonds and eco-labelling, where new legislation or amendments are still needed.
- **Continue seizing digital opportunities and innovations in public administration** for environmental management and green economy. The green elements need to be fully incorporated into e-service portals. Both e-procurement of public services and e-permitting for economic activities should contain sustainability criteria. Transition to e-government requires the appropriate digital infrastructure and knowledge. Capacity building is especially needed at the level of LEAs and municipalities. This could be done as part of training programmes and pilot projects. Meanwhile, creation, use and storage of data should minimise dark data and contribute to a digital decarbonisation.
- **Continue improving the appeal of environmental administration** to attract and retain a knowledgeable workforce and a younger generation by offering improved working conditions (infrastructure, work-life balance, well-being at work), prospects for career and personal development, and financial and other forms of compensation linked with performance. The

significant increase in salaries of civil servants is a good start. Recruitment procedures for civil servants, centralised in the State Examination Center, should be better tailored to the needs of specific institutions.

- **Address knowledge gaps on a green economy at all levels and extend capacity building opportunities** for environmental professionals on management (project/staff management, communication, digital and English skills) and substantive new topics relevant to their responsibilities (green/circular economy, green finance/investment, greening SMEs, green procurement, SEA/EIA, eco-innovation and eco-labelling). Ownership of training, provided with external support, needs to be transferred to the government through institutionalisation, leaving a coaching role for external experts. Such courses could be incorporated at the central level into the Public Administration Academy, universities and State Examination Center. In addition, creation of a specialized education centre in environment/green economy such as the one in Georgia could be considered under the MENR or MinEcon. The role of local think tanks in providing training could be further explored. Another approach is secondment of the ministry's staff to other countries to learn how other administrations function.
- **Access financial capacity and design incentives.** Lack of accurate budgetary information for ministries does not allow recommendations in this regard. Yet it would be important to incorporate financial capacity and design incentives into in-depth analysis on possible optimal institutional set-up and capacities.

Specific to the Ministry of Ecology and Natural Resources

- **Strengthen analytical capacity to improve policy design** by connecting policy making and research for data-driven and evidence-based decisions in drafting laws. An environment agency or similar body can be created to carry out analysis to support policy making, linking data collection and analytical functions. While policy development is the prerogative of ministries, such an agency could provide a solution to capacity limitations and fragmentation of responsibilities. It could also carry out *ex ante* and *ex post* evaluation of the effectiveness of legislation and policies.
- **Address knowledge gaps on a green economy, provide opportunities to apply practical skills (SEA for example) and maximise impact of trained specialists on the ministry's overall capacity** by creating incentives to retaining the trained experts in the public service but also maximising use of their knowledge. This can be done through financial incentives and more career prospects and giving them a coaching role to spread knowledge to other staff. The trained specialists could be tasked with coaching the ministry's staff (mentors) and provided with other opportunities to apply their knowledge.
- **Improve knowledge management system and sustain institutional memory** jeopardised by high staff turnover and low attractiveness of environmental administration to address knowledge retention. This could be done by cross-fertilisation between departments and developing a virtual knowledge platform that centralises new legislation, guidelines, methodologies and tools on a green economy.
- **Improve internal co-ordination** among departments.
- **Make the most of performance assessment** to set objectives, evaluate their achievement, get first-hand feedback on capacity development needs and optimise work. Regular training should be one of the objectives, with proper time allocation.
- **Improve capacities of structures subordinate to ministry institutions** by extending training opportunities and involvement in project implementation to upskill staff on a green economy.
- **Continue strengthening environmental compliance and enforcement.** The abolishment of moratorium on environmental inspections (expected in January 2024), training and closer engagement with the environment law enforcement network (IMPEL) will further empower the

Service. The forthcoming analysis of environmental inspections and compliance assurance, conducted by EU4Environment, will shed light on system lapses and provide tailored recommendations.

Specific to the Ministry of Economy

- **Assigning a leading role on greening the economy to the MinEcon** to ensure a holistic approach that integrates sustainability into the country's overall economic development. This can be done by extending its mandate and empowering the ministry with responsibilities and resources.
- **Establish a centralised approach within the ministry to deal with the green agenda and enhance capacity.** In the short term, one of the deputy ministers could be a focal point for the green agenda and/or to establish a department or unit in the ministry's structure dedicated to a green economy to ensure a co-ordinated approach within the MinEcon and liaison with the MENR and other stakeholders.
- **Explicitly define the roles between the MENR and MinEcon** in regard to a green economy to have clear understanding which aspects are covered by which ministry.
- **Leverage the ministry's expertise in green policy making and address knowledge gaps** in understanding green and circular economy, green finance and investment, green procurement, greening SMEs and large enterprises, and eco-labelling among staff, as identified in the Questionnaire (see Annex F) through regular tailored training.
- **Improve capacities of the institutions subordinate to the MinEcon** to accommodate green elements by providing training, involving them in project implementation, improving co-ordination/communication flows and assigning focal points (or creating specialised units) to deal with green economy issues.

Specific to other institutions and inter-ministerial dialogue

- **Strengthen the capacity of sectoral ministries to deal with the green agenda.** In the short term, one of the deputy ministers in each sectoral ministry could become a focal point for the green agenda to co-ordinate related issues in the ministry, liaise with the MENR and MinEcon and participate in the co-ordination body on a green economy. In addition, creation of specialised department/units can be considered, as appropriate. One example could be creation of an organic agriculture department/unit in the Ministry of Agriculture, with data collection and closer co-operation with leading NGOs in the field, such as GABA.
- **Enhance green thinking among sectoral ministries** by continuing awareness raising on costs/benefits to overcome outdated perception of environment being a side effect of economic development, improving conceptual and technical understanding of green economy terms (new for public administration in general) and converting declarative commitments into concrete actions through project co-ordination/implementation. The inclusion of green growth as a priority in "Azerbaijan 2030" opens ample opportunity for engaging sectoral ministries.
- **Enhance partnership with the Ministry of Energy and its Renewable Energy Agency.** Both play a crucial role in greening the economy, given the strategic importance of the sector for the national economy. The 30% renewable energy target by 2030 and ambition to establish a "green energy" corridor from Azerbaijan to Europe lay a solid foundation for enhanced co-operation.
- **Scale up role of the State Statistical Committee in monitoring progress towards a green economy.** Institutionalisation of green growth indicators, developed in 2018, and regular data collection is one practical step in this regard. A specialised department on green/circular economy could be created, similar to the Department on Sustainable Development, to manage the 2030 Agenda.

- **Reinforce inter-ministerial co-ordination on a green economy** by using the existing platforms or creating a dedicated inter-ministerial coordination body on a green economy, as proposed above. Closer co-ordination will also facilitate preparation of legislation and contribute to reducing fragmentation of mandates by revealing gaps/overlaps and opening opportunities for institutional improvements (e.g. water sector).

Specific to the sub-regional level, public participation and academia

- **Empower Local Executive Authorities and municipalities with functions, budget and knowledge on a green economy.** Carry out a functional review on possible decentralisation of environmental management functions to LEAs and municipalities. This should aim to give them more independence in decisions on local ecological issues, accompanied by appropriate equipment and financial resources (especially for municipalities), and clearly define their roles. At the same time, a mechanism for strengthening capacity at both levels should be developed to build knowledge and expertise and ease access to information (especially to new legislation). Municipalities should be considered part of public administration.
- **Enhance public participation and capacity of civil society.** Public councils in the ministries are a good start for NGOs to advocate their position. To leverage their visibility and impact, annual activity reports, sectoral diversification and a stronger role in environmental education would be advisable. There is also a need to work closer with NGOs to build their capacity, especially on new topics, stimulate their participation in public councils and promote co-operation among sectoral CSOs and their international ties. Mechanisms for public participation at subnational level can be part of the functional review on decentralisation.
- **Scale up role of universities in green education and capacity building.** Institutionalising green education should be at the core of efforts to ensure sustainability. Continue integrating green economy into the Public Administration Academy, State University of Economics (UNEC), Ganja State University and others, further strengthening their involvement in project implementation, training and developing a new curriculum. A review could be conducted to identify gaps in the universities' study field relevant to new environmental legislation (e.g. on forest management) and ways of closing those gaps. In addition, it could consider creation of a separate high school on green economy.
- **Continue engaging in regional and international co-operation** through multiple donor-funded regional and bilateral programmes, which are a steppingstone to advance new green concepts and build capacity. A centralised register with past and ongoing international initiatives could be established to help ministries navigate among them and have a clear overview of who is doing what to avoid overlap. **Sustainability** beyond the end of a project should be addressed through government ownership and institutionalisation, to the extent possible, of the achieved result. The ongoing discussion on institutionalisation of the green economy courses in the two universities and developing a new curriculum is a good start.
- **Consider replicating the best practices and institutional innovations of other EaP countries,** optimising some features and adapting them to the national context. Inspirations could include the Environmental Information and Education Centre under the Ministry of Environmental Protection and Agriculture of Georgia, the inter-ministerial working group on green economy in Moldova and RSTs in Ukraine. The latter could be optimized to provide a more active coaching role to shift capacities and skills to the ministry's staff. Once achieved, RSTs could be kept for more strategic thinking and new issues requiring tailored expertise and co-ordination.

Targeted at the EU and international organisations

- **Continue providing support to build capacity for environment and green economy at national level** by incorporating capacity building elements into donor-funded initiatives. The EU country programme for Azerbaijan, under development, should also contain a strong focus on environment/green economy management.
- **Consider more technical support** as part of regional or country programmes by placing international/national independent experts at different levels and institutions, as needed, to provide independent analysis of a specific law in the legislative branch, or support with law-drafting or implementation to the executive pillar, among others.
- **Ensure sustainability and continuity of capacity building beyond the end of a project** by transferring ownership to the country through institutionalisation of results. The focus should be on creating a sustainable mechanism to build capacity for environmental management and green economy in public administration and on incorporating such a curriculum in the educational system at all levels. In addition, it should bridge any gaps between two programmes to ensure smooth continuation of support.
- **Optimise impact of trained officials to improve the ministry's capacity** by accompanying ministries in creating incentives to retain the trained staff and maximising use of their knowledge.
- **Reinforce support to building capacity for environment and green economy at regional and local levels** by supporting local projects, working more closely with LEAs and municipalities, and providing tailored training on green economy and support for navigating in the digital infrastructure.
- **Work more closely with local NGOs and civil society to build their capacities and stimulate their participation** by involving them in implementation of international green projects, offering tailored training and incorporating them in international environmental networks.
- **Support creating a national co-ordination mechanism on a green economy and needed capacity**, involving horizontally the MENR, MinEcon and other agencies, as relevant, and different administrative levels on the vertical axis. It should be closely linked with development and implementation of the action plan on administrative capacity development.
- **Continue facilitating knowledge sharing through regional programmes** by offering the international organisations' expertise and regional capacity building events. A dedicated online platform or regional network for EaP countries on capacity building for a green economy, beyond the scope and duration of one project, could be considered to exchange best practices; liaise with the European Union, international actors, experts and NGOs; and access data/information and training opportunities.
- **Support the country's integration into existing international networks** with strong capacity building elements, such as development of common projects with the EU Network for the Implementation and Enforcement of Environmental Law (IMPEL).
- **Develop a tool for (self-)assessment and monitoring of administrative capacity** to draw more attention to the institutional capacity needed for implementation of legislation in addition to the adoption of acquis.

Table 4.1 presents selected action points, providing indications for developing the action plan for strengthening administrative capacity for environmental management and green economy in Azerbaijan.

Table 4.1. Draft action plan for strengthening administrative capacity for environmental management and green economy in Azerbaijan

The proposed action plan indicates possible areas where further support might be needed to strengthen administrative capacity for environmental management, and possible action points which might help to address those caveats.

Areas for improvement	Proposed action point	Main national partners	Timeline	Expected outcomes
Inter-ministerial co-ordination on a green economy	<ul style="list-style-type: none"> Create a national co-ordination mechanism on a green economy. Use existing platforms. 	Ministry of Ecology and Natural Resources (MENR), Ministry of Economy (MinEcon), line ministries, civil society, sub-regional level as relevant (e.g. waste issues)	Short term	<ul style="list-style-type: none"> Environment profile is raised. Inter-ministerial co-ordination on a green economy is reinforced. Policy design process is facilitated and mandate fragmentation addressed.
Institutional set-up	<ul style="list-style-type: none"> Conduct in-depth analysis on optimal institutional set-up and capacities for environmental management and green economy. Transpose the SIGMA principles of good public administration to environment/green economy sector. 	Central government, MENR	Mid term	<ul style="list-style-type: none"> Institutional set-up and capacities for environmental management and green economy are optimised.
Milli Majlis, legislative authority	<ul style="list-style-type: none"> Invite civil society or international specialists to support the Committee for Natural Resources, Energy and Ecology in analysing laws and policies. 	Milli Majlis	Short term	<ul style="list-style-type: none"> Analytical capacity of legislative authority is strengthened.
Administration of the President	<ul style="list-style-type: none"> Involve both departments responsible for economic policy in green economy and clearly define their roles. Develop a stronger role of the Department of Economic Policy and Industrial Issues in greening the industry and unlocking green finance. Explore creation of a dedicated department dealing with the environmental/green economy. 	Administration of the President	Mid term	<ul style="list-style-type: none"> Supervising role is reinforced and co-ordination is improved.
Policy frameworks for a green economy	<ul style="list-style-type: none"> Require each new strategy or programme to contain the capacity needs assessment for its implementation. Develop national green economy strategy with targets, timeline and capacity needs assessments. 	Milli Majlis, MENR, MinEcon	Long term	<ul style="list-style-type: none"> Policies and laws are reinforced with capacity needs assessments for their implementation.

Areas for improvement	Proposed action point	Main national partners	Timeline	Expected outcomes
	<ul style="list-style-type: none"> Adopt/amend legislation on emerging areas (green bonds, eco-labelling). 			
Digital and innovative environmental administration	<ul style="list-style-type: none"> Incorporate green elements into e-service portals (e-permitting, e-procurement). Develop training programmes (digital infrastructure and knowledge) and pilot projects at level of local executive authorities and municipalities. Optimise data creation, use and storage to minimise dark data and contribute to a digital decarbonisation. 	All levels	Mid term	<ul style="list-style-type: none"> Digital opportunities and innovations are fully used for strengthening environmental management and green economy. Capacity is improved for transition to e-government of LEAs and municipalities.
Attractiveness of environmental administration	<ul style="list-style-type: none"> Improve working conditions (infrastructure, work-life balance, well-being at work), prospects for career and personal development, financial and other forms of compensation linked with performance. Better tailor recruitment procedures for civil servants, centralised in the State Examination Center to specific institutional needs. 	State Examination Center, MENR	Long term	<ul style="list-style-type: none"> Attractiveness of environmental administration is improved. Incentives to bring and retain knowledgeable workforce are created.
Capacity building opportunities, knowledge gaps and role of universities	<ul style="list-style-type: none"> Create a specialised education centre on environment/green economy, under the Ministry of Ecology and Natural Resources or Ministry of Economy, or a separate high school on green economy. Extend capacity building opportunities on management (project/staff management, communication, digital and English skills) and substantive topics (green/circular economy, green finance/investment, greening SMEs, green procurement, SEA/EIA, eco-innovation, eco-labelling) to all levels. Integrate green economy aspects into the Public Administration Academy, State Examination Center, State University of Economics (UNEC), Ganja State University and others. Institutionalise green education and transfer ownership to the government. Maintain a coaching role for external experts. Strengthen their involvement in the project implementation process, training and developing a new curriculum. Conduct review to identify gaps in the 	Public Administration Academy, State Examination Center, State University of Economics (UNEC), Ganja State University and others	Mid to long term	<ul style="list-style-type: none"> Human capital is built for shaping green economy policies and addressing knowledge gaps on a green economy at all levels. Sustainability is ensured. Universities in green education and capacity building have a scaled-up role.

Areas for improvement	Proposed action point	Main national partners	Timeline	Expected outcomes
	<p>universities' study field relevant to the new environmental legislation.</p> <ul style="list-style-type: none"> Reinforce role of local think tanks in training. Second ministry's staff to other countries to learn how other administrations function. 			
Ministry of Ecology and Natural Resources and subordinate institutions	<ul style="list-style-type: none"> Create an environment agency or similar body to carry out analysis to support policy making, linking data collection and analytical functions. Create incentives (financial, career prospects, work-life balance) to retain trained experts in the public sector; task-trained specialists should have a coaching role. Develop green knowledge platform, centralising data, legislation, guidelines on a green economy. Improve internal co-ordination among departments. Use performance assessment to get first-hand feedback on capacity development needs and work optimisation. Include regular trainings as one of the objectives, allocate proper time for learning. Extend training opportunities to institutions subordinate to the ministry, involve them in project implementation. 	MENR, State Environmental Expertise Agency, State Environmental Security Service, State Agency for Utilization of Mineral Resources, Hazardous Waste Company	Mid to long term	<ul style="list-style-type: none"> Analytical capacity to improve policy design is strengthened. Knowledge management system is improved and institutional memory is preserved. Knowledge gaps and practical skills are addressed, and value-added of trained specialists on the ministry's capacity is optimised. Capacities of subordinate structures to ministry institutions are improved.
Compliance and enforcement	<ul style="list-style-type: none"> Conduct in-depth analysis of environmental inspections and compliance assurance to identify gaps. Abolish moratorium on environmental inspections (expected in January 2024). Provide training and engage more closely with environment law enforcement network (IMPEL). 	State Environmental Security Service	Short term	<ul style="list-style-type: none"> Environmental compliance and enforcement are strengthened; service is empowered with responsibilities, resources and knowledge.
Ministry of Economy and subordinate institutions	<ul style="list-style-type: none"> Assign a leading role on greening the economy to the Ministry of Economy by extending its mandate and empowering with responsibilities and resources. Designate a deputy minister as a focal point for the green agenda and/or to establish department/unit in the ministry dedicated to a green economy. 	MinEcon, SMB Development Agency (KOBİA) "Tamiz Shahar", Azerbaijan Investment Company	Short to mid term	<ul style="list-style-type: none"> Holistic approach is adopted to integrate sustainability into the country's economic development. Centralised approach is adopted within the ministry to deal with green agenda and co-ordination with the MENR is improved.

Areas for improvement	Proposed action point	Main national partners	Timeline	Expected outcomes
	<ul style="list-style-type: none"> Clearly define roles between the Ministry of Ecology and Natural Resources and Ministry of Economy in regard to a green economy. Provide regular training on green economy and related topics to the ministry's staff and subordinate institutions. Provide training for institutions subordinate to the ministry, involve them in project implementation, improve co-ordination, assign focal points to deal with green economy issues. 			<ul style="list-style-type: none"> The respective roles of the ministries are clearly understood. The ministry's expertise in green policy making is leveraged and knowledge gaps on green economy and related topics are addressed. Capacities of the institutions subordinate to the ministry are strengthened to accommodate green elements.
Sectoral ministries	<ul style="list-style-type: none"> Assign one of the deputy ministers (or create specialised units) in each sectoral ministry as a focal point for the green agenda. Create as appropriate specialised departments (e.g. one for organic agriculture in the Ministry of Agriculture). Raise awareness on costs/benefits and improve conceptual and technical understanding of green economy terms. Involve in project co-ordination/implementation. Enhance partnership with the Ministry of Energy and its Renewable Energy Agency given strategic importance of the sector for the national economy. 	Ministry of Energy, Ministry of Finance, Ministry of Agriculture	Short term	<ul style="list-style-type: none"> Capacity of sectoral ministries is strengthened to deal with the green agenda. Green thinking among sectoral ministries is enhanced. Sectoral ministries participate more actively through concrete actions; reinforce ties with the MENR and MinEcon; and participate in the co-ordination body on a green economy.
Green economy monitoring	<ul style="list-style-type: none"> Institutionalise green growth indicators, developed in 2018, and collect data regularly. Create a specialised department on green/circular economy in State Statistical Committee. 	State Statistical Committee		<ul style="list-style-type: none"> Green economy monitoring is improved. Role of the State Statistical Committee in monitoring progress towards a green economy is scaled up.
Local executive authorities (LEAs) and municipalities	<ul style="list-style-type: none"> Empower LEAs and municipalities with functions, budget and knowledge on a green economy. Clearly define their roles. Carry out a functional review on possible decentralisation of environmental management. Develop mechanism for strengthening capacity at both levels. 	LEAs and municipalities	Mid to long term	<ul style="list-style-type: none"> LEAs and municipalities have independence in decisions on local ecological issues, appropriate equipment and financial resources (especially for municipalities). Knowledge and expertise to deal with local ecological issues are increased.

Areas for improvement	Proposed action point	Main national partners	Timeline	Expected outcomes
Public participation and capacity of civil society	<ul style="list-style-type: none"> • Publish annual activity reports by public councils. • Build capacity of NGOs, especially on new topics, and encourage their participation in public councils. • Strengthen co-operation among sectoral CSOs and their international ties. • Establish mechanisms for public participation at subnational level (can be part of the functional review on decentralisation). 	Public councils, civil society	Short to mid term	<ul style="list-style-type: none"> • Visibility and impact of public councils are leveraged, and NGOs have a more active role in them. • Public participation and capacity of civil society in general are enhanced.
Regional and international co-operation	<ul style="list-style-type: none"> • Continue engaging in regional initiatives and bilateral programmes. • Create centralised register/database with past and ongoing international initiatives. • Transfer ownership to the government through institutionalisation (e.g. green economy courses/new curriculum in the universities). • Consider replicating the best practices and institutional innovations of other EaP countries. 	MENR, MinEcon, line ministries, civil society, LEAs and municipalities	Long term	<ul style="list-style-type: none"> • Greater capacity is built for new green concepts. • Past/ongoing initiatives are clear to identify synergies/avoid overlap. • A project is sustainable after it ends. • Administration is strengthened with best practices replicated, and some features optimised and adapted to national context.

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Annex A. Administrative, legislative and policy context for environmental management/green economy in Azerbaijan

Country administrative context

According to Article 7 of the Constitution (adopted on 2 November 1995), Azerbaijan is a democratic, law-governed, secular, unitary republic. State power is based on the principle of separation of powers:

- legislative power, exercised by the Milli Majlis
- executive power, vested to the President
- judicial power, exercised by the courts (Republic of Azerbaijan, 1995).

The tables Table A A.1 and Table A A.2 spotlight (in green) the institutions with relevance to a green economy, as discussed in the report, positioned in the overall structure of legislative and executive branches.

Table A A.1. Legislative pillar

Milli Majlis, One-chamber Parliament				
Chairman				
Milli Majlis administration (Chairman, First Deputy Chairman, 2 deputies) 125 deputies				
Permanent Committees of the Milli Majlis				
Natural Resources, Energy and Ecology	Committee for Economic Policy, Industries and Enterprising	Agrarian Policy Committee	Committee for Law Policy and State-Building	Defence, Security and Counter-Corruption Committee
Human Rights Committee	Labour and Social Policy Committee	Committee of Healthcare	Committee of Healthcare	Youth and Sports Committee
Youth and Sports Committee	Youth and Sports Committee	Committee on Foreign and Interparliamentary Relations	Youth and Sports Committee	Youth and Sports Committee
Parliamentary Deputies				

Source: Milli Majlis, <https://meclis.gov.az/cat-comit.php?cat=55&lang=en>.

Table A A.2. Executive pillar

Central executive authorities				
President Presidential Administration				
Prime Minister				
Cabinet of Ministers (First Deputy Prime Minister, two Deputy Prime Ministers, Ministers, Chairperson and Chairmen of State Committees, Chiefs of State Services, Chairmen of Agencies) <i>Supreme executive authority accountable to the President</i>				
17 Ministries				
Ministry of Internal Affairs	Ministry of Ecology and Natural Resources	Ministry of Energy	Ministry of Justice	Ministry of Labor and Social Protection of Population
Ministry of Emergency Situations	Ministry of Youth and Sport	Ministry of Foreign Affairs	Ministry of Economy	Ministry of Agriculture
Ministry of Finance	Ministry of Culture	Ministry of Defense	Ministry of Defense Industry	Ministry of Transport, Communications and High Technologies
Ministry of Health	Ministry of Education			
7 State committees				
State Committee on Family, Women's and Children's Problems	State Committee on Diaspora Affairs	State Committee for Work with Religious Associations	State Customs Committee	State Statistics Committee
State Urban Planning and Architecture Committee	State Committee on Refugee and IDP Affairs			
7 State companies and state services				
State Migration Service	State Border Service	State Security Service	Foreign Intelligence Service	State Mobilization and Conscription Service
Food Safety Agency	State Tourism Agency			

Source: Cabinet of Ministers, <https://nk.gov.az/en/nazirler-kabineti/azerbaycan-respublikasi-nazirler-kabineti>.

Subnationally, Azerbaijan is a unitary state, consisting of districts, cities and municipalities, with three layers of governance (Table A A.3).

Table A A.3. Three layers of governance in Azerbaijan

Level 1: Central government
Milli Majlis, One-chamber Parliament (legislative pillar) and Central executive authorities (executive pillar)
Level 2: Local executive powers
66 districts and 11 cities, grouped into 14 economic regions
Level 3: Municipalities
2 669 municipalities

Legislative and policies framework with relevance to a green economy

Legislation

Article 39 of the Constitution grants everyone the fundamental right to live in a healthy environment (Republic of Azerbaijan, 1995). The main document in the field of environment protection in Azerbaijan is **Law No. 678-IQ "On Environmental Protection"**, adopted on 8 June 1999 and amended in several steps (with the latest one on 17 February 2023). One of the latest amendments incorporates provisions on polyethylene bags and plastic containers and tools (EU4Environment, 2022). The law is complemented by extensive legislation, including laws, various ministerial and presidential decrees, with some listed below:

- Law on environmental protection (1999, amended 17 February 2023, No. 678-IQ)
- Law on ecological safety (1999, amended 2020, No. 677-IQ)
- Law on access to environmental information (2002, amended 2023, No. 270-IIQ)
- Law on environmental education and public awareness (2002, amended 2023)
- Law on environmental impact assessment (2018, amended 2023, No. 1175-VQ)
- Law on industrial and consumer waste (1998, amended 2020, No. 514-IQ)
- Law on protecting the atmosphere (2001, amended 2022, No. 109-IIG)
- Law on hydrometeorological activity (1998, amended 2023, No. 485-IG)
- Law on protected natural territories (2000, amended 2019, No. 840-IQ)
- Law on conservation of greens (2014, amended 2023, No. 957-IVQ)
- Law on wildlife (1999, amended 2020; No. 675-IG)
- Law on land amelioration and irrigation (1996, amended 2019; No. 116-IG)
- Law on water supply and effluent wastewater (1999, amended 2019, No. 723-IQ)
- Law on water economy of municipalities (2001, amended 2020)
- Fisheries Law (1998, amended 2022, No. 457-IQ)
- Law on radiation safety of the population (1997, amended 2019, No. 423-1Q)
- Various ministerial and presidential decrees, including Presidential Decree No. 975 on approval of the Charter of the Ministry of Ecology and Natural Resources. (FAOLEX, n.d.1).
- Laws ratifying international conventions and protocols (e.g. on oil and transboundary air pollution, substances, depleting the ozone layer and others) (FAOLEX, n.d.2).

Policies

Although Azerbaijan does not have a green economy strategy as such, promotion of green economy and green growth is one of five priorities set up in the core national development strategy for the next decade "Azerbaijan 2030" and translated into the Socio-Economic Development Strategy for 2022-26.

Box A A.1. “National priorities of socio-economic development: Azerbaijan – 2030”

“**Azerbaijan 2030**”, approved by Presidential Order in February 2021, is a steppingstone for the country’s development vector for the next decade. It sets five core national priorities for socio-economic development, one of which is dedicated to **environment and green growth**. It aims to ensure a high quality environment, promotion of clean technologies, development of alternative and renewable energy sources, efficient use of water resources, and recycling and remediation of contaminated areas. Another priority focuses on development of competitive **human capital**.

The national priorities, outlined in “Azerbaijan” were transposed to “**Socio-Economic Development Strategy for 2022-26**”, which is the first in the ministry to be a completely collective and collegial document. Its preparation was supported by several working groups, led by the heads of relevant fields and ministries (Lmahamad, 2022).

The working groups, established under the Cabinet of Ministers, includes **a group on green growth**. The group was vested to define the main directions under the priority “Nurturing a clean environment and national “green growth”. Within the green growth working group there are three sub-groups: two are led by the Ministry of Ecology and Natural Resources and one is led by the Ministry of Energy.

Monitoring and evaluation of the strategy was entrusted to the Center for Analysis of Economic Reforms and Communication.

The elements of a green economy are also contained in a number of other strategic documents, with some examples below:

- “**Azerbaijan 2020: Look into the Future**” (predecessor of “Azerbaijan 2030”, approved by Presidential Decree 800 in 2012) already contained some elements of green economy, waste management and circular economy.
- **Strategic Road Maps on the National Economy and Its Key Sectors 2017-20** (approved by Presidential Decree No. 1138 in 2016) contained provisions related to green economy. It led to institutional reforms, including establishing the Center for Analysis of Economic Reforms and Communication, State Examination Center, SMB Development Agency, Azerbaijan Investment Holding, among others. It also led to staff renewal at all levels of public administration and increased monthly salaries (Ereforms, n.d. 3).
- **The Concept of Circular Economy** has been at the core of recently approved presidential orders. The “National Strategy for the Improvement of Solid Waste Management for 2018-22” includes institutional and capacity analysis of the solid waste management system. Another example is the “The Action Plan on reducing negative environmental impacts of plastic packaging waste in Azerbaijan: 2019-20”. The two pieces of legislation led to the amendment of the “Law on the Environment Protection” in November 2020.

International co-operation: 2030 Agenda and bilateral relations with the European Union

The environmental administration in Azerbaijan also needs significant capacity to meet its international commitments. The report touches upon only two of them – 2030 Agenda and dialogue with the European Union.

2030 Agenda

In 2015, Azerbaijan along with other countries, committed itself to the UN 2030 Agenda and its 17 Sustainable Development Goals. SDGs 8 and 12-15 tackle environmental concerns, aiming to improve resource efficiency, and responsible consumption and production, as well as to address climate change and biodiversity. SDG 16 aims to “build effective, accountable and inclusive institutions at all levels”. This led to a number of institutional changes, including establishing the **National Coordinating Council for Sustainable Development** in 2016 to enhance inter-ministerial co-ordination; creating the **Department of Sustainable Development and Social Policy** within the Ministry of Economy structure to co-ordinate activities on “Agenda 2030”; and creating the **Department of Sustainable Development Statistics** within the Statistical Committee to foster data collection, aligned with SDGs.

Azerbaijan-EU dialogue

Azerbaijan is part of the Eastern Partnership (EaP) initiative, launched in 2009 to enhance strategic partnership and support policy reforms in the Partner countries. In the framework of the EaP Summits, Azerbaijan alongside other partner countries, has taken commitments towards a green economy. The **EaP policy beyond 2020**, setting environmental and climate resilience as one of the five long-term policy objectives, became a new basis for co-operation, to which EU and EaP countries committed at the 2021 EaP summit.

The **European Green Deal**, with an ambitious target of net-zero emissions of greenhouse gases by 2050, is becoming a new driver for green transition. While there is no discussion on the EU Green Deal in Azerbaijan, leveraging green growth on the country's development agenda may trigger dialogue on the Green Deal as well.

The European Union's bilateral relations with Azerbaijan are based on the **EU-Azerbaijan Partnership and Cooperation Agreement** in force since 1999. This Agreement provides fundamentals for bilateral relations and creates a set of international obligations for Azerbaijan, some of which are related to the environment. In its preamble, the Agreement proclaims the will of its Parties to establish “close cooperation in the area of environment protection taking into account the interdependence existing between the Parties in this field”. Article 56 establishes aims and means of co-operation on environment. More importantly, its paragraph 3 mentions, among others, two strategic objectives:

- improving laws to European Community standards
- developing strategies, particularly with regard to global and climatic issues and to sustainable development.

The first of these two defines the harmonisation of Azerbaijani environmental legislation with that of the European Union. The objective underlines the necessity to employ strategic planning as a tool to achieve the broad objectives of sectoral policy.

In 2017, the European Union and Azerbaijan launched negotiations towards a new agreement, leading to adoption in 2018 of the **new partnership priorities**. This is considered as an important step towards enhanced partnership (Council of Europe, n.d.). One of the four main areas of co-operation is strengthening institutions and good governance, including the fight against corruption and public administration reform. Another priority – connectivity, energy efficiency, environment and climate action – aims at sustainable management of resources, among others (EEAS, 2018).

Azerbaijan has no legal obligation to align its environmental legislation with EU acquis. However, the established dialogue within the Partnership Agreement and new priorities, in particular on “improving laws to European Community standards”, is an important platform for activating reforms in administrative and institutional issues.

There is no EU country programme for Azerbaijan and co-operation is channelled through the regional projects. However, there are plans for such a programme.

As part of the UNECE-led Environment for Europe process, Azerbaijan made voluntary commitments in 2017 in the form of green economy actions under “Batumi Initiative on Green Economy” (BIG-E) until 2030. Among those commitments are increasing green jobs, developing human capital, promoting public participation and education for sustainable development (Government of Azerbaijan, 2017).

Annex B. OECD/SIGMA principles of good public administration

The **Support for Improvement in Governance and Management** (SIGMA) is a joint OECD-EC initiative to improve public governance by supporting capacity development and improving the design of public administration reforms. It builds on **six core principles** (agreed reform areas) of public administration: strategic framework for public administration reform; policy development and co-ordination; public service and human resource management; accountability; service delivery; and public financial management. These principles, targeting mainly policy makers, became the core reference of good public administration (Box A B.1).

The **Methodological Assessment Framework** allows countries to assess state of play in public administration against each principle. It could be used with or without external support in the format of self-assessment. However, it requires a significant amount of data and analytical capacity. It consists of **41 indicators** and **292 sub-indicators** developed by the World Economic Forum and the World Bank. The framework is accompanied by an **Administrative Capacity Screening Tool** meant for self-assessment (Box A B.2) (SIGMA, 2018).

Although good governance principles are universal, they were initially designed for countries seeking EU accession. They look only at the state (national or central) level. This report also attempts to cover the role of local executive authorities and municipalities in environmental management.

Although the SIGMA principles and its assessment framework target public administration in general, they can be also applied and adapted to the environmental sector. Azerbaijan may consider investing the necessary resources to transpose the principles and its methodological assessment framework, in the form of self-assessment, to the environment sector to improve the country's governance in this field.

Since 1992, SIGMA has been extending its co-operation to EU candidate countries and countries of EU Neighbourhood, including Azerbaijan. The SIGMA work programme for Azerbaijan (agreed in December 2022) identifies three main priority areas for co-operation:

- the State Examination Center on developing the civil service legal framework and the Law on Legal Entities of Public Law
- the State Service for Antimonopoly Policy and Consumer Rights Protection on further developing the operational functioning of the procurement system, including electronic procurement
- the competent authorities for public administration reforms on reviewing their initiatives (OECD/SIGMA, n.d.).

Box A B.1. Six key reform areas and selected SIGMA principles of good public administration

Area 1. Strategic Framework of Public Administration Reform

- **Principle 1:** An effective public administration reform agenda is developed that addresses key challenges and is systematically implemented and monitored.
- **Principle 2:** The financial sustainability of public administration reform is ensured.
- **Principle 3:** Institutions involved in public administration reform have clear responsibility for reform initiatives and the capacity to implement them.

Area 2. Policy Development and Co-ordination

- **Principle 1:** Medium-term policy planning is harmonised, with consistent system-wide objectives, and is aligned with the financial circumstances of the state; sector policies meet the overall objectives set by the leadership and are consistent with the medium-term budgetary framework.
- **Principle 2:** Regular monitoring of performance against the plans enables public scrutiny and ensures the achievement of stated objectives.
- **Principle 3:** Policy and legislative decisions are prepared in a transparent manner and based on the administration's professional judgement.
- **Principle 4:** Parliament oversees government policy making.
- **Principle 5:** The organisational structure, procedures and staff allocation of the responsible state institutions ensure the capacity to develop and implement policies and legislation that meet medium-term and annual objectives and plans.
- **Principle 6:** The policy-making and legal drafting process is evidence-based and impact assessment is regularly used across ministries.
- **Principle 7:** Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordinating perspectives within the administration.
- **Principle 8:** Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.

Area 3. Public Service and Human Resource Management

- **Principle 1:** The policy and legal frameworks for a professional and coherent public service are in place; the institutional set-up enables consistent and effective human resource management practices across the public service.
- **Principle 2:** The scope of public service is adequate and clearly defined.
- **Principle 3:** The recruitment of public servants, including those holding senior managerial positions, is based on merit and equal treatment in all its phases; the criteria for demotion and termination are explicitly stipulated by law and limit discretion.
- **Principle 4:** The remuneration system of public servants is based on job classification; it is fair and transparent.
- **Principle 5:** The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.
- **Principle 6:** Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.

Area 4. Accountability

- **Principle 1:** The overall organisation of central government is rational, follows adequate policies and regulations, and provides for appropriate independent accountability.
- **Principle 2:** Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.
- **Principle 3:** The right to access public information is enacted in legislation and consistently applied in practice.
- **Principle 4:** Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews.
- **Principle 5:** Public authorities assume liability in cases of culpable breach of duty of a public servant and guarantee redress and/or adequate compensation.

Area 5. Service Delivery

- **Principle 1:** Policy for service delivery-focused state administration is in place and applied.
- **Principle 2:** Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation and applied consistently in practice.
- **Principle 3:** Mechanisms for ensuring the quality of public service are in place.
- **Principle 4:** The accessibility of public services is ensured.

Area 6. Public Financial Management

- **Principle 1:** The government publishes a medium-term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum period of three years; all budget institutions operate within it.
- **Principle 2:** The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium-term budgetary framework and are observed.
- **Principle 3:** The central budget authority, or authorised treasury authority, centrally controls disbursement of funds from the treasury single account and ensures cash liquidity.
- **Principle 4:** There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt-servicing costs are kept under control.
- **Principle 5:** Budget transparency and scrutiny are ensured.
- **Principle 6:** The operational framework for internal control defines responsibilities and powers, and is implemented by general budget institutions in line with the overall internal control policy.
- **Principle 7:** The operational framework for internal audit reflects international standards and is applied consistently by government institutions.
- **Principle 8:** Public procurement regulations are aligned with internationally recognised principles of economy, efficiency, transparency, openness and accountability; there is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently.
- **Principle 9:** The remedies system is aligned with applicable agreements and international regulations and with internationally recognised good practice of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.
- **Principle 10:** Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, and ensure the most efficient use of public

funds; contracting authorities have appropriate capacities and use modern procurement techniques.

- **Principle 11:** The independence, mandate and organisation of the supreme audit institution are established and protected by the constitutional and legal frameworks and are respected in practice.
- **Principle 12:** The supreme audit institution applies standards in a neutral and objective manner to ensure high-quality audits, which positively impact on the governance and functioning of the public sector.

Source: SIGMA principles on good governance.

The **methodological framework** above provides a comprehensive monitoring framework for assessing the state of a public administration. Box B.2 presents selected indicators under each of six key areas of reforms, with highlights of selected indicators/areas, touched upon in this report. This report does not make an assessment, as this would require more time, data and resources.

Box A B.2. Methodological framework for the principles of public administration: Selected indicators

Area 1. Strategic Framework of Public Administration Reform

- Quality of the strategic framework of public administration reform, effectiveness of implementation and comprehensiveness of the monitoring system

Area 2. Policy Development and Co ordination

- Quality of policy planning
- Quality of government monitoring and reporting
- Transparency of government decision making
- Adequacy of organisation and procedures for supporting the development of implementable policies
- Evidence-based policy making
- Public consultation on public policy
- Inter-institutional consultation on public policy
- Predictability and consistency of legislation

Area 3. Public Service and Human Resource Management

- Adequacy of the policy, legal framework and institutional set-up for professional human resource management in public service
- Adequacy of the scope of public service
- Meritocracy and effectiveness of recruitment of civil servants
- Merit-based recruitment and dismissal of senior civil servants
- Fairness and competitiveness of the remuneration system for civil servants
- Professional development and training for civil servants
- Integrity of public servants

Area 4. Accountability

- Accountability and organisation of central government
- Effectiveness of scrutiny of public authorities by independent oversight institutions

Area 5. Service Delivery

- Citizen-oriented service delivery
- Fairness and efficiency of administrative procedures

Source: SIGMA.

Annex C. Other benchmarks related to administrative capacity assessment

There is no one single universal benchmark for assessing administrative capacity for environmental management and green economy. Several benchmarks and tools, listed below, could be combined to provide guidance. This Annex presents the selected tools, in addition to SIGMA principles, targeted at public administration in general. More specific tools, tackling different aspects of green economy, are presented in Annex D.

UNDP capacity assessment methodology

The United Nations Development Programme (UNDP) defines capacity assessment as the “analysis of desired capacities against existing capacities which generates an understanding of capacity assets and needs that can serve as input for formulating a capacity development response”. The UNDP framework has three dimensions: points of entry (enabling environment, the organisational and the individual); core issues (institutional arrangements; leadership; knowledge; and accountability); and functional and technical capacities (engage stakeholders; assess a situation and define a vision and mandate; formulate policies and strategies; budget, manage and implement; and evaluate). The UNDP approach follows a three-step process to assess capacity: mobilise and design; conduct the capacity assessment; and summarise and interpret results.

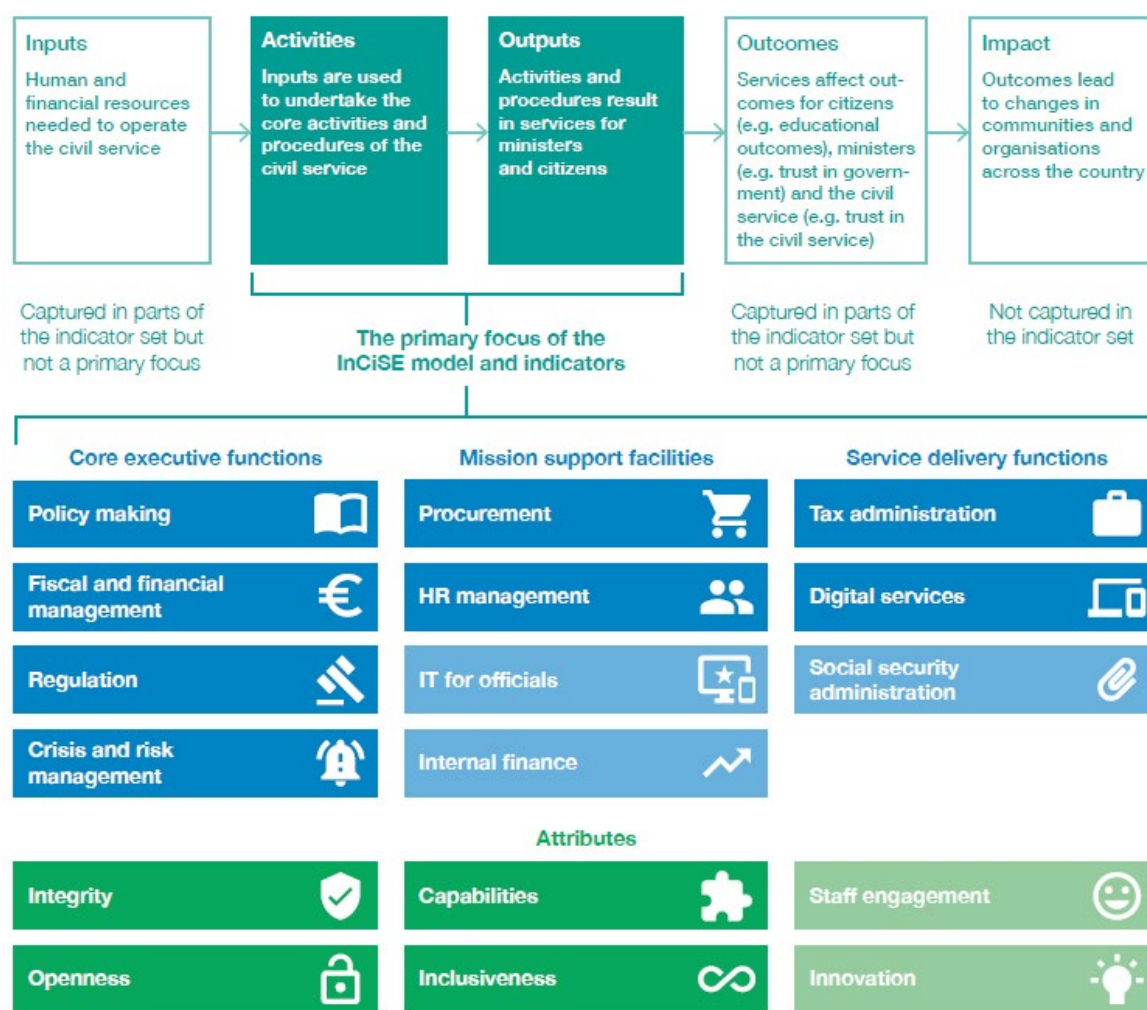
Effectiveness of civil service: InCiSE index

The **International Civil Service Effectiveness** (InCiSE) Index is the first comprehensive index of international indicators of civil service effectiveness. It was developed in 2017 by the University of Oxford Blavatnik School of Government and the UK Institute for Government for **assessing the effectiveness of civil servants within central governments** (Figure A C.1). It is a performance improvement and accountability tool, mainly targeted at central governments. The tool is divided in:

- Core functions (what a civil service does) – there are 11 indicators.
- Attributes (main characteristics of behaviour of the civil service: how) – there are 6 indicators.

In 2019, some 38 countries globally have been covered by the index, though none from the EaP countries.

Figure A C.1. The InCiSE Framework



Source: InCiSE, 2019a.

The legitimacy of the results of the index depend to a big extent on the availability of good quality data. Table A C.1 highlights selected indicators that can be relevant for EaP countries, including Azerbaijan.

Table A C.1. InCiSE indicators

Capability	Crisis and risk management	Digital services
<ul style="list-style-type: none"> Literacy level Numeracy level Problem solving level Tertiary education ICT at work Numeracy at work Reading at work Writing at work 	<ul style="list-style-type: none"> Strategic approach Lead risk institution Risk planning Multi-hazard Monitoring Risk management Preparedness Appraisal 	<ul style="list-style-type: none"> User Centricity (UC) business start-up UC regular businesses UC Family life UC lose/find a job UC small claims Key enablers (KE) business start-up KE regular business

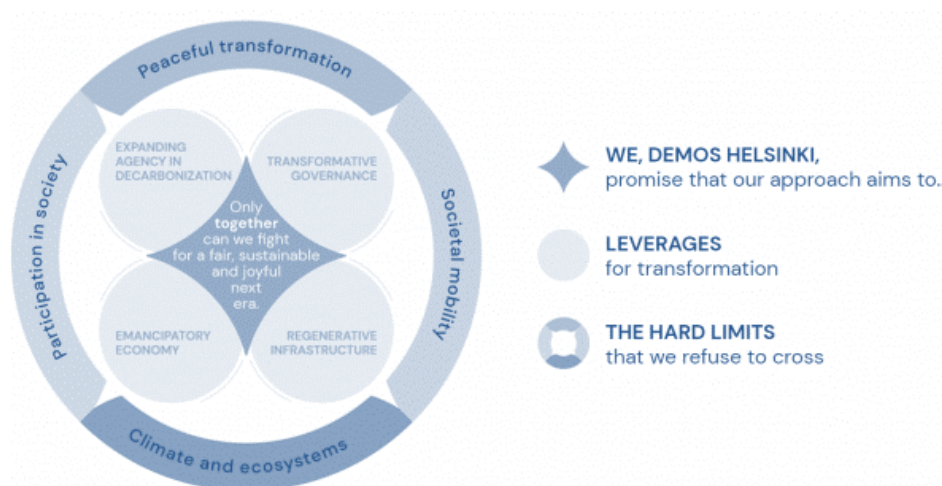
<ul style="list-style-type: none"> • Planning skills • Task discretion • Learning at work • Readiness to learn • Job-related learning 	<ul style="list-style-type: none"> • Int'l co-operation • Co-operation • Early warning • Evaluation • Post-disaster 	<ul style="list-style-type: none"> • KE family life • KE lose/find a job • KE small claims • Cross-border (CB) business start-up • CB regular business • CB small claims
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Source: InCiSE, 2019b.

Concept of transformative governance: Index Demos Helsinki Impact Tool

Index Demos Helsinki Impact (Demos Helsinki, 2020) is a tool for measuring societal transformation and steering operations towards societal impact.

Figure A C.2. Demos Helsinki Impact Model



Source: Demos Helsinki (2020).

Demos is a Finnish think tank that developed a framework based on the concept of **transformative governance** where “public organisations have reinvigorated people’s trust in the future by establishing new governance approaches through which they lead and manage societal society-wide transformations”. One of the premises of Demos’ approach is that “current governance systems do not inspire enough trust and confidence in citizens” and that there is a need to “find a new governance mindset that balances both change and stability, managing critical long-term transitions alongside more immediate needs”.

The impact model is based on the concept of organisational **ethos** describing “why the organisation exists, the vision for the future and its approach to arriving there”.

Guidance on necessary administrative capacity that goes with adopting individual pieces of legislation

The **Handbook** on implementation of the environmental acquis in Western Balkans was developed in the framework of the Environmental and Climate Regional Accession Framework (ECRAN, n.d). ECRAN (running from 2014-16) builds on the experience of the Regional Environmental Network for Accession (RENA) and aims at “strengthening regional cooperation between EU candidate countries in the Western Balkans”. The handbook provides guidance to policy makers (national, regional and local level) in the transposition and implementation of major EU directives. It would therefore be of utmost utility to those EaP countries that have signed EU approximation agreements and that are undergoing an intensive period of legal approximation. Some 34 directives and 18 regulations are covered in the handbook in the following sectors: horizontal; air quality; waste management; water protection; nature protection; industrial pollution control; chemicals management; and noise.

The handbook defines **an effective and efficient administration as one with the following features:**

- clear competencies for the administration of environmental and related legislation
- clear and efficient procedures for decision making and implementation of decisions
- skilled professionals ranging from environmental scientists, engineers and ecologists to environmental law experts
- sufficient staff and funding to carry out tasks
- strong enforcement rights and capabilities.

The handbook **outlines competent authorities and other stakeholders** (ministries; environmental agencies; regional and local authorities; NGOs; public; industry) **and their precise roles in provision of different pieces of legislation**. It also highlights the necessary inter-institutional co-ordination for better integration and implementation.

Another important feature is the institutional and capacity development needed for implementation of a given directive. For example, Chapter 3 provides some suggestions for strengthening institutional capacity with regard to the EIA Directive, as well as institutional innovations.

Annex D. Benchmarks with relevance to a green economy transition

There is no benchmark for assessing the administrative capacity for transition towards a green economy. However, a few examples below can provide some guidance.

Framework for assessing the administrative capacity for transition to a circular economy

The World Bank designed the generic framework to test for capacities in EU member states to design and implement sustainability transitions crucial for reaching the second objective of Cohesion Policy (2021-27). It revolves around the concept of **sustainability transitions**, which is “a long-term, society-wide process that depends critically on the emergence and spread of diverse forms of innovation that trigger alternative ways of thinking and living – new social practices, technologies, business models, nature-based solutions and so on” (EEA, 2019a). Sustainability transitions are associated with the achievement of shared goals between “all policy areas and levels of government” (EEA, 2019b).

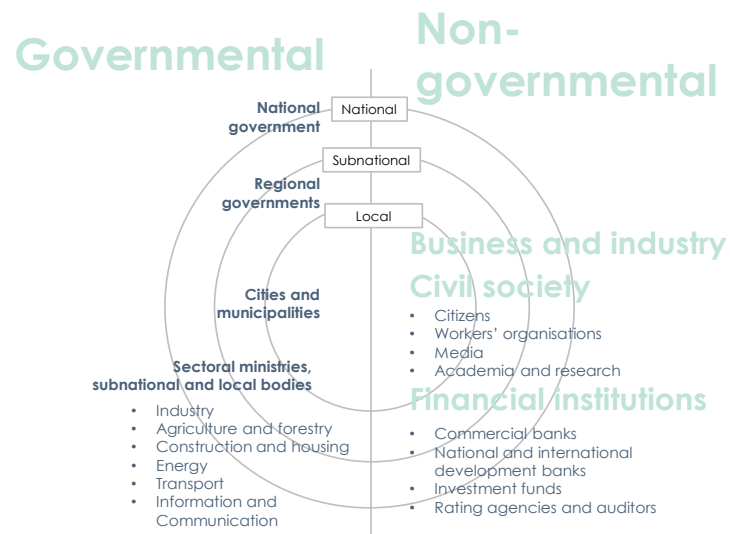
Box A D.1. Focus areas for policy and action

- **Focus area 2:** Enabling coherent actions across policy areas and levels of governance
- **Focus area 3:** Promoting experimentation with diverse forms of sustainability innovation and building transformative coalitions
- **Focus area 4:** Supporting the diffusion of sustainability innovations and practices
- **Focus area 5:** Anticipating and adapting to risks and unintended consequences
- **Focus area 6:** Enabling a “just transition”
- **Focus area 7:** Leveraging and strengthening the role of cities and communities in transitions
- **Focus area 8:** Reorienting financial flows towards sustainable and transformative innovations
- **Focus area 9:** Developing knowledge and skills for transitions governance and practice
- **Focus area 10:** Leading international action towards sustainability

Source: EEA, 2019a.

The **assessment framework** is targeted mainly at national level but also covers sub-regional levels. The application of the framework would be a complicated exercise and requires a certain level of inter-institutional collaboration.

Figure A D.1. Generic stakeholder mapping for circular economy



Source: Factor/Milieu (2020).

Box A D.2. Framework for assessment of administrative capacities for transition to a circular economy

Leadership

- Champion for change (sufficient resources; leads in holistic approach)
- Implementation capacity (different sectors; capacity on subnational level)
- Collaborative and inclusive leadership (inclusive development of vision; transparent conflict solving)

Strategy and legal framework

- Strategy (national strategy; locals ones)
- Action plan (availability on national and/or regional and local level; synergies with other strategies)
- Legal framework (adequacy; addressing barriers)
- Stakeholder engagement and communication

Co-ordination

- Co-ordination between different stakeholders
- Horizontal co-ordination
- Vertical co-ordination
- Overall co-ordination mechanisms

Policy instruments

- Policy instruments (long-term targets; policy-based instruments; flexibility)
- Economic instruments (supporting financial framework; adapted fiscal framework)
- Soft instruments (voluntary instruments increasing the role of citizens and businesses; GPP; stakeholder empowerment)

Accountability

- Enforcement of regulations and policies
- Monitoring and evaluation (database for designing CE transition strategies and policies; integrated and consistent monitoring; availability of an evaluation framework)
- Transparency
- Regulations

Source: Factor/Milieu (2020).

Capacity assessment tools for environmental compliance and enforcement

A number of tools are targeted at the capacity assessment of the environmental enforcement authorities (environmental inspectorates):

- Minimum criteria for environmental inspections
- Doing the Right Things Methodology, developed by IMPEL

- OECD Regulatory Enforcement and Inspections Toolkit (2018)
- OECD Guidance on individual competence development within environmental inspectorates of EECCA, developed under the framework of REPIN (2011).

Box A D.3. Minimum criteria for environmental inspections

The minimum criteria for environmental inspections have been in force since 2001 in the form of EC recommendations (European Union, 2001). Hence, they have a voluntary character. They are targeted at EU members but may be useful for EaP countries to improve the quality and effectiveness of environmental inspections. Recommendations consist of a number of criteria that may be considered as a benchmark for quality environmental inspections and high level of environmental protection. It would be relatively easy to develop a self-assessment tool for environmental inspectorates based on the minimum criteria.

Plans for environmental inspections

- Plan inspection activities in advance – national, regional or local levels based on legal requirements; register of installations; assessment of major environmental issues; appraisal of the state of compliance.

Site visits

- Conduct information exchange; findings are contained in reports; legal right to access the site; carry out regular routine site visits; examine full range of environmental impacts.
- Promote and reinforce operators' knowledge and understanding of relevant EC legal requirements and environmental sensitivities.
- Ensure the carrying out of non-routine inspections in case of investigation of serious environmental complaints, serious environmental accidents or where appropriate for issuing a permit.

Reports and conclusions following site visits: written, processed and stored in an accessible form.

Investigations of serious accidents, incidents and occurrences of non-compliance

- Carry out investigations to identify the cause of the event and its impact; mitigate and remedy environmental impact; enable enforcement action.

Reporting on environmental inspection activities in general

- Examine data about staffing and other resources of the inspecting authorities; details of the inspecting authority's role and performance; data on inspections carried out; data on the degree of compliance; actions as a result of complaints.

Capacity development for environmental impact assessment

Box A D.4. Suggestions for strengthening institutional capacity with regard to the Environmental Impact Assessment (EIA) Directive

- Recruit staff to improve capacity should implementation of the directive increase workloads, and widen specialist expertise to support evaluation of environmental reports, together with the possibility to establish multidisciplinary groups of officials that enable them to give their expertise to the evaluation of the environmental reports.
- Train staff to improve capability and technical knowledge.
- Extend training curriculum to include topics encouraging effective public participation.
- Develop databases tracking the progress of individual projects.
- Develop information technology to support access to environmental information related to EIA documentation and consultation procedures.
- Adopt internal communication approaches to integrating other environmental acquis environmental standard-based requirements into EIA approval processes.
- Install or modify computer systems for handling applications and improving communications.
- Change and improve permitting procedures, taking into account the key issue of cross-references and procedural guarantees.

Source: ECRAN (2016).

Annex E. Capacity gaps as identified by the Ministry of Economy in Azerbaijan

According to the questionnaire, filled in by the National Action Coordinator in close collaboration with the Ministry of Economy, capacity gaps have been identified in knowledge, tools, technology and information on green economy, green investment planning, eco-labelling, green public procurement, greening SMEs and large enterprises, green finance and circular economy. Overall, relevant to the new for the public administration in general concepts.

The ministry, however, considers having adequate capacity relevant to EIA/SEA, public awareness raising and education, compliance, RECP and eco-innovation, waste management and monitoring.

This provides guidance for the government and donor community on those areas, where additional efforts need to be focused.

Sectors relevant to EU4Environment	Gaps in...			
	Knowledge	Tools	Technology	Information
- Green economy ownership, policy coherence and cross-sectoral co-ordination	gap	gap	gap	gap
- Green (sectoral) investment planning	gap	gap	gap	gap
- EIA/SEA	no gap	no gap	no gap	no gap
- Public awareness raising and education	no gap	no gap	no gap	no gap
- RECP and eco-innovation	no gap	no gap	no gap	no gap
- Green products (labelling, etc.)	gap	gap	gap	gap
- Green public procurement	gap	gap	gap	gap
- Waste management	no gap	no gap	no gap	no gap
- Eco-innovation	no gap	no gap	no gap	no gap
- Greening SMEs and large enterprises	gap	gap	no gap	gap
- Environmental compliance assurance	no gap	no gap	no gap	no gap
- Green finance (public, private, subsidies reform)	gap	gap	gap	gap
- Monitoring (based on green growth indicators)	no gap	no gap	no gap	no gap
- Circular economy	gap	gap	gap	gap

Notes

¹ https://publicadministration.un.org/unpsa/Portals/0/UNPSA_Submitted_Docs/2019/4ed30095-db73-4b50-89a1-fec2503bab99/File_1_%202020_UNPSA_Economic_Reforms_Governance_%20Model_Evaluation%20Report_25112019_075310_c97f527f-76b2-40c2-bb3e-49734a9463d7.pdf?ver=2019-11-25-075310-787

² During the most severe quarantine measures, the Azerbaijani economy has lost 120-150 million Azerbaijani manats (USD 70.7-88.4 million) per day, (OECD Organization for Economic Co-operation and Development, (2020), source: <https://www.proquest.com/docview/2555964428?pq-origsite=gscholar&fromopenview=true> and OECD (2020), *COVID-19 crisis response in Eastern Partner countries*, <https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

³ <https://www.proquest.com/docview/2555964428?pq-origsite=gscholar&fromopenview=true>

⁴ Azerbaijan 2030, <https://president.az/en/articles/view/50474>

⁵ According to the international experts, Azerbaijan has an important potential producing solar and wind energy. The agreements have been signed for construction of the new facilities for alternate energy sources, attracting both government and foreign investments. Increasing production of "green energy" will contribute to diversifying the economy as there are already protocols signed in December 2022 with Georgia, Bulgaria and Hungary to export this energy through Georgia and Black Sea to Europe.

⁶ <https://ereforms.gov.az/files/publications/pdf/en/90aa1b6b8f804ef240ee29629032821c.pdf>

⁷ <https://ereforms.gov.az/en/media/xeberler/iitkm-terefinden-yasil-igtisadiyyat-kitabi-nesr-olunub-454>

⁸ For instance, recent sessions were devoted to amending the Laws "On Electric Power", "On Gas Supply", "On water supply and waste water", "On Environmental Protection". See all sessions: <https://meclis.gov.az/news-comit.php?id=10&lang=en&cat=55>.

⁹ For instance, the scope of one of the latest sessions covered the Land Code, including land and energy reforms, land rent, cadastre, monitoring and management; amendment to the Law on electricity; amendment to the Law on gas supply; and amendments to the Law on water supply and wastewater.

¹⁰ The department repairs vehicles, machines and mechanisms.

¹¹ Length of services in Azerbaijan: 7.0% of civil servants lasted 1 year; 23.1% from 1-5 years, 25.9% from 5-10 years, 17.2% from 10-15 years, 26.8% 15 years and over, State Statistical Committee, www.stat.gov.az/news/index.php?lang=en&id=5249.

¹² Distribution of civil servants by age groups: 2.5% of persons aged under 25 years, 13.3% aged 25-29 years, 17.3% aged 30-34 years, 15.1% aged 35-39 years, 12.2% aged 40-44 years, 9.3% aged 45-49 years, 8.7% aged 50-54 years, 10.4% aged 55-59 years, 9.6% aged 60-64 years, 1.6% aged 65 and over, State Statistical Committee, www.stat.gov.az/news/index.php?lang=en&id=5249.

¹³ Approved state budget expenditure for 2022 was AZN 32.304 bln, <https://interfax.com/newsroom/top-stories/87181/#:~:text=Approved%20state%20budget%20revenue%20for,manat%20or%202.7%25%20o>

[f%20GDP](#). This estimate assumes the ministry's budget all comes from the state budget. It may have other sources of finance, but they would be small compared to state budget allocations.

¹⁴ Information on salary increases collected by the National Action Coordinator in consultation with the Ministry of Ecology and Natural Resources.

¹⁵ AZN 874 mln out of AZN 25 190 mln total expenditures. The year 2019 is the most recent available on the Ministry of Finance website, <https://maliyye.gov.az/scripts/pdfs/web/viewer.html?file=/uploads/static-pages/files/5c9b6fc012ca9.pdf>.

¹⁶ Average salary of civil servants up by 28.35%, www.azernews.az/nation/166146.html.

¹⁷ Azerbaijan average monthly salary, www.ceicdata.com/en/azerbaijan/average-monthly-salary-statistical-classification-of-economic-activities-rev-2/average-monthly-salary.

¹⁸ Wage Indicator, <https://wageindicator.org/salary/minimum-wage/minimum-wages-news/2023/minimum-wage-update-in-azerbaijan-from-01-january-2023-january-26-2023#:~:text=January%2026%2C%202023-.Minimum%20Wage%20Update%20in%20Azerbaijan,January%202023%20%2D%20January%2026%2C%202023&text=The%20minimum%20wage%20has%20been,AZN300%20to%20AZN345%20per%20month>.

¹⁹ Information collected by National Action Coordinator.

²⁰ Information on financial incentives collected by the National Action Coordinator in consultation with the Ministry of Ecology and Natural Resources.

²¹ Information collected by National Action Coordinator for EU4Environment Action, Environmental Inspections and Compliance Assurance in Azerbaijan (forthcoming).

²² Information collected by National Action Coordinator for EU4Environment Action, Environmental Inspections and Compliance Assurance in Azerbaijan (forthcoming).

²³ Located in Agjabedi, Baku, Ganja, Horadiz, Ismailli, Khachmaz, Lankaran, Mingachevir, Sheki, Shirvan, Sumgait, Tovuz.

²⁴ EU4Environment Action, Environmental Inspections and Compliance Assurance in Azerbaijan (forthcoming).

²⁵ The duration of suspension of inspections in the field of entrepreneurship has been extended, Legislative Tracking, www2.deloitte.com/az/en/pages/legal/articles/legislative-tracking.html.

²⁶ EU4Environment Action, Environmental Inspections and Compliance Assurance in Azerbaijan (forthcoming).

²⁷ Information collected by National Action Coordinator for EU4Environment Action, Environmental Inspections and Compliance Assurance in Azerbaijan (forthcoming).

²⁸ Questionnaire.

²⁹ Regulation of the Department of Sustainable development and social policy of the Ministry of Economy of the Republic of Azerbaijan, Azərbaycan Respublikası İqtisadiyyat Nazirliyinin Dayanıqlı inkişaf və sosial siyasət şöbəsinin ƏSASNAMƏSİ, www.economy.gov.az/storage/files/files-with-long-title/550/1magbgF30HZYk1ZriZjiG8pG5WqfCRPKWoaGvG2j.pdf.

³⁰ Information collected by the National Action Coordinator in consultation with the Ministry of Economy.

³¹ See more about the Agency: <https://area.gov.az/en/page/haqqimizda>.

³² See list of the local executive powers, www.azerbaijans.com/content_1807_en.html

³³ Law on Public Participation, <https://e-qanun.az/framework/26879>; see also Regulation on the Election of the Public Council by Civil Society Institutions, https://frameworks.e-qanun.az/27/c_f_27803.html.

³⁴ Information collected by National Action Coordinator (as of 13 Dec 2022).

³⁵ Structure of CESD, <https://cesd.az/y/page.php?name=Structure>.

³⁶ Information collected during the interviews.

³⁷ Information collected by the National Action Coordinator, in co-ordination with the MENR.

³⁸ Predecessor of the Neighbourhood, Development and International Cooperation Instrument, EU's main financing instrument for external cooperation.



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EU4Environment

Green Economy in Eastern Partner Countries

Strengthening administrative capacity for green transition in Azerbaijan: State of play and reflections on possible improvements

A well-functioning environmental administration is a prerequisite for transparent and effective development and implementation of environmental policies and integration of environmental concerns in economic and sectoral policies.

Azerbaijan has embarked on an ambitious road of comprehensive reforms to accelerate its economic development while reducing its environmental footprint and reconcile development goals with environmental sustainability.

This study highlights Azerbaijan's progress towards reform of public administration responsible for environmental management and progress in establishing mechanisms for inter-agency cooperation on meeting environmental objectives. The report also identifies remaining challenges faced by environmental administration at national, regional and local levels and offers realistic, actionable and country-tailored suggestions to help improve environmental management. These recommendations presented in the report aim to support national efforts towards a green transition and to help the country achieve its international environmental commitments.

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