



universität
wien

DISSERTATION

Titel der Dissertation

„Enhancing environmental governance in Azerbaijan
in the framework of the European Neighborhood
Policy: opportunities and challenges“

Verfasserin

Mag. Nargiz Gurbanova

angestrebter akademischer Grad

Doktorin der Philosophie (Dr. Phil.)

Wien, 2009

Studienkennzahl lt. Studienblatt:

A 092 300

Dissertationsgebiet lt. Studienblatt:

Politikwissenschaft

Betreuer:

Univ.-Prof. Dr. Hans-Georg Heinrich

TABLE OF CONTENTS

List of tables	6
Acknowledgements	7
Abstract	8
1. Introduction	11
1.1 Research topic	12
1.2 Research questions	14
1.3 Limitations and contribution of the research	15
1.4. Methodology	17
1.5 Structure of the dissertation	17
2. Conceptual framework	19
2.1 Concept of governance	19
2.1.1 Definition of governance	19
2.1.2 Modes of governance	22
2.1.3 Role of state/government in the governance process	29
2.2 A thread of theory: Multi-Level Governance	33
3. Approaches to studying European governance	37
3.1 Governance in the European context	37
3.2 Specifics of EU environmental governance	41
3.2.1 A brief of terms	41
3.2.2 Patterns of environmental policy-making in the EU	43
3.3 Assessing new EU environmental policies	47
4. European Neighborhood Policy	50
4.1 European Neighborhood Policy: origins and essence	50
4.2 The ENP and the South Caucasus	55
4.3 Why ENP?	56
4.4 European Neighborhood and Partnership Instrument	59
4.4.1 Twinning and TAIEX	63
4.4.2 Cross-Border Cooperation Program	64
4.4.3 Towards a better assistance streamlining	65
4.5 Eastern Partnership	66
5. The ENP and Azerbaijan	71
5.1 Background of relations between the EU and Azerbaijan	71
5.2 EU assistance to Azerbaijan as a catalyst for reforms	79
5.3 EU-Azerbaijan ENP Action Plan: a way forward	83
6. Environmental governance in the context of the EU-Azerbaijan Action Plan implementation: opportunities and challenges	88
6.1 Environmental aspect of the ENP	88
6.2 Environmental profile of Azerbaijan	92
6.2.1 Overview of environmental situation	93
6.2.2 Major aspects of environmental policy-making	95
6.3 Establishment of conditions for good environmental governance	99
6.3.1 Strengthening strategic planning of environmental issues	100
6.3.1.1 Policy framework	101
6.3.1.2 Legislative framework	105
6.3.1.3 Institutional development	108
6.3.2 Optimizing the use of environmental regulatory mechanisms and benefiting from economic tools	112

6.3.2.1 Environmental impact assessment	112
6.3.2.2 Environmental monitoring and data management	116
6.3.2.3 Compliance and enforcement.....	119
6.3.2.4 Environmental management tools	120
6.3.3 Ensuring public participation in environmental decision-making and access to environmental information.....	123
6.3.3.1 Public engagement in the conduct of environmental policies.....	124
6.3.3.2 Access to information	129
6.4 Development of policies for successful management of key environmental sectors and convergence with EU requirements.....	130
6.4.1 Air quality management.....	132
6.4.1.1 Legislative framework.....	133
6.4.1.2 Policy framework	134
6.4.1.3 Institutional framework	135
6.4.1.4 International cooperation.....	136
6.4.2 Water resources management.....	139
6.4.2.1 Legislative framework.....	140
6.4.2.2 Policy framework	142
6.4.2.3 Institutional framework	143
6.4.2.4 International cooperation.....	144
6.4.3 Selected Caspian Sea issues	147
6.4.3.1 Legislative framework.....	147
6.4.3.2 Policy framework	148
6.4.3.3 Institutional framework	149
6.4.3.4 International cooperation.....	150
6.4.4 Waste management	151
6.4.4.1 Legislative framework.....	152
6.4.4.2 Policy framework	153
6.4.4.3 Institutional framework	154
6.4.4.4 International cooperation.....	155
6.4.5 Management of land resources.....	156
6.4.5.1 Legislative framework.....	156
6.4.5.2 Policy framework	157
6.4.5.3 Institutional framework	158
6.4.5.4 International cooperation.....	158
6.4.6 Biodiversity and forest management.....	159
6.4.6.1 Legislative framework.....	160
6.4.6.2 Policy framework	161
6.4.6.3 Institutional framework	163
6.4.6.4 International cooperation.....	165
6.5 Implementation of environmental commitments under the Action Plan: lessons learnt.....	166
7. Policy recommendations	171
7.1 Harmonization of Azerbaijan's environmental legislation with relevant parts of the EU acquis	171
7.2 Building administrative and institutional capacities	173
7.3 Technological modernization and use of market-based tools	175
8. Conclusion	177
9. Bibliography	180

10. Appendices	191
Curriculum Vitae	197

LIST OF TABLES

Table 1	The European Neighborhood and Partnership Instrument – cooperation priorities	62
Table 2	Total amount of EU grants to Azerbaijan	80
Table 3	ENP – main environmental objectives	89

ACKNOWLEDGEMENTS

This dissertation has been a result of four years of my scientific research efforts. Throughout this long journey I came to know and cooperate with many interesting people whose support helped me successfully complete my research project.

I am most grateful to my dissertation supervisors Univ.-Prof. Dr. Hans-Georg Heinrich and Associate Professor Dr. Fritz (Derek) Weber who guided my quest for analytical knowledge and provided valuable insight in the project. Their open-mindedness and friendliness were an indispensable support to me.

My special thanks go to the University of Vienna for the opportunity given to me to benefit from the solid intellectual wealth accumulated for many centuries in this renowned center of academic excellence.

I feel indebted to my bosses, H.E. Deputy Foreign Minister of Azerbaijan Mahmud Mammad-Guliyev and H.E. Ambassador of Azerbaijan to Austria Fuad Ismayilov, for their understanding and encouragement.

I also want to whole-heartedly thank my friends Matanat Rahimova, Farida Aghammadova and Vusal Abdullayev who have always inspired me to go beyond the limits of the conventional.

Finally, I thank my family: my parents, sisters Safura and Lala, brother-in-law Murat, beloved niece Julide and nephew Togrul as well as my grandmother Fatima for their never-ending love and patience.

ABSTRACT

The present dissertation is based on the analysis of the changing governance patterns in the area of environmental management in Azerbaijan. It argues that this transformation is in agreement with the theory of Multi-Level Governance. The theory posits that in modern societies public policies are formulated and executed not by the government alone but by a multitude of other societal actors, i.e. stakeholders that have vested interests in the outcome of these policies. These stakeholders range from international institutions and business circles to NGOs and civil society and act in the context of constant negotiation and bargaining. They act within networks where hierarchy is gradually replaced by cooperative arrangements.

This is particularly true for the environmental sector in Azerbaijan that despite its long tradition of government dominance shows signs of transformation toward a network-based management style. This change is taking place in the context of the ongoing reform process that aims at removing existing challenges to environmental protection in line with the government's development agenda and in line with its commitments under the Action Plan jointly adopted by the European Union and Azerbaijan in 2006.

The analysis of environmental sub-sectors reveals policy gaps that need to be addressed in the course of the reform. The EU's expertise and technical assistance is crucial in this regard as the European model of environmental governance has received a global acceptance as one of the best models and therefore can provide a valuable source of inspiration for a targeted policy action.

Based on this analysis, policy recommendations have been drawn that aim at providing the policy-makers both within the Government and relevant Directorates-General of the European Commission that deal with Azerbaijan with scientific analysis of practical policy demands of the environmental sector and its potential development perspectives.

Finally, avenues for future research in adjacent areas of scientific knowledge are explored and some suggestions are put forth.

Die vorliegende Dissertation mit dem Titel „Förderung der Regierungsführung im Umweltbereich in Aserbaidschan im Rahmen der Europäischen Nachbarschaftspolitik: Möglichkeiten und Herausforderungen“ basiert auf der Analyse sich verändernder Muster der Regierungsführung im Bereich der Umweltpolitik in Aserbaidschan. Sie kommt zum Ergebnis, dass diese Transformation im Einklang mit der Theorie der Multi-Level-Governance steht, welche postuliert, dass in modernen Gesellschaften Politik nicht alleine von der Regierung formuliert und umgesetzt, sondern von einer Vielzahl von gesellschaftlichen Akteuren mit legitimem Interesse an den Ergebnissen dieser Politiken bestimmt wird. Diese Akteure umfassen internationale Institutionen, Wirtschaftskreise, Nichtregierungsorganisationen und die Zivilgesellschaft und agieren in einem Kontext, der sich durch ständiges Verhandeln auszeichnet. Sie bewegen sich innerhalb von Netzwerken, in welchen hierarchische Strukturen nach und nach durch partnerschaftliche Abmachungen abgelöst werden.

Dies gilt insbesondere für den Umweltsektor in Aserbaidschan, welcher trotz der langen Tradition staatlicher Dominanz Anzeichen der Transformation hin zu einem auf Netzwerken basierenden Führungsstil zeigt. Dieser Wandel vollzieht sich im Kontext eines Reformprozesses, welcher aktuelle Herausforderungen im Umweltschutzbereich in Abstimmung mit der Entwicklungsagenda der Regierung und den Verpflichtungen gemäß dem gemeinsamen Aktionsplan der Europäischen Union und Aserbaidschan aus dem Jahr 2006 lösen soll.

Die Analyse von Umwelt-Subsektoren enthüllt Lücken in der Politik, die im Rahmen dieser Reformen in Angriff genommen werden müssen. Dabei spielt die Expertise und technische Unterstützung der Europäischen Union eine wichtige Rolle, da sich das europäische Umweltmanagement-Modell als eines der besten seiner Art weltweiter Akzeptanz erfreut und daher eine wertvolle Inspirationsquelle für eine zielorientierte Politik darstellt.

Basierend auf dieser Analyse werden in der Arbeit Politikempfehlungen ausgearbeitet, die den Entscheidungsträgern sowohl innerhalb der Regierung als auch in den relevanten Generaldirektionen der Europäischen Kommission, die sich mit Aserbaidschan beschäftigen, eine wissenschaftliche Analyse praktischer Politikanforderungen des

Umweltbereichs bietet und potentielle Entwicklungsperspektiven aufzeigt. Darüber hinaus werden Vorschläge für zukünftige Forschungen in verwandten Wissenschaftsbereichen gemacht.

1. INTRODUCTION

Throughout the last decade the role of government in the process of policy making in various spheres of our life has changed considerably. These changes have been triggered by serious shifts in global conjuncture in which new approaches to managing the everyday politics of our societies have emerged and increasingly gained support.

These approaches have varied across societal contexts and received different degrees of recognition in different countries. What they have had in common though is an understanding of the importance of the participatory character of policy-making to be able to provide efficient solutions to existing and emerging development challenges. Thus, the focus on societal actors other than the government became apparent. These actors included a variety of institutions that had a vested interest in the conduct and outcome of many of the state policies and strategies. The general public, that is ordinary citizens, have also been acknowledged as equal participants in the governance process.

Yet, what seemed obvious in one contextual framework was not perceived as such in other. The new role of government in the process of governance in many European countries differed to a great extent from that in transition economies that were traditionally characterized as having strong government involvement in all spheres of socio-economic life.

This was particularly relevant for the environmental sector that was for decades subjected to imperatives of industrialization and extensive economic development with little attention paid to issues of ecology. Therefore, the transformation in environmental governance in these countries was particularly challenging and as such did not “boast” much of the scholarly attention in comparison to other spheres of economy, for example, energy.

The focus on environmental governance in this dissertation is therefore not accidental. As a newly independent country, Azerbaijan has undergone a long way of political, economic and social development and the country’s entire legislative, policy and institutional framework have witnessed unprecedented changes. This has also brought in

new environmental policy objectives and affected the government's role in managing the country's environmental politics.

These processes did not take place in a vacuum: support from the international community, namely, international development organizations and financial institutions has been crucial for the success of this transformation. The European Union (EU) has been one of the most important counterparts of Azerbaijan. Cooperation with the EU encompasses practically all spheres of the country's development and as the EU boasts one of the best environmental policy-making frameworks globally, the focus on environmental partnership is particularly relevant.

The EU-Azerbaijan Action Plan provides an enabling framework for the Azerbaijani Government to successfully pursue the policy of environmental transformation. It can also help draw the contours of future patterns of environmental policy-making in Azerbaijan that will better reflect the country's needs to adapt to the changing imperatives of governance.

The study of current environmental governance in Azerbaijan and opportunities for its improvement that have emerged in the course of the country's partnership with the EU under the Action Plan is at the core of the present dissertation. This research project aims to provide a realistic account and analysis of the paradigm of environmental management in Azerbaijan and its policy implications.

1.1 Research topic

Environmental governance in Azerbaijan is characterized by a relatively strong role of the state in the processes of policy formulation and implementation. This can be explained by a traditional domination of the state in all spheres of the country's political and economic life in the former Soviet Union of which Azerbaijan was a part until 1991. After the break-up of the Soviet Union, profound transformation triggered by a shift from a centrally planned to a market-oriented economy brought in new challenges related to the country's future development that necessitated the adoption of considerable

legislative and structural changes in line with Azerbaijan's aspirations for enhanced cooperation with international counterparts and closer integration in the global economy.

These changes also influenced the current patterns of domestic environmental policy-making. One of the most important aspects of these changes was the gradual transformation of the role of government in conducting environmental management policies. Although not yet comparable to most European countries, the role of government in environmental policy-making in Azerbaijan is undergoing a qualitatively new process of adaptation. The adaptation does not mean diminishing the role of government rather it denotes expanding the scope of environmental governance to include more actors with varying degrees of interest. The most influential of these actors are civil society, the private sector and mass media. Within the government the understanding that the views of these actors need to be taken on board while adopting significant decisions on the environment is noticeable.

Yet, this process of adaptation is a bumpy road for a number of reasons. First, there still prevails an opinion that a strong government must have the final say in decision-making otherwise its decisions will not be respected by the rest of society. Second, the legislative and institutional framework for environmental policy-making has gaps and shortcomings that prevent the effective implementation of environmental laws and strategies and the use of enforcement mechanisms to redress the environmental damage that might occur and prevent future violations. Third, insufficient expertise and capacity at the level of policy-makers, businesses and civil society alike impede building a platform for a regular dialogue and active participation of all societal actors in the process of environmental policy formulation and implementation. Most importantly, lack of adequate capacity prevents policy-makers from developing and successfully implementing many innovative policies for ensuring sustainable environmental management.

It therefore comes as no surprise that sectoral environmental governance in Azerbaijan possesses most of these features. The sectoral analysis in the context of the legislative, policy and institutional frameworks is another important focus of this research. The sectoral breakdown helps better understand specific aspects of environmental policy-making and seek appropriate policy solutions.

However, the entire plot of the research does not develop on its own. It is placed in the context of Azerbaijan's cooperation with the EU, widely acknowledged as an important player in global environmental politics and a successful reformer domestically. Expertise and best practices of the EU provide useful guidance for Azerbaijani policy-makers to pursue the current course of reforms and strive for better results. As a practical mechanism, the EU-Azerbaijan Action Plan serves as an important benchmark for verifying the strategies and policies in the area of environment with those prevalent in the EU and provides an opportunity for receiving targeted technical and capacity-building assistance in this field.

1.2 Research questions

The research covers the area of environmental governance from the prism of implementation of Azerbaijan's commitments under the EU-Azerbaijan Action Plan. These commitments are important in the sense that they also represent the government's own reform agenda and are therefore well in line with domestic development objectives. Targeting them would mean coming closer to the EU standards of modern environmental policy-making.

In this context, questions of particular relevance to the present research can be grouped as follows:

1. What are the main characteristics of current environmental policy-making in Azerbaijan? What is the role of government in this process?
2. What are the limits of the impact of traditional environmental governance in Azerbaijan on implementing environmental policies in the context of the Action Plan?
3. What implications will the implementation of environmental commitments under the Action Plan have on enhancing domestic environmental governance?

Based on these questions a hypothesis can be drawn that the EU-Azerbaijan Action Plan provides a favorable framework for enhancing environmental governance in Azerbaijan

in line with the country's relevant commitments and reform goals. Opportunities that emerge along the way will help boost future bilateral cooperation and bring the country closer to EU standards.

Proving this hypothesis is a challenging but interesting task in the sense that the EU-Azerbaijan partnership is an evolving process expanded for many more decades to come and characterized by dynamism and constant policy innovations.

1.3 Limitations and contribution of the research

My search of the term “environmental governance” in major web-based search engines returned very few results. The situation in a number of local libraries that I approached was the same: no significant piece of research on the topic. Scarce analytical articles that I managed to obtain mainly focused on the concept of governance as such and did not provide much insight into the environmental dimension of governance.

Needless to say, the reference to Azerbaijan in the context of environmental governance was practically non-existent. Documents that were available mostly provided an account of the environmental situation in Azerbaijan as far back as the late 1990s and therefore were not specifically relevant for describing the emerging patterns of environmental policy-making in Azerbaijan.

Despite this challenge of having limited environmental analytical data, I pursued my quest for information that could be of help for my research endeavor. Policy papers and materials provided by a number of international development institutions and non-governmental organizations turned out to be very helpful for understanding practical aspects of environmental policy-making in transition economies. In terms of theory choice, I analyzed existing organizational development and integration theories and opted for one with broad applicability and analytical strength that would fit in the environmental context.

Initially, I intended to cover the entire Action Plan as a mechanism for enhancing domestic governance practices in Azerbaijan. In the course of the refining of the title of

the present dissertation I came to realize that doing this within the limit of one dissertation would be an impossible task to achieve. The Action Plan focuses on a multitude of areas of joint interaction between the EU and Azerbaijan, for example, political dialogue, security, transport, energy, education, health etc. All these areas have their own particularities and covering them in entirety would make the very concept of the research blurred and therefore of little analytical relevance.

Throughout the research I purposefully did not make references or comparisons to similar Action Plans between the EU and a number of other partner states such as Georgia, Ukraine and Moldova. Each of these countries has their own development objectives and aspirations in their relations with the EU. This notion is embedded in every Action Plan that calls for a differentiated approach in pursuing cooperation with all European Neighborhood Policy partner states.

Having said this, the contribution of the present dissertation to the current search for policy options in the general academic context is obvious. To the best of my knowledge, for the first time an attempt has been made to explain environmental policy-making from the prism of the theory of multi-level governance. The subsequent application of this theory to a particular environmental conjuncture in Azerbaijan has proved to be relevant. The role of government in this process has been analyzed and changing environmental governance patterns described.

Furthermore, the practical utility of this dissertation is based on the fact that its findings can be helpful for understanding and better implementing the Action Plan that is a living document and covers the time span from 2006 to 2011. The present research will help policy-makers to keep a closer focus on issues of environmental concern that may not seem as apparent in their daily activities and engage in a proactive dialogue with their European counterparts on issues of technical and capacity-building assistance. Additionally, it will contribute to the final evaluation of the implementation of the Action Plan at the end of 2011. In fact, the next-generation Action Plans that will be elaborated after 2011 will be to a great extent contingent on the success of the current one. As a policy-maker myself, I realize the potential benefits of this approach.

1.4. Methodology

The methodological framework of the present research is based on a qualitative analysis and includes a comparative approach in analyzing current patterns of environmental policy-making in the EU and their potential applicability for domestic environmental governance in Azerbaijan.

It also contains interpretation of available qualitative data that were gathered in the course of expert discussions and consultations on specific environmental topics. These experts included representatives of state environmental institutions, non-governmental organizations as well as staff members of the European Commission. Round tables and Sub-committees on environmental cooperation between the EU and Azerbaijan also provided a valuable source of primary environmental information. As a coordinator of one of the EU-funded projects on supporting the legal harmonization of the Azerbaijani legislation to that of the EU, I had access to official legal acts adopted by Azerbaijan and the European Commission that provided a source of supplementary information.

Additionally, analysis of the secondary data, media materials and various web-based information sources provided significant input to the present research.

1.5 Structure of the dissertation

The dissertation includes nine more chapters each with its specific designation.

Chapter 2 provides a conceptual framework for the research and contains analysis of the relevant theoretical ground. The concept of governance and its modes are examined and transformation in the role of government in the process of governance is depicted.

In the next chapter, the study of specifics of governance in the European context is undertaken and based on this, environmental policy-making in the EU is described and assessed.

Combined with the analytical background of these chapters, the policy context of the research is reflected in chapters 4 and 5 which deal with the origins, rationale and structure of the European Neighborhood Policy and its instrumentation as well as bilateral cooperation between the EU and Azerbaijan in the framework of the Action Plan.

This is followed by the fundamental chapter 6 that covers cross-cutting and sectoral aspects of environmental governance in Azerbaijan in the context of the Action Plan. A detailed analysis of various environmental sectors, namely air, water, waste and land management as well as biodiversity conservation is provided; challenges impeding efficient environmental governance as well as emerging opportunities are revealed and assessed. A particular emphasis is placed on the analysis of initial results of the implementation of environmental commitments under the Action Plan in terms of their value for the subsequent process of evaluation.

Drawing on this chapter, in chapter 7 policy recommendations are provided that aim at enhancing the understanding and better application of environmental policy options.

The dissertation ends with the Conclusion followed by the Bibliography of literature consulted in the course of the research and Appendices of supporting documents.

2. CONCEPTUAL FRAMEWORK

2.1 Concept of governance

Only relatively recently has the concept of governance become the focus of attention of leading international scholars of political science. This interest can be partially explained by the growing interdependence of development processes and the increasing role of a multitude of actors in a globalized society.

Striving to come up with the right formula for addressing these challenges, the science is exploring avenues to define governance. Here the need for conceptualization arises since it is evident that without a proper definition of a problem question one can hardly approach an appropriate solution.

Prior to plunging into the depth of discussions for suitable theories to describe the process of governance, I felt the need to specify the following three important questions: what is governance? what modes of governance can be identified? what is the role of state/government in the governance process? Based on these findings, I then turn to the analysis of the governance process in the European Union¹ and its application in environmental policy-making.

2.1.1 Definition of governance

A good starting point in the search for a definition is a reference to Kooiman, one of the founders of the governance concept. He introduces the term “governing” as “the totality of interactions, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities; attending to the institutions as contexts for these governing interactions; and establishing a normative foundation for all

¹ Throughout the thesis the term “European Union” means the European Union after the introduction of the Maastricht Treaty. The term “European Community” specifically denotes the first pillar of the EU or the pre-Maastricht Treaty period.

those activities.”² Hence, “governance” in his words, is “the totality of theoretical conceptions of governing”.³

The term “interaction” is a key to understanding the depth of Kooiman’s governance perspective. Dwelling upon public and private actors by whom he means government, business and civil society, he suggests a model of interaction incorporating intentional and unintentional action.⁴ These two types of action are seen as integral parts of governing for, as he rightly puts it, nowadays no single actor can claim the sole role in addressing complex governance challenges.

While partially agreeing with Kooiman’s concept, some scholars state that in applying the social interaction model, Kooiman neglects historical and political approaches to governance interaction, i.e. whether the classification of governance is enough for understanding its impact on our societies nowadays since “the focus is not so much on emancipating people from whatever is blocking their access and recognition to politics, but on using policy as both a medium and instrument for empowering people and enhancing the practice of their freedoms”.⁵

Following the debate, Stoker puts forth the following key propositions of governance that in his view would promote a better understanding of the term⁶:

- governance deals with institutions and actors both within and outside government. Against this background, analysis of governance helps understand the role and influence of the private sector along with traditional study of government roles;
- governance reveals the increasing erosion of areas of influence and responsibility of various societal actors and this also refers to the increased role of actors outside government;

² Kooiman, J. ‘*Governing as Governance*’, Sage Publications, 2003, p.4

³ Ibid.

⁴ Ibid., p.13

⁵ Bang, H.P. ‘*Governing as governance – edited by Jan Kooiman*’, Public Administration 85 (1), 2007, p.231

⁶ Stoker, G. ‘*Governance as Theory: Five Propositions*’, International Social Science Journal (155), 1998, p.18

- governance examines different aspects of power dependence among institutions involved in collective action and shows that the outcome of this mutual dependence is determined not only by the resources and expertise involved but also by the norms of this interaction;
- governance addresses the issue of networks of societal actors. These actors enjoy autonomy in their relations with government and other players;
- governance is not only about traditional modes of command and control, rather it is about combination of these modes with more flexible solutions among which cooperation and negotiation play an important role.

In this vein, Pierre views the term governance as: first, adaptation of the state to its changing external environment; second, a framework for interaction among social systems and the role of the state in this process.⁷ Peters further distinguishes two more concepts within the second meaning – “state-centric” and “society-centric” concepts, with the first one referring to the political and institutional capacity of the state to govern, and the second one – to forms of public-private interaction.⁸

Pierre sums up different views on governance in the following definition:

“Governance refers to sustaining coordination and coherence among a wide variety of actors with different purposes and objectives such as political actors and institutions, corporate interests, civil society, and transnational organizations”.⁹

Now, having looked at the various definitions of governance, a question arises as to which one of these definitions is the most appropriate for the present research. This question is easy and difficult to answer at the same time. Easy – because whichever definition one chooses is correct, difficult – because governance is such a multi-dimensional term that one cannot capture its full meaning in a single explanation.

⁷ Pierre, J. *‘Debating Governance: Authority, Steering and Democracy’*, Oxford University Press, 2000, p.3

⁸ Peters, B.G. *‘Governance and Comparative Politics’* in J.Pierre (ed.) *‘Debating Governance: Authority, Steering and Democracy’*, Oxford University Press, 2000, p.48

⁹ Pierre, J. *‘Debating Governance: Authority, Steering and Democracy’*, Oxford University Press, 2000, p.3

Adding more fuel to the fire, some scholars assert that the “choice of definition is not a matter of evidence but a function of the story; of the questions to be asked and the plot to be unfolded. So, governance is constructed by the questions asked. But we also have to know who is asking the question”.¹⁰ Indeed, the point of view of the government official will most probably be different from the position of the manager or the consumer. Therefore, a “thick description”¹¹, i.e. the one encompassing the view of different actors is needed.

My choice of definition is triggered by the view on the problem stating that governance is not just about increasing the role of corporate management or strengthening civil society, more importantly it is about the transformation in the role of government in our life and the apprehension of this process.

2.1.2 Modes of governance

It is becoming evident that most of the current literature on governance focuses on the position of state more than anything else and views other societal actors through the lens of the changing role of state in this process. As such, the distinction of governance according to the dimensions of policy, politics and polity obtains a further streamlining in the identification of various modes of governance.¹²

The politics dimension of governance focuses on the actor groupings and power relations among them. State actors share power and influence with private actors, and the relationship between the public and private players is thus important.

As the polity dimension, governance is viewed as a framework of rules that shape the actions of social actors thus clearly bearing institutional characteristics.¹³ “Market” and

¹⁰ Rhodes, R.A.W. *‘Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability’*, Buckingham: Open University Press, 1997, p.14

¹¹ Geertz, C. *‘The Interpretation of Cultures’*, New York: Basic Books, 1973 as cited in Pierre, J. *‘Debating Governance: Authority, Steering and Democracy’*, Oxford University Press, 2000, p.68

¹² Trieb, O., Bähr, H. and Falkner, G. *‘Modes of Governance: Towards a Conceptual Clarification’*, European Governance Papers, No. N-05-02, 2005, p.4, URL: <http://www.connex-network.org/eurogov/pdf/egp-newgov-N-05-02.pdf>, accessed on 10 January 2006

¹³ Mayntz, R. *‘Governance Theory als fortentwickelte Steuerungstheorie?’* Working paper 04/1, Max-Planck-Institut für Gesellschaftsforschung, 2004 as cited in Trieb, O., Bähr, H. and Falkner, G. *‘Modes of*

“hierarchy” are ideally opposing ends of the continuum with modes like “associations” and “networks” lying along the continuum.¹⁴ However, as it is increasingly argued, in reality these modes of governance do not exist in their pure conceptual understanding and often times combine elements of each other.

The policy dimension of governance implies “political steering”.¹⁵ Various steering tools define and help implement various policy objectives. The state is seen as the most influential actor to possess a variety of wide-ranging instruments to achieve socially-oriented goals – from incentives and support to control and imposition.¹⁶

Hirst enriches the governance debate by proposing the following five “versions”, or modes, of governance¹⁷:

1. *Good governance* refers to the establishment of efficient political framework favorable to enhancement of economic development – stability, rule of law, transparent public administration, accountability and responsibility of state actors and a strong civil society. The concept is increasingly favored by the World Bank and other international organizations and financial institutions as a major criterion based on which their lending policies towards recipient developing countries and economies in transition is designed. Good economic governance is part of the so-called “second generation reforms” that consist of promoting public-private partnerships, investing in education and research,

Governance: Towards a Conceptual Clarification, European Governance Papers, No. N-05-02, 2005, p.5, URL: <http://www.connex-network.org/eurogov/pdf/egp-newgov-N-05-02.pdf>, accessed on 10 January 2006

¹⁴ Schneider, V. and Kenis, P. ‘*Verteilte Kontrolle: Institutionelle Steuerung in modernen Gesellschaften*’ in P. Kenis and V. Schneider (eds.), *Organisation und Netzwerk: Institutionelle Steuerung in Wirtschaft und Politik*, Frankfurt am Main, 1996 as cited in Trieb, O., Bähr, H. and Falkner, G. ‘*Modes of Governance: Towards a Conceptual Clarification*’, European Governance Papers, No. N-05-02, 2005, p.5, URL: <http://www.connex-network.org/eurogov/pdf/egp-newgov-N-05-02.pdf>, accessed on 10 January 2006

¹⁵ Heritier, A. (ed.) ‘*Common Goods. Reinventing European and International Governance*’, Lanham and New York: Rowman and Littlefield, 2002 in Trieb, O., Bähr, H. and Falkner, G. ‘*Modes of Governance: Towards a Conceptual Clarification*’, European Governance Papers, No. N-05-02, 2005, p.5, URL: <http://www.connex-network.org/eurogov/pdf/egp-newgov-N-05-02.pdf>, accessed on 10 January 2006

¹⁶ Baldwin, R., and Cave, M. (eds.), ‘*Understanding Regulation—Theory, Strategy and Practice*’, Oxford: Oxford University Press, 1999 as cited in Trieb, O., Bähr, H. and Falkner, G. ‘*Modes of Governance: Towards a Conceptual Clarification*’, European Governance Papers, No. N-05-02, 2005, p.6, URL: <http://www.connex-network.org/eurogov/pdf/egp-newgov-N-05-02.pdf>, accessed on 10 January 2006

¹⁷ Hirst, P. ‘*Democracy and Governance*’ in J.Pierre (ed.) ‘*Debating Governance: Authority, Steering and Democracy*’ Oxford University Press, 2000, p.17

optimizing public finances etc.¹⁸ Good governance is also enforced in industrialized countries in the form of best practices in public management, government and business relations as well as social policy.¹⁹

2. *Global governance* denotes patterns of cooperation among states and international institutions in addressing world-wide challenges such as environmental problems, regulation of global trade, threats to international peace and security. Some scholars coin the term as “governing without government”.²⁰ Although states may wish to cooperate with each other in international affairs, they are flexible to withdraw their support if they wish. Some scholars view international organizations and regimes created by international legal instruments as new forms of governance dealing with a multitude of trans- and cross-boundary issues that go beyond the capacity of individual governments to tackle them efficiently.

3. *Corporate governance* refers to governance in the private sector and adheres to principles of maintaining accountability and transparency of the actions of firms. It refers to the system of control of business corporations and as such is also endorsed by the OECD corporate governance principles for advanced economies.²¹

4. *New public management* (NPM) refers to governance in two important aspects of the public sector – privatization of publicly owned industries and public services and introduction of commercial practices and management patterns within the public sector

¹⁸ Rosenbaum, A. and Shepherd, A. ‘IASIA Symposium on governance, responsibility and social enhancement: governance, good government and poverty reduction’, *International Review of Administrative Sciences* 66(2), 2000 as cited in Van Kersbergen, K. and Van Waarden, F. “‘Governance’ as a bridge between disciplines: cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy”, *European Journal of Political Research* 43 (2), 2004, p.145

¹⁹ Van Kersbergen, K. and Van Waarden, F. “‘Governance’ as a bridge between disciplines: cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy”, *European Journal of Political Research* 43 (2), 2004, p.145

²⁰ Rosenau, J.N. ‘Governance, Order and Change in World Politics’ in J.N.Rosenau and E.-O. Czempiel (eds.) ‘Governance without Government: Order and Change in World Politics’, Cambridge University Press, 1992 as cited in Van Kersbergen, K. and Van Waarden, F. “‘Governance’ as a bridge between disciplines: cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy”, *European Journal of Political Research* 43 (2), 2004, p.145

²¹ Blair, M. and Roe, M. (eds.), ‘*Employees and Corporate Governance*’, Brookings Institution Press, 1999 as cited in Van Kersbergen, K. and Van Waarden, F. “‘Governance’ as a bridge between disciplines: cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy”, *European Journal of Political Research* 43 (2), 2004, p.147

entities. This basically implies introducing management concepts from business into the public sector and fostering appropriate conditions for this such as outsourcing and tendering out.²²

Finally, the fifth category, *networks*, is about coordinating and channeling activities via networks and various forms of partnerships. Literature identifies networks of public structures, private entities and combinations of those two types of organizations. Networks are conceptualized as “pluri-centric forms of governance” as compared to “multi-centric” (market) and “unicentric” (state) forms.²³ They are characterized as self-organizing and conducting exchange as well as engaging in bargaining and negotiations.²⁴ As informal institutional settings, networks “help overcome collective action problems”.²⁵

While the first two deal with the issue of power centrality in the governance process, focusing, respectively, on the diminishing authority of state and increasing role of other societal actors, the third one covers economic and political processes that shape the role of various actors in the context of governance.

For the purpose of the current research, NPM and networks modes deserve a particular emphasis as they provide the possibility of treating governance not only as tied to the issues of general policy-making but in light of a specific sector-approach, as attributable to the area of environment.

New Public Management

As a “paradigm shift”, NPM is viewed as an attempt to transform the public sector by way of new institutionalization and organization with a view to reaching efficiency and

²² Van Kersbergen, K. and Van Waarden, F. “‘Governance’ as a bridge between disciplines: cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy”, *European Journal of Political Research* 43 (2), 2004, p.147

²³ Rhodes, R.A.W. ‘Governance and Public Administration’ in J.Pierre (ed.) ‘Debating Governance: Authority, Steering and Democracy’, Oxford University Press, 2000, p.60

²⁴ Ibid., p.61

²⁵ Van Kersbergen, K. and Van Waarden, F. “‘Governance’ as a bridge between disciplines: cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy”, *European Journal of Political Research* 43 (2), 2004, p.149

effectiveness.²⁶ These reforms are characterized by innovation and new forms of transaction and management where hierarchical decisions are replaced by jointly agreed actions based on consultation and consideration of applicability and pragmatism. It is also regarded as “a dynamic, interactive and continuous socio-political process that induces the performance of public programs and mediates the consequences of particular strategies for change or reform of government activities”.²⁷

However, the success of NPM varies across national contexts and implementation patterns. “Steering” is a major issue here and a shift “from redistribution to regulation and from public services management to management through market principles” is taking place.²⁸ Therefore, challenges related to cultural changes within an organization are viewed as more difficult to address as compared to “structural changes”.²⁹

Policy networks

There is a growing apprehension of the fact that our societies are becoming increasingly fragmented, complex and dynamic. The reliance on interactive mechanisms and strategies that would help solve emerging problems and benefit from opportunities is therefore obvious. Policy networks are referred to as networks of actors such as representatives of government, business, civil society, interest groups involved in public

²⁶ Mathiasen, D. ‘*The New Public Management and its Critics*’, Paper presented at the Conference on The New Public Management in International Perspective, St. Gallen, Switzerland, July 11-13, 1996 as cited in Ewalt, J.A.G ‘*Theories of Governance and New Public Management: Links to Understanding Welfare Policy Implementation*’, Prepared for presentation at the Annual conference of the American Society for Public Administration, Newark, NJ, March 12, 2001, p.12, URL: <http://unpan1.un.org/intradoc/groups/public/documents/ASPA/UNPAN000563.pdf>, accessed on 15 November 2007

²⁷ Lynn, L. Jr., Heinrich, C. and Hill, C. ‘*Studying Governance and Public Management: Challenges and Prospects*’, Journal of Public Administration Research and Theory 10 (2), 2000 as cited in Ewalt, J.A.G ‘*Theories of Governance and New Public Management: Links to Understanding Welfare Policy Implementation*’, Prepared for presentation at the Annual conference of the American Society for Public Administration, Newark, NJ, March 12, 2001, p.13, URL: <http://unpan1.un.org/intradoc/groups/public/documents/ASPA/UNPAN000563.pdf>, accessed on 15 November 2007

²⁸ Merrien, F-X. ‘*Governance and modern welfare states*’, International Social Science Journal, 5 (1), 1998 as cited in Ewalt, J.A.G ‘*Theories of Governance and New Public Management: Links to Understanding Welfare Policy Implementation*’, Prepared for presentation at the Annual conference of the American Society for Public Administration, Newark, NJ, March 12, 2001, p.14, URL: <http://unpan1.un.org/intradoc/groups/public/documents/ASPA/UNPAN000563.pdf>, accessed on 15 November 2007

²⁹ Pierre, J. and Peters, B.G. ‘*Governance, Politics and the State: Rethinking Old Models*’, London: Macmillan, 1999, p.230

governance.³⁰ In order to participate in networks, these actors must voice their interest in respective policy issues as well as their capacity to contribute to resources and expertise within networks. Therefore, key decision-makers both in the public and private sectors tend to regard network governance as an appropriate response to persistent societal challenges. They choose to “govern at a distance” by bringing in a multitude of actors in the governing process through creation of self-regulating networks.³¹ Use of these resources within a framework that largely corresponds to the general goals of government helps the state delegate some of its responsibilities to respective actor groups and ensure a wider outreach to the general public.

Scholarly research identifies the following five important points of reference when discussing network governance³²:

- governance networks focus on public, semi-public and private actors who depend on each other's resources and capacity but are autonomous in functioning because there are no command-type relations between them. This, however, does not mean that all actors are equal in their power and resources. Membership of these networks is voluntary and the actors are free to leave but mutual dependence keeps them within the network.
- members of networks interact through negotiations; they may bargain over resource distribution and use and this might potentially lead to conflicts.
- these interactions do not happen in a vacuum but within organizations. The institutional framework accumulates ideas, beliefs and rules, conveys norms and standards, generates codes and knowledge and produces identities and hopes.
- governance networks are relatively self-regulated since they regulate a particular policy area on the ground of their ideology, expertise and norms. However, they are limited by the organizational environment in which they operate and this

³⁰ Torfing, J. 'Governance network theory: towards a second generation', *European Political Science* 4(3), 2005, pp.305-315

³¹ Rose, N. 'Governing "Advanced" Liberal Democracies', in Barry, O. A. T. & Rose, N., eds, *Foucault and Political Reason: Liberalism, Neo-liberalism and Rationalities of Government*. Chicago, IL: University of Chicago Press, 1996, p.43

³² Torfing, J. 'Governance network theory: towards a second generation', *European Political Science* 4 (3), 2005, p.310

constitutes a major impediment and yet stimulus for their ability to regulate themselves.

- within a certain policy field, network governance promotes “production of public purpose”³³, i.e. creation of values and regulations that are accepted by the general public.

The above-mentioned features distinguish network governance from hierarchical control of the state and the competitive regulation of the market. In terms of relations between actors, governance networks involve a large number of “interdependent and yet autonomous actors who interact over time to produce public purpose”.³⁴ In terms of decision-making, governance networks make decisions and regulate issues through “reflexive interaction” among many actors.³⁵ Lastly, trust and sense of common ownership maintained by self-continued regulations within these networks ensure compliance with jointly agreed upon options.

Governance networks are considered an appropriate response to addressing complex policy objectives and problems. This is reflected in an increased understanding of the contribution of governance networks to efficiency in governing. In this sense, governance networks are considered to hold big potential since due to their flexible structure, their actors can identify problems and offer solutions at a relatively early stage. They are seen as useful channels for accumulation of knowledge and expertise that help shape policy decisions serving as a conducive framework for consensus-building among various stakeholders. They are also supposed to diminish the factor of “implementation resistance” since the actors concerned are involved in decision-making and as such are committed to implementing the agreed upon decisions.³⁶

A potential problem associated with networks, however, is that the above-mentioned positive gains that they provide come as a result of the smooth functioning of these networks: changes in the actor groups, unresolved problems, weak leadership and

³³ Sørensen, E. and Torfing, J. ‘*The Democratic Anchorage of Governance Networks*’, Scandinavian Political Studies 28 (3), 2005, p.197

³⁴ Ibid.

³⁵ Torfing, J. ‘*Governance network theory: towards a second generation*’, European Political Science 4 (3), 2005, p.310

³⁶ Ibid.

external interventions can destabilize and render them inefficient. In this case, government should use its power to influence network actors.³⁷

2.1.3 Role of state/government³⁸ in the governance process

The important role of state in governance has been highlighted by many. Governance theorists see the role of state in governance from the point of view of context: it can be either a major, coordinating or one of a number of influential actors in society.³⁹ This, in their view, derives from the traditional, historical significance of the position of the state in ensuring collective order and serving public need: the state has mediated between various social actors and granted regulatory frameworks for the functioning of markets. In some, countries, for example, Scandinavian countries, the state has a higher position in society which comes from its role as a major provider and distributor.

Guided by Bulpitt⁴⁰, one can refer to the art of statecraft of governing political elites. The major objective of statecraft is to reach governing competence and maintain the central authority in so-called “high politics” (e.g. foreign and defence policies).⁴¹ This approach is contingent upon historical analysis of the beliefs and actions of political elite players.

Equally important is the bottom-up approach, when we witness middle-range ordinary bureaucrats considerably re-shape policies.⁴² Decades of public sector reform endeavors suggest that knowledge and expertise are passed on from one actor to another and this consistency is a pledge for constant changes occurring in our societies.

³⁷ Torfing, J. ‘*Governance network theory: towards a second generation*’, European Political Science 4 (3), 2005, p.310

³⁸ For the sake of simplification, the terms “state” and “government” will be used interchangeably throughout the present research.

³⁹ Pierre, J. ‘*Debating Governance: Authority, Steering and Democracy*’, Oxford University Press, 2000, p.4

⁴⁰ Bulpitt, J.G. ‘*Territory and Power in the United Kingdom*’, (Manchester: Manchester University Press, 1983

⁴¹ Rhodes, R.A.W. ‘*Governance and Public Administration*’ in J.Pierre (ed.) ‘*Debating Governance: Authority, Steering and Democracy*’, Oxford University Press, 2000, p.85

⁴² Ibid.

Pierre draws a causal link between flexibility of regulatory steering within the state and new public-private relations which shape governance.⁴³ This, in his view, can be attributed to a shift taking place from centralized to decentralized forms of governing, with many private and informal institutions gaining significance in the governance interaction.

North, to the contrary, points out that governance has appeared as an optional form to “steering” as a result of a discrepancy between institutions and repeating “patterns of behavior” within and among these institutions.⁴⁴ This constitutes a strong stimulus for institutional change. This change is occurring in the form of increasing public-private cooperation, deregulation and subsequent separation of functions that are not crucial for the state. This, however, proves that the state is capable of adjusting rather than giving in to external pressures.⁴⁵

Analyzing the role of government in the governance process, Lemieux suggests that the government enjoys three “advantages”⁴⁶, namely:

- government actors are accepted to have more legitimacy than other societal actors and as such are more representative of society. Different governments however have different degree of legitimacy based on their mandate and actual policy-making. In democratic societies government is dependent on public opinion where unfavorable polls can undermine its popularity and influence;
- the government has the final say in public policy governance and enjoys superior legitimacy as compared to other societal actors. It is authorized to take a final decision on launching and implementing public policy;
- since the government is the only actor to participate in all governance processes, it can ensure consistency and good coordination of public policy. This leads to a well-established institutional memory and a better predicted outcome.

⁴³ Pierre, J. *Debating Governance: Authority, Steering and Democracy*, Oxford University Press, 2000, p.3

⁴⁴ North, D. *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press, 1990, p.18

⁴⁵ Mann, M. *Has Globalization ended the Rise of the Nation-State?*, Review of International Political Economy No 4, 1997, pp. 472-96.

⁴⁶ Lemieux, V. *Government Roles in Governance Processes*, Canadian Centre for Management Development, 2000, p.122

This view encounters critical remarks that in modern multi-layered societies in some areas of public policy such as the environment and healthcare, interest groups and a wider civil society have equal access to policy development and implementation along with central and or local governments. This, however, does not deny the fact that government is still the ultimate authority when it comes to norm-setting and decision-making in these areas.

Researchers of the government role in the governance process have developed models which strive to describe and evaluate roles of government and other players in public policy. Dunleavy interprets and compares the explanatory value of these models as applicable to different roles of government actors.⁴⁷

Model 1 (“governmental politics”) is based on Allison’s work on the Cuban missile crisis⁴⁸ and involves particularly government and administrative actors. They participate in complex processes in which the outcome remains uncertain. The actors mostly defend procedures of organizations which they represent, however, these actors have their own vested interests that define the positions they adhere to. The outcome is very much dependent on personal and professional skills of these actors. Dunleavy argues that in this model no single actor directs the process and therefore it is not possible to predict the ultimate result. Other critics of this model state that it does not take into account the position of the private sector which, also viewed as bureaucratic organization, can be considered as part of this process.⁴⁹ They further argue that the situation described in the model covers principally the government role in addressing crisis situations and it is not clear if such an approach holds true for non-crisis cases.

Model 2 treats government as an “instrument”. Here, private sector players are included; moreover, they have the leading position in the governance process. These businesses are members of different networks in which they collaborate with government actors. The limitation of this model is in the fact that it does not fully take into account the supreme

⁴⁷ Dunleavy, P. ‘Reinterpreting the Westland Affair: Theories of the State and Core Executive Decision Making’, Public Administration No 68, 1990, as cited in Lemieux, V. ‘Government Roles in Governance Processes’, Canadian Centre for Management Development, 2000, p.123

⁴⁸ Allison, G. ‘*Essence of Decision*’, Little Brown, Boston, 1971

⁴⁹ Lemieux, V. ‘*Government Roles in Governance Processes*’, Canadian Centre for Management Development, 2000, p.124

authority of government in decision-making and views it as the actor who gives authority to positions decided by big business.

Model 3 (“public policy entrepreneur”) says that similar to private sector actors, public sector entrepreneurs provide leadership and guidance in their organizations and through this they aim at enhancing their personal influence. Entrepreneurs can be government actors or heads of interest groups. This model explicitly emphasizes the specific advantages of government actors in the governance process – they have the power they have because by virtue of their position they benefit from the opportunity to reinforce their legitimacy.

Finally, *model 4* (“symbol managers”) concentrates on government leaders who, using enormous power they have, strongly influence general public. The media in this case is a crucial contributor to image creation and development as well as a personification of the policies undertaken. The problem Dunleavy has with this model is that only the major elected leaders can execute the role of function managers while the previous model envisages more people as participants and players.

Analysis of these models also reveals differences in applying them based on political system, public policy sector and process. Governments inspired by traditionally strong centrist traditions are more likely to exert the roles specified in models 1 and 3, while in federally governed societies governments can exert several roles.

In highly technical sectors where government actors lack relevant expertise, they rarely behave like an entrepreneur; they can be a supervisor or even an instrument, but in areas such as health and education they tend to act more as entrepreneurs. The processes of policy formulation, development and implementation also influence the application of the models described above. As such, the first process is more related to direct authorization by government while the subsequent two can see several government roles of public entrepreneur or referee.

Of the four models examined, the role of government as public policy entrepreneur (model 3) is the one that can be attributed to governance in the environmental field. This

can partially be explained by relatively strong public interest in environmental issues. However, even in this case the distinction is relative – in some situations government can be one of several actors and in some others it can play an entrepreneurial role.

2.2 A thread of theory: Multi-Level Governance

Research on the theory of Multi-Level Governance (MLG) covers anything from the complex structure of organizational theory and inter-organizational decision-making to policy networks that are increasingly gaining recognition in pluralist approaches in political science. My choice of this theory as applied to environmental governance in Azerbaijan is explained by the breadth of its scope and the richness of its theoretical format.

MLG refers to “formulation and implementation of public policies by networks involving public actors (politicians and administrators) belonging to different decisional levels, together with non-public actors of various kinds (economic agents, interest representatives and stakeholders, experts)”.⁵⁰ The hierarchy in relations is replaced by cooperative arrangements that bring in government and private actors together and negotiating and bargaining become important policy instruments. This is explained by the increasing interdependence of individual and collective actors in the process of policy-making.

This is more topical for complex societies where organizational arrangements are based on sophisticated systems and where organizational functioning is directed through societal rules that are comprehensible to a limited number of actors who possess knowledge or authority. In case there is no cooperation between policy-makers and actors who have this knowledge, there will be no added value for governance. These societies also have fragmentation embedded in their very nature due to diversification of policy approaches dependent on sector, and thus, a fragmented public interest. This fragmentation poses additional challenges for governance because entities functioning self-referentially tend to discourage state interference in their activities.

⁵⁰ Papadopoulos, Y. ‘*Taking Stock of Multi-level Governance*’, *European Political Science* (4), 2005, p. 316

Therefore, “regulation through cooperative governance” arrangements is seen as a remedy for resource dispersion and fragmentation.⁵¹ Its potential success lies in the fact this it leads to well-grounded and lasting decisions involving a majority circle of holders of expertise, authority and influence. It is also increasingly acknowledged that policy networks have become complex and more diversified which is partially explained by the growing number of groups claiming to be actively involved in decision-making and policy formulation.

For example, in an extremely complex organizational system like the EU, “self-organized networks have developed around specific policies. These consist of actors who are mutually dependent on one another for the delivery of their goals and who cross-cut the branches and level of Union governance as well as the divide between public and private interests”.⁵² Also, in the scholarly circles nowadays, there is less enthusiasm in the capability of the state to dictate its authority unilaterally in many aspects of public policy and more hope for the benefits of self-organization in society.

A potential pitfall of this approach is that an increased number of actors and as a result a higher degree of interdependence among various centers of influence may lead to cases of stalemates or delays in decision-making. In these cases decisions become “contractual” in the sense that actors are “veto players” for each other, this is often referred to as a “joint decision-trap”.⁵³ Some analysts argue however that in the case of the EU this problem can be overcome via so-called “escape routes”, i.e. informal collaboration among the most important actors.⁵⁴

In the context of Azerbaijan, MLG is gaining importance in policy-making though to some it might seem not so evident. Azerbaijan inherited the Soviet-style command organizational structure where all decisions used to be made at the top of the governing

⁵¹ Papadopoulos, Y. ‘*Taking Stock of Multi-level Governance*’, European Political Science (4), 2005, p.318
⁵² Lord, C. ‘*A Democratic Audit of the European Union*’, Palgrave Macmillan, London, 2004. p.113, as cited in Papadopoulos, Y. ‘*Taking Stock of Multi-level Governance*’, European Political Science (4), 2005, p. 318

⁵³ Scharpf, F. ‘*The Joint Decision Trap: Lessons from German Federalism and European Integration*’, Public Administration No 66, 1988, as cited in Papadopoulos, Y. ‘*Taking Stock of Multi-level Governance*’, European Political Science (4), 2005, p. 320

⁵⁴ Papadopoulos, Y. ‘*Taking Stock of Multi-level Governance*’, European Political Science No 4, 2005, p.320

circles and there was little if any involvement of other stakeholders. The civil society in the modern understanding of the term was non-existent and there was no private sector due to prohibition of private property. Mass media were also subject to ideological restrictions and did not matter much in terms of their contribution to the process of governing. Decisions made in this way therefore were not participatory and their implementation was a matter of concern for policy-makers with practically no involvement on the part of other stakeholders.

With the country gaining independence and embarking on the path of democratic and market-oriented reforms, the necessity for new methods of governing came to the fore. Huge structural reforms initiated in the public sector and the emergence of businesses triggered the development of the civil society with the first NGOs registered as far back as in 1993, only 2 years after independence. Azerbaijan established partnerships with international development organizations, financial institutions and multinational corporations. This partnership brought in the demand for new forms of management of public resources, further development of the private sector and empowerment of other societal actors.

The process of politico-organizational transformation in Azerbaijan was not even. Old governing methods, a strong role of government in decision-making and policy implementation and a relatively inactive role of civil society as compared to some other Eastern European countries were characteristic features of this transformation. Under this system approval from the top was frequently necessary for policy changes to take place. As the society developed, the government's role in the country's socio-economic life became multi-actor-based (although not diminished) with the scope of its mandate expanded to include other potential partners in the governing process.

True for many other public sector domains, this innovative approach was particularly difficult to take shape in the area of the environment. The environment in Azerbaijan has typically been subordinated to other sectors, namely extractive and processing industries. This in fact meant neglect of the basic principles of sound environmental management. The legislative framework was deficient, operating principles of practical management of environmental resources were still in the making, additionally, limited and in some cases

non-existent capacity in administration of these resources posed serious challenges to the sustainability and participatory nature of environmental policy-making. In fact, tangible institutional changes occurred not earlier than in 2001 with the establishment of a fully-fledged Ministry of Ecology and Natural Resources. Capacity development efforts are ongoing and there is still a lot to do to bring the domestic environmental policy-making practices into conformity with international and namely EU standards.

I will discuss in detail most of these specific policy issues later in this dissertation. At this stage it is important to note that in the lengthy process of transformation of the very concept of government and its apprehension in society, a qualitatively new organizational culture characterized by complex interpretations of actor-based interests and multipolarity is taking shape in Azerbaijan although with some limitations peculiar to a transition economy. In this sense, an MLG-based approach provides a good opportunity to observe and assess the sophisticated political and structural reform process that, as will be demonstrated later in this research as applied to the field of the environment, has strong practical implications on new patterns of governance becoming a reality in Azerbaijan.

Prior to this, a closer look at current governance approaches within the European Union, also in the context of environmental policy-making and implementation, a particularly complex domain of EU “policy”, will provide a useful insight in the quest for appropriate directions and enrich the debate.

3. APPROACHES TO STUDYING EUROPEAN GOVERNANCE

3.1 Governance in the European context

Recently, the European Union has become “the bone of contention” in the scholarly quest for appropriate models of governance. Throughout years of academic research it has been regarded by some as a model of polycentric governance characterized by flexibility and decentralization with more and more informal networks involved in decision-making and policy implementation. Others, to the contrary, still view it as guided by the philosophy of strict adherence to agreed-upon norms, principles, standards and regulations. “Ever closer union” is still the official motto of the European integration process.

The European Commission's White Paper on European Governance adds more fuel to the fire by claiming to provide an answer to the increasing democratic deficit of the European institutions. It offers solutions which aim to improve the management of policy processes without affecting the "community method". The White Paper aims at relieving the legislator and strengthening the executive functions of the Commission.⁵⁵ In implementing its tasks the Commission promises to develop a more structured, transparent and participatory relationship with representatives from civil society and to experiment with new forms of governance, which more fully mobilize the self-regulatory potential of the private sector and yet still wishes to an extent to retain the “community method” which stipulates the Commission’s strong central authority. Increasingly, these new modes of governance "are guided by the principles of voluntarism (non-binding targets and the use of soft law), subsidiarity (measures are decided by member states), and inclusion (the actors concerned participate in governance)".⁵⁶

Subsequently, the Commission Communication on Governance in the European Consensus on Development⁵⁷ defined governance in a broader sense as including, *inter alia*, support for democratic reforms, human rights protection, respect for the rule of law,

⁵⁵ Scharpf, F.W. ‘European Governance: Common Concerns vs. the Challenge of Diversity’ in J.H.H. Weiler (ed.), *Symposium: The Commission White Paper on Governance*, Jean Monnet Working Paper No. 6/01. New York: New York University School of Law.

⁵⁶ Heritier, A. (ed.), ‘Common Goods. Reinventing European and International Governance’, Lanham and New York: Rowman and Littlefield, 2002, p.187

⁵⁷ COM (2006) 421, 30.08.06

an independent judiciary, government accountability, access to information, and, importantly, sustainable management of natural resources and protection of the environment.

The rise in the importance of governance has also been reflected in the incorporation in the Lisbon Treaty of a new article (Article 8B) on the principle of participatory democracy, according to which the EU institutions consent to an exchange of views between all interested parties, to consult broadly, and to ‘maintain an open, transparent and regular dialogue with representative associations and civil society’.⁵⁸

The enlargements of 2004 and 2007 viewed by some as serious “external shocks” to the prevailing governance system,⁵⁹ brought in a further “shift from hierarchy of holistic actors, states which impose order through power and hegemony, to a more complex and diffuse set of interactive self-regulatory mechanisms”.⁶⁰ The strong injection of cultural, political and economic diversity that enlargement brought with itself has resulted in some, mainly hierarchical, governance models becoming inadequate in the circumstances of a multitude of centres of interest and influence. Standard solutions directed from the single European centre are now viewed as inappropriate for dealing with the vast European area.

The EU is therefore increasingly depicted as an MLG system in which functional and territorial domains are guided by a number of policy and decision-making fora connected with each other in a non-command way and this inter-linkage leads to a “dispersion of authority between the national and supranational levels”⁶¹ and considerable differences in sectoral governance patterns.⁶² This view, however, does not undermine the importance of states. Rather, it considers a state as a forum where various “agendas,

⁵⁸URL:

http://bookshop.europa.eu/eubookshop/download.action?fileName=FXAC07306ENC_002.pdf&eubphfUid=534817&catalogNbr=FX-AC-07-306-EN-C; accessed on 6 August 2009

⁵⁹Zielonka, J. ‘*Plurilateral Governance in the Enlarged European Union*’, *Journal of Common Market Studies* 45 (1), 2007, p.187

⁶⁰ Cerny, P.G. ‘*Plurilateralism: Structural Differentiation and Functional Conflict in the Post-Cold War World Order*’, *Millennium: Journal of International Studies* (22), 1993, p.31

⁶¹ Bailey, D.J. ‘*Governance or the crisis of governmentality? Applying critical state theory at the European level*’, *Journal of European Public Policy*, 13 (1), 2007, p.24

⁶² Rosamond, B. ‘*Theories of European Integration*’, Palgrave Macmillan, 2000, p.111

ideas and interests are contested”.⁶³ While keeping their important roles, states “are melded into the multi-level polity by their leaders and the actions of numerous subnational and supranational actors”.⁶⁴

Thus, MLG’s focus on “variability and multi-actorness” offers a favorable framework for deploying the policy network analysis that can be tested by empirical investigation. Networks facilitate understanding of “the highly segmented nature of EU policy-making in which advice, consultation, expertise and technocratic rationality are the means used to cope with the regulatory thicket of day-to-day decision-making”.⁶⁵ Groups of actors who represent various organizations engage in an interactive dialogue and bargaining and exercise resource and information sharing and as a result, “settlement or compromise between different interests which have a stake in outcomes in a particular policy sector” are achieved through these networks.⁶⁶

However, there are some who contest the applicability of this concept to the EU policy processes and assert that the “fluidity” of EU policy processes underestimates the role of EU institutions, undermines continuity and leads to fragmentation.⁶⁷ Yet, the “fluidity” problem is exactly the thing that policy network analysis identifies in the EU: stability is not taken for granted. Power and influence are scattered away from national governments to other societal actors.⁶⁸ This affects both the decision-making and policy implementation authority which gradually become co-shared by many players. Indeed, EU institutions such as the European Commission, Court of Justice and Parliament are not agents of national governments anymore; they are actors in the process of EU policy-making. Furthermore, the concept strives to seize “the dynamics of regulatory decision-

⁶³ Ibid., p.111

⁶⁴ Marks, G., Hooghe, L. and Black, K. ‘*European Integration from the 1980s: State Centric v Multi-level Governance*’, *Journal of Common Market Studies*, 34 (3), 1996, p.371

⁶⁵ Rosamond, B. ‘*Theories of European Integration*’, Palgrave Macmillan, 2000, p.123

⁶⁶ Peterson, J. ‘Policy Network and European Union Policy-Making: A Reply to Kassim’, *West European Politics* 18 (2), 1995, p.391

⁶⁷ Kassim, H. ‘Policy Networks and European Union Policy-Making: A Sceptical View’, *West European Politics* 17(4), 1994 as cited in Rosamond, B. ‘*Theories of European Integration*’, Palgrave Macmillan, 2000, p.124

⁶⁸ Bursens, P., and Geeraerts, K., ‘*EU Environmental Policy-Making in Belgium: Who keeps the Gate?*’, *European Integration* 28 (2), 2006, p.161

making” on a sectoral basis and therefore can serve as a good theoretical standpoint to engage in studies of the daily EU politics.⁶⁹

The “open method of coordination” (OMC) is viewed as a characteristic example of the EU MLG system. Based on comparative estimating of national progress versus common European targets, OMC commits member States to re-evaluate their current policies in view of their relative performance. This, however, does not mean strict homogenization of member states’ programs and institutions. Rather, the aim of the OMC is to promote experimental learning within the EU instead of centrally imposed compliance.⁷⁰ This element is crucial in defining the overall applicability of OMC. Mutual learning was considered to set the stage for the spread of best practice and innovative thinking in addressing policy and reform challenges in member states as well as in the EU itself. It contrasts strict regulatory requirements and facilitates policy convergence and institutionalization.

This mechanism of collective decision-making diminishes the authority and control powers of national governments. It is more evident in the case of EU environmental policy where competencies are spread among various levels of government. In daily decision-making government officials have to cooperate with subnational and international actors ranging from environmental NGOs to corporate circles.

The EU governance system can therefore be summarized as bargaining among various players rather than automatic implementation of commands from a single centre. EU institutions, member states, sub-national bodies, private entities as well as trans-national corporations all engage in various interactions among themselves. Not only policy formulation but also decision-making and policy implementation capacities and authorities are increasingly shared among many of these players. “Hard” laws give place to “soft” laws in many fields of EU activity: encouragement of best practices, peer review and economic incentives have become inalienable parts of the EU governance process.

⁶⁹ Rosamond, B. *Theories of European Integration*, Palgrave Macmillan, 2000, p.125

⁷⁰ Zielonka, J. *Plurilateral Governance in the Enlarged European Union*, *Journal of Common Market Studies* 45 (1), 2007, p.194

3.2 Specifics of EU environmental governance

3.2.1 A brief of terms

Before getting into reflections on the essence of environmental governance in the EU, there is a need to have an overview of the underlying terms. From a relatively scarce list of definitions of environmental governance, the one used by Young has caught my attention: “environmental governance” is viewed as addressing environmental challenges by setting up, strengthening and transforming the institutional framework that would promote rational use of environment resources.⁷¹ Increasingly, the concepts of institutions, context and scale have become important in understanding the challenges of policy-making in the field of the environment as environmental problems and respectively their solutions are evoked in different political, socio-economic and cultural contexts that may relate to diverse geography.

Institutions as the “rules of the game” regulate individual and collective behavior and interaction. They can evoke and impact the environmental change and in the process of environmental policy-making, they shape the perception of environmental problems and exercise broad responsibilities with regard to environmental resources management.⁷² As they exist in various political and social backgrounds, environmental problems and the ways to address them may be apprehended differently across various contexts and replication may not always be the right solution. As far as the concept of scale is concerned, environmental changes occur in the dimensions of space and time.

On the other hand, research on environmental governance has traditionally focused on separate levels of decision-making, such as implementation of international conventions, development of relevant national policies and arrangements developed by local communities on management of natural resources. The interaction among various levels of environmental decision-making and its implications for actors and institutions at all levels provide much analytical input for research.

⁷¹ Young, O.R., ‘*International Governance: Protecting the Environment in a Stateless Society*’, Cornell University Press, Ithaca., 1994, p.24

⁷² North, D.C., ‘*Institutions, Institutional Change and Economic Performance*’, Cambridge University Press, Cambridge, 1990, p.6

In analyzing the changing governance phenomenon, scholars note new developments in domestic and international political-institutional settings along with the changes of environmental problems.⁷³

They attribute these novelties to the following factors:

- diversification of societal actors involved in policy making, that is gradual fading of the role of government as the sole decision-making authority;
- diversification of control methods with a bigger emphasis on flexible, cooperative and self-regulatory arrangements versus the traditional top-down approach, and
- increasing role of subnational and supranational levels of government along with the central one.

In modern societies (with EU member states being no exception to this) the volatility of decisional processes in the administrative field reflects the importance of the role of the general public in shaping outcomes in the governance process. In advanced democracies active citizen environmentalists and interest groups have helped create a “multi-centric” governance process and are leading the debate on the necessity for the creation and establishment of relevant laws.⁷⁴

In modern EU governance if public interest is widely perceived, it succeeds in changing and enhancing the process of environmental governance. Furthermore, throughout the history of EU environmental law, media coverage that helped shape legal decisions was generated by public interest environmental law groups. What the media brings into the focus of attention will be duly regarded by government because government actors realize that is supported by the general public.

Here the notion of “environmentalism” turns appropriate to enable the right understanding of environmental policy modeling and implementation. Plater defines it as “a strategically rational way of analyzing the changing and interrelated complexities of world conditions, with the hope of navigating our society – through science, law and

⁷³ Hey, C., Jänicke, M. and Jörgens, H. ‘Environmental Governance in the European Union’, Paper prepared for the Second ECPR Conference, Marburg, 18-21 September 2003, p.3

⁷⁴ Plater, Z., ‘*Environmental Law in the Political Ecosystem: Coping with the Reality of Politics*’, Eighth Annual Lloyd K. Garrison Lecture, Pace Environmental Law Review 19 (2), 2002, p.521

government – toward sustainable, long-term survival”.⁷⁵ This proves the importance of putting a bigger emphasis on the integration of environmental principles and analysis into public policy.

Rational environmental governance therefore requires adaptation of policies to modern knowledge. This is contingent on investing resources in learning. In the process of decision-making research remains a core issue. Research should be conducted with a view to providing helpful insight into policy formulation. In other words, policies should be designed to provide information and explanation. Such policies would be strong enough to impact the policy-making and generate the adequate feedback. Policy structures would need capacity to digest new knowledge and flexibility to react accordingly. This requires an all-inclusive and transparent governance process where decisions on benefiting from new knowledge and adapting it are made on the basis of professional judgment.

3.2.2 Patterns of environmental policy-making in the EU

By the 1990s, many EU Member States had launched the concept of efficient, fair and accountable environmental and natural resource management. They viewed the so-called first generation regulations that mainly focused on single-pathway, command-and-control and technology-driven solutions to environmental problems as bureaucratic. In fact, the command-and-control approach has proved to be unsuccessful in effectively addressing many issues related to sustainable and long-term environmental management, specifically environmental challenges caused by diverse sources of pollution such as emissions of ozone depleting chemicals or greenhouse gas emissions. The first-generation approach is widely considered as incapable of recognizing the reality that many environmental risks are of cross-border nature. It is also seen as discouraging innovation and pollution prevention strategies crucial for dealing with environmental problems in the long-run.

⁷⁵ Plater, Z., ‘*Environmental Law in the Political Ecosystem: Coping with the Reality of Politics*’, Eighth Annual Lloyd K. Garrison Lecture, Pace Environmental Law Review 19 (2), 2002, p.512

Therefore, a new environmental governance paradigm has emerged as an alternative for overcoming these deficiencies. It is contingent upon the three major pre-requisites in order for policy-makers to apply it usefully across many dimensions of sustainable environmental policy. First, environmental management regimes should be re-organized to reflect ecological and public health risks and interdependencies. Second, these regimes must maintain a closer link with all stakeholders in the processes of policy formulation, implementation and evaluation. Third, for these regimes to be cost-effective and result-oriented, administrative changes need to be undertaken both in the public and private sectors.⁷⁶

The first pre-requisite is related to the fact that many pressing environmental problems emerge in the regional or global scale and this goes beyond the authority and capacity of a single state to solve them efficiently. Solving problems like desertification, ozone depletion, climate change etc. requires international engagement and collaboration. It also necessitates fostering sustainable economic development, encouraging active participation at all levels of government, including local governments, in carrying out environmental competencies and engaging a wider civil society and grass-roots institutions in awareness-raising and policy formulation and implementation.

The second pre-requisite sees a crucial role for deliberative democracy in empowering successful environmental management regimes. “[R]egulatory negotiations, environmental dispute resolution, effective risk communication, and cooperative ...conservation agreements” are seen as important mechanisms.⁷⁷ Deliberative democracy also means full engagement of all levels and segments of society in all stages of environmental policy-making from initiation to evaluation.

The third pre-requisite signifies the necessity to provide greater flexibility to “regulators and the regulated community”.⁷⁸ In this respect, market and quasi-market options such as the clean development mechanism and eco-labeling are acknowledged to be more efficient as contrasted with bureaucratic and hierarchical methods of environmental governing.

⁷⁶ Duran, R., Chun, Y., Kim, B. and Lee, S., ‘Toward a new governance paradigm for environmental and natural resources management in the 21st century’, *Administration and Society* 35 (6), 2004, p.646

⁷⁷ Ibid.

⁷⁸ Ibid., p.647

In this context, all three pre-requisites are obvious within the EU to provide an enabling legal, institutional and policy framework for efficient management of environmental issues. The so-called “constitutionalized” measures in the environmental field are supplemented by a multitude of actors who negotiate various policy directions.⁷⁹ With a relatively limited number of supranational staff and budget, the EU increasingly leans towards more active interaction with various networks. The picture is complemented by the internationalization of environmental challenges and their solutions, often times demanding a strong interplay among various sectors of the economy and different levels of government.

Rule-making, knowledge, institutions and a multitude of fora are becoming characteristic features of present-day EU environmental governance. In this setting, various players require a place to interact across the EU and trans-national political frontiers. The EU is therefore viewed as both a set of institutions within which the governance takes place and an arena where crucial decisions and policy making initiatives are negotiated and adopted. This adds value to the argument of multi-level governance as a prevailing one in managing EU affairs.⁸⁰

No wonder therefore that the EU is widely referred to as “having the most progressive environmental policies”.⁸¹ For decades the EU has elaborated a vast body of environmental documents – around 300 environmental regulations, directives and decisions. The environmental legislation is supported by a number of policy instruments such as information campaigns and collection of environmental data. EU Environment Action Programs are major policy documents designed to guide EU-wide actions in the area of the environment.

The present program⁸² outlines the following priority goals to be achieved in environmental decision and policy-making:

⁷⁹ Jordan, A., Wurzel, R. and Zito, A., ‘The rise of „new“ policy instruments in comparative perspective: has governance eclipsed government?’, *Political Studies* 53 (3), 2005, p.479

⁸⁰ Zielonka, J. ‘*Plurilateral Governance in the Enlarged European Union*’, *Journal of Common Market Studies* 45 (1), 2007, p.202

⁸¹ URL: <http://ec.europa.eu/environment>, accessed on 27 June 2007

⁸² The 6th Environment Action Program of the European Community, OJ L 242/1, 10.09.2002, URL: <http://ec.europa.eu/environment/newprg/index.htm>, accessed on 5 March 2007

- improvement of implementation of the current environmental legislation;
- incorporation of environmental concerns in other policy fields;
- encouragement of corporate and consumer interests to promote more sustainable production and consumption patterns;
- facilitation of access of citizens to better quality information on environmental issues.

As a result of Environment Action Programs covering the period of over 30 years, the EU has succeeded in establishing a comprehensive system of environmental protection based on constantly updated norms and standards. Specific problems tackled under these programs range from noise, chemicals, industrial accidents and waste to the establishment of a European information and assistance network for emergency situations that could arise from environmental disasters such as forest fires or oil spills. Environment-related health problems have also been made the focus of attention in the Environment and Health Action Plan for 2004–2010, which examines the relationship between environment, health and research policy.

At the institutional level, environmental challenges are addressed in the Environmental Council format bringing together environmental ministers of EU member states four times a year. The policies and measures put forward by the Council are based on strict guidelines such as the precautionary and the polluter-pays principles that include covering environmental damage, integration of issues related to environmental protection into other EU policies, shared responsibility etc. In its deliberations, the Council takes into account differences between various regions of the EU and the fact that member states retain prerogatives in environmental issues.

However, the specificity of EU environmental governance is that the same level of environmental protection can be observed throughout all EU Member States although flexible in taking into account local circumstances. This is ensured by a multitude of Directives and Regulations that cover basically all areas of environmental activity in Member States.

3.3 Assessing new EU environmental policies

The preliminary assessment of recent European initiatives in the field of environmental governance shows that the current Commission strategy of moving towards greater flexibility in European environmental policy-making by placing greater importance on new cooperative and regulatory arrangements, the simplification of the existing body of law, and the decentralization of decision-making and target-setting, provides for new avenues necessary for dealing effectively with both persistent and emerging environmental problems.

The 5th Environment Action Program⁸³ introduced a reference to the increased use of policy approaches that underlined the necessity of joint commitment and shared responsibility by public and private sectors. An effective EU needed management and governance capacities that would be in unison with a multitude of tasks and challenges that it increasingly encounters.⁸⁴ This broad range of management mechanisms would be implemented in a differentiated way based on the nature and effect of environmental problems. In some areas this would require greater flexibility and de-centralization while in others a leading role of the democratically accountable government institutions would be needed.

This led to the introduction by the Commission of the new pattern of co-regulation defined as “an approach in which a mixture of instruments is brought to bear on a specific problem, typically involving both primary legislation and self-regulation, or if not self-regulation, at least some form of direct participation of bodies representing civil society in the rule-making process”.⁸⁵ This approach combines the strengths of governance by legislation with the strengths of voluntary action and self-regulation.

⁸³ The 5th Environment Action Program of the European Community , OJC No C 138/7, 17.05.1993, URL: <http://ec.europa.eu/environment/archives/actionpr.htm>, accessed on 2 March 2007

⁸⁴ Metcalfe, L., ‘*More Green than Blue: Positioning the Governance White Paper*’, EUSA review 14 (4), 2001, p.4

⁸⁵ White Paper on European Governance, Handling the Process of Producing and Implementing Community Rules, Report of the Working Group "Better Regulation", European Commission , 2001, Brussels, p.6, URL: http://ec.europa.eu/governance/areas/group5/report_en.pdf, accessed on 15 June 2006

Later, the Commission suggested a specific model for co-regulation - negotiated agreements - that combined legislative and self-regulatory elements of governance.⁸⁶ These agreements are regarded as an instrument to implement environmental targets enshrined in a multitude of EU directives or regulations. Through this combination of binding environmental targets set within the normal governmental and/or legislative process and an implementation strategy which leaves greater flexibility to the target groups as to the concrete means by which these targets will be reached, this new approach effectively multiplies the efficiency of direct regulation and cooperation. This approach has been further strengthened by monitoring undertaken by the European Commission and sanctions in case the targets are not met.⁸⁷

Along with the co-regulatory approach, the Commission continues to accept the more traditional unilateral commitments and informal gentlemen's agreement types of agreements. These self-regulatory agreements are not subject to binding environmental targets set within a legal framework, i.e. through EU directives or regulations, and monitoring by the Commission is optional. Analysts caution though that while this form of uncoordinated self-regulation can be a valid option in issue areas characterized by scientific uncertainty about environmental impacts of certain activities, it will be insufficient for dealing with persistent environmental problems, which require a combination of binding targets with timetables and a flexible mix of instruments to achieve them.

In recent years the EU has also successfully introduced target-oriented policies. Clean air legislation, climate change policy (viz. the burden-sharing agreement), energy policy (i.e. targets for renewables and combined heat and power systems) or waste policy, namely the targets for collection and recycling, are important examples for a policy approach allowing for differentiation between member states and different national implementation strategies. Such policies allow for diversity and flexibility towards a common agreed goal. Most of those targets were based upon economic analysis and interactive discussions with Member States and stakeholders.

⁸⁶ Communication from the Commission on Environmental Agreements at Community Level within the Framework of the Action Plan on the "Simplification and Improvement of the Regulatory Environment", COM(2002) 412 final, Brussels

⁸⁷ OECD, 'Voluntary Approaches for Environmental Policy: Effectiveness, Efficiency and Usage in Policy Mixes', Paris, 2003

Target-oriented approaches are viewed by policy-makers as a preferable option to manage diversity in an enlarged Europe in open-ended networking processes with high levels of uncertainty about the environmental outcomes because they give clearer and politically justified orientation for policies in other sectors as well as the business community. For key technological choices such binding long-term commitments are regarded as drivers of innovation.

As has been made clear from the above, environmental law and policy formulation are still in the making within the EU. This framework of legal and policy measures is constantly adapted to the changing governance conjuncture within the EU to better respond to emerging policy needs. The success of these endeavors is mostly dependent on the adequate choice of strategic directions and specific actions to support these decisions. What remains undisputable though is the strong reliance by European policy-makers on the multi-actor nature of this process, which can facilitate the search for an optimal solution to managing environmental issues that by definition have a complex nature and necessitate a comprehensive approach.

Based on these findings, current patterns of environmental rule and decision-making in Azerbaijan and their prospective development in light of the implementation of the EU-Azerbaijan Action Plan will be assessed in the next chapters of the present research. However, prior to that a quick glance at the European Neighborhood Policy that brought in new governance realities and triggered the domestic policy and institutional change in the area of the environment would be helpful.

4. EUROPEAN NEIGHBORHOOD POLICY

4.1 European Neighborhood Policy: origins and essence

After the May 2004 enlargement, the biggest enlargement in its history, the European Union became confronted with the challenge of defining the scope of its future borders. On the one hand, the EU's continuous expansion risked stretching its absorption capacity to breaking point, given the forthcoming accession of Bulgaria and Romania and the initiation of accession negotiations with candidate countries. On the other hand, the abrupt termination of this process would signify the violation of the EU's fundamental principle of openness for all European democracies and risk undermining the huge transformation processes taking place in neighboring countries to the East and South. In an urgent quest to solve this dilemma, the European Neighborhood Policy (ENP) emerged.

The ENP takes its origin from the European Commission Communication on Wider Europe⁸⁸ which defined the concept of "European Neighborhood" for the first time. These new neighbors would be Russia, the Western CIS and Southern Mediterranean countries.⁸⁹

The Communication stated political and economic interdependence between the EU and its neighbors as a reality given the fact that these neighbors are the EU's major trade partners and influence the EU's security interests. Thus, it said, "the EU should aim to develop a zone of prosperity and a friendly neighborhood – a ring of friends – with whom the EU enjoys close, peaceful and co-operative relations".⁹⁰ The novelty of the ENP was also seen by EU policy-makers in creating "a new strategic framework"⁹¹ and mechanisms for involving partner states in a consistent dialogue on a broad number of topics of mutual importance both for the EU and its immediate neighbors. The initiative aimed at creating "a virtuous circle by promoting good governance, economic and social

⁸⁸ COM (2003) 104 final, 11.03.2003

⁸⁹ Western CIS states are Ukraine, Moldova and Belarus; Southern Mediterranean – Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Authority, Syria, Tunisia.

⁹⁰ COM (2003) 104 final, 11.03.2003, p.4

⁹¹ Speech of E.Landaburu, DG External Relations, 'From Neighborhood to integration policy: are there concrete alternatives to enlargement?', the CEPS Conference 'Revitalizing Europe', Brussels, 23 January 2006

development, modernization and reform” by way of enhanced partnership on the ground of shared values and interests.⁹²

However, the Communication made it clear from the beginning that the approach to each and every ENP member would be different even though based on a common ground. This was explained by the differences in relations existing between these countries and the EU which stem from varying historical, political and economic backgrounds. Nor did it envisage a direct link between the ENP and future membership opportunities. It specifically mentioned that the ENP did not qualify partner countries to become fully-fledged EU members. This message was consistently repeated in statements by EU high-ranking officials. E.Landaburu, Director-General of DG External Relations, has been particularly clear in referring to the importance of transition in ENP partner states as “a goal in its own right”.⁹³

At the same time, the Communication claimed that in order to ensure success of this new policy, the EU should come up with “a clear vision” for enhancing cooperative relations with its neighbors in the medium and long run in order to:

- work together to mitigate poverty and attain prosperity “based on deeper economic integration, intensified political and cultural relations, enhanced cross-border cooperation and shared responsibility for conflict prevention”;
- offer “concrete benefits within a differentiated framework which responds to progress made by the partner countries in political and economic reform”.⁹⁴

The Communication specifically underlined that these countries need to be granted “the prospect of a stake in the EU’s Internal Market and further integration and liberalization to promote the free movement of persons, goods, services and capital (four freedoms)”.⁹⁵ A wide set of incentives offered to this end included preferential trade relations, opportunities for legal migration and movement of persons, fighting common security challenges, promotion of human rights protection and inter-cultural exchange and

⁹² ‘Working together: the European Neighborhood Policy’, European Commission, Luxembourg, 2007, p.6

⁹³ Speech of Eneko Landaburu, DG External Relations, ‘From Neighborhood to integration policy: are there concrete alternatives to enlargement?’, the CEPS Conference ‘Revitalizing Europe’, Brussels, 23 January 2006, p.2

⁹⁴ COM (2003) 104 final, 11.03.2003, p.9

⁹⁵ Ibid., p.10

dialogue, integration into EU transport, energy and telecommunications networks, support for integration into the multilateral trading system as well as enhanced financial and development assistance.

The Communication also specified particular actions necessary to foster partnership relations in the ENP format. A three-step procedure envisaged the following:

1. pursuing a dialogue within the current contractual framework, such as Association/Partnership and Cooperation Agreements by conducting a joint analysis and evaluation of reform achievements and gaps to be addressed;
2. adopting an Action Plan outlining commonly agreed goals and policy implementation benchmarks. These plans should focus on areas of priority interest both for EU and partner countries;
3. conducting an annual review of progress achieved in implementation of the Action Plan in order to maintain continuous EU involvement in institutional and administrative reform processes in ENP countries and encourage governments of these countries to aspire to attaining enhanced EU support for their development efforts.⁹⁶

In its Resolution on the ENP of November 20, 2003⁹⁷ the European Parliament supported the concept of a Wider Neighborhood. Later, in another Resolution it specifically underlined the necessity for EU commitment in supporting “the aspirations of the peoples” of neighbor countries in their efforts to achieve a high level of political, economic and social development”.⁹⁸ It also called for enabling active participation of ENP partner states in Community programs in the areas of culture, education, information society and the environment, and for providing technical assistance to those countries that have launched a comprehensive reform program and are in compliance with their obligations under the Action Plan.

The subsequent Commission Communication on strengthening the ENP that also provided an initial assessment of the first range of ENP cooperation proposals, re-confirmed the EU’s crucial interest in promoting economic development and ensuring

⁹⁶ COM (2003) 104 final, 11.03.2003, pp.17-18

⁹⁷ OJC 87 E, 07.04.2004

⁹⁸ European Parliament Resolution ‘European Neighborhood Policy’, 2004/2166 (INI), 19.01.2006, p.9

“better governance” in its immediate vicinity.⁹⁹ However, it also placed a high level of responsibility for the success of the ENP on partner countries. It further elaborated on a number of problems such as weak governance, organized crime, environmental degradation as issues of major concern in neighbor countries that could risk, among other things, to produce “spill-over” effects for the EU.¹⁰⁰ Therefore, it argued, the EU should come with pragmatic and practical proposals to ENP countries by offering them improved opportunities for commerce, economic integration and increasing funding possibilities. In supporting this argument, the Commission came with a set of proposals targeted at improving overall ENP efficiency, such as:

- strengthening the economic and commercial segment;
- easing mobility;
- enhancing financial cooperation;
- building a thematic dimension of ENP.¹⁰¹

While the first three were referred to in previous EU documentation, the fourth one represents a novelty in terms of its scope. The central argument here is that there are many areas where EU and ENP states possess shared interests and which could be efficiently tackled in a multilateral format. The environment, energy, transport, rural development, public health and migration are among those fields intended not only for bilateral engagement but also for a wider debate and action. The means of addressing these topics vary from the possibility to continuing a dialogue in the already established framework to the necessity of setting new mechanisms and applying innovative approaches. Honoring commitments under relevant multilateral agreements and their efficient implementation remain a key issue here.

The German Presidency Progress Report of June 19, 2007 also recognized the need to “channel Europe’s great modernizing power more efficiently” and emphasized the importance of the ENP being “an offer based on partnership” and “a policy of encouragement and support”.¹⁰² In the same vein, the EU Council Conclusions on strengthening the European Neighborhood Policy recalled the key principles of the ENP

⁹⁹ COM (2006) 726 final, 04.12.2006, p.2

¹⁰⁰ Ibid.

¹⁰¹ Ibid., p.4

¹⁰² General Affairs and External Relations Council, Presidency Progress Report ‘*Strengthening the European Neighborhood Policy*, No 11016/07, 18-19 June 2007, p.10

being “a strategy based on partnership and joint ownership to promote modernization and reform” and guided by “performance-driven differentiation and tailor-made assistance”.¹⁰³ Remarkably, the Council made it imperative that the endeavors “to develop the strengthened ENP as a core foreign policy should continue dynamically”.¹⁰⁴

In response to this call, the Commission highlighted the challenge for the EU “to develop an external policy complementary to enlargement” that would be equally efficient in encouraging political and economic transformation.¹⁰⁵

Conceptually, the Commission viewed differentiation among partners based on different progress achieved by them in implementation of the Action Plan, joint ownership and commitment to commonly agreed goals as well as promotion of a deeper regional/sub-regional/inter-regional cooperation as founding pillars of future cooperation. Substantively, it accepted the necessity of major improvements in EU policies towards its partners and advocated deeper economic integration, increased mobility, scientific and cultural exchanges, a more proactive EU involvement in ongoing conflicts and political dialogue in ENP partner states, encouragement of their participation in Community programs and agencies as well as increased financial assistance on the EU side to these countries.

Interestingly, speaking the Commission language, the issue of “sectoral reform and modernization” comes to the forefront of EU strategy towards ENP countries once again. The Communication makes it imperative that a due consideration of cross-cutting issues be taken into account while designing EU assistance programs. This needs to be backed by appropriate financial support facilities. Here, the topic of the environment is singled out as one of those demanding considerable attention on the side of both the EU and ENP countries’ policy-makers. Climate change dialogue, promotion of cleaner technologies, implementation of commitments under multilateral environmental agreements, and, more importantly, good environmental governance have been indicated as priority tasks to be addressed.

¹⁰³ General Affairs and External Relations Council, Council Conclusions ‘*Strengthening the European Neighbourhood Policy*’, 18-19 June 2007, p.2

¹⁰⁴ Ibid., p.4

¹⁰⁵ Communication from the Commission ‘*A strong European Neighbourhood Policy*’, COM (2007) 774 final, 05.12.2007, p.2

Operationally, the Commission supported the existing practice of adherence to the Action Plans in force or their prolongation until the necessity for an enhanced agreement (as was the case with Ukraine) emerges. It also called for a stronger presence and involvement of civil society actors and other stakeholders in ENP partner states in policy identification, formulation and realization, also in the context of monitoring of implementation of the Action Plan.

An ENP Conference organized in September 2007 for the first time gathered representatives of governments and civil society of EU and ENP countries for an open exchange of views on the future of the policy. It was highlighted that honoring obligations by both parties was critical for the future success of this partnership.

4.2 The ENP and the South Caucasus

Initially, the South Caucasus countries - Azerbaijan, Georgia and Armenia - were not included in the ENP due to their geographical location. Later, however, the European Security Strategy clearly identified the South Caucasus as one of the regions in which the EU should take a “stronger and more active interest”.¹⁰⁶

This position was consistent with the increasing understanding within the EU of the role and position of these countries in future EU policies in the entire region. The European Neighbourhood Policy Strategy Paper was therefore a timely recommendation to include Azerbaijan, Georgia and Armenia in the ENP and advocate each country’s right to develop relations with the EU in this framework. The Strategy also outlined the necessity of developing cooperation with the region in the area of energy as it is “an important region both for the production (the Caspian basin) and the transit of energy”.¹⁰⁷

¹⁰⁶ European Security Strategy, ‘*A Secure Europe in a Better World*’, Brussels, 12 December 2003, p.8

¹⁰⁷ Communication from the Commission ‘*European Neighbourhood Policy Strategy Paper*’, COM (2004) 373 final, Brussels, 12.05.2004, p.11

Following wide discussions, on February 26, 2004, the European Parliament adopted a Resolution¹⁰⁸ inviting these three countries to become part of the ENP and after the Brussels European Council of 17-18 June 2004, they became fully-fledged ENP partners. It is noteworthy that the EU has traditionally viewed the three countries of the South Caucasus as part of one region and this approach, as demonstrated in the simultaneous signing of Partnership and Cooperation Agreements in 1996, and later, adoption of ENP Action Plans with all of them in November 2006, dominated the policy dialogue with these states. By doing so, the EU signalled its commitment to supporting these countries on their way towards building stable societies based on democratic values and to promoting peaceful and prosperous development in the entire region.

Some shifts in the generalized approach towards the South Caucasus took place later, in the course of implementation of the Action Plans. The Commission deemed it important to give these countries a chance to move according to their willingness and readiness in terms of how far and how deeply they envisaged pursuing political and economic integration with the EU. The country-specific focus was viewed as conducive to the promotion of a positive rivalry among the countries that in its turn could encourage their further progress. And yet, it is clear that some crucial issues, such as the settlement of the Nagorno-Karabakh conflict between Azerbaijan and Armenia require a broader regional consensus.

4.3 Why ENP?

Although the study of the conceptual difference of the ENP is not the primary objective of this dissertation, a quick look would be useful for the purpose of better understanding the rationale behind it.

Indeed, why ENP? The recent wave of enlargements brought to the fore of attention a number of crucial issues related to structural and functional transformations that will change the future of the EU. This is complemented by the ongoing dialogue with the

¹⁰⁸ European Parliament Resolution with a European Parliament Recommendation to the Council ‘*EU policy towards the South Caucasus*’, 2003/2225 (INI)

current applicant countries and the Western Balkan countries that are deemed as natural bidders for future membership. Mostly due to these processes, the EU is experiencing a period of "enlargement fatigue", and encouragement of aspirations related to entering the EU could, in the view of most politicians, cause "an unnecessary fuss". European citizens also need a timeout for a thorough assessment of the consequences of the 2004 and 2007 enlargements before deciding on the next wave. In addition, enlargement can be costly for the EU as most of the Eastern ENP partner states after joining the Union will turn into net EU budget recipients.

With these factors in mind, deciding on an exact agenda for future enlargement might be risky. Therefore, the ENP has been designed to provide an opportunity for enhanced cooperation and yet staying away from the membership promise.

Equipped with the ENP, the EU is also viewed as a unique partner and donor to act "as a mediator, facilitator and accelerator of processes beneficial to both EU and partner countries" and whose assistance will catalyze progress in political and economic reforms in these countries.¹⁰⁹

Creating an integrated market of a Pan-European scope functioning on the basis of open, predictable, harmonized and transparent rules and mechanisms is seen as beneficial both for the EU and its neighbors. It would help promote sustainable development, economic growth and prosperity as well as ensure efficient formulation and implementation of a broad range of policies varying from development assistance, research and technological development to health, labour and environmental protection. Progress attained by ENP partner countries in pursuing economic, institutional and political reforms, including legislative approximation, as a result of successful cooperation, would bring them to closer economic integration with the EU.

In this regard, the results of the 2007 Eurobarometer Survey¹¹⁰ aimed at finding out how much the general public in the EU knew about the ENP and relations with their

¹⁰⁹ European Neighborhood and Partnership Instrument, Eastern Regional Programme, Strategy Paper, 2007-2013, p.16

¹¹⁰ Special Eurobarometer 'The EU's relations with its neighbours: a survey of attitudes in the European Union', No 285, September 2007

neighbors deserve particular attention. According to the survey, one in five respondents (20%) said that he/she was aware of the ENP which, according to interviewers denotes a relatively high level of awareness, given the specific nature of this policy area and the low general level of knowledge.¹¹¹ Furthermore, the majority of respondents favored enhancement of sector-specific cooperation with ENP countries, with the environment and energy being the second most important area after terrorism and organized crime (86% and 89%, respectively).¹¹² In general, respondents positively evaluated the potential of EU partnership with its neighbors as bringing mutual benefits. At the same time, the ENP is an ongoing endeavor: Action Plans contain a check-list of activities and measures that will take respective governments many years to implement.

However, the long list of commitments is not supported by the prospect of EU membership, even in the longer term perspective. The language of these commitments is vague and operates with general terms of “an increasingly close mutually beneficial relationship, going beyond cooperation” and “reinforcing the political and economic interdependence”.¹¹³ A weak ENP offering few incentives as compared to strong commitments risks raising skepticism over the EU’s true intentions. According to some analysts, the fact that the ENP does not specifically provide for a clear prospect of membership makes it a “short-sighted” endeavor.¹¹⁴ For instance, the scope of market reforms and democratic governance transformations in Ukraine would have been much more sizable, they argue, if there had been a firm promise on its membership by the EU.

And yet, there is potential for the ENP to become operational. The tools of possible action are numerous and, of course, raise questions of coherence, coordination and joint use of synergies. EU policy-makers advocate the policy of ‘positive conditionality’, i.e. no punishment for poor performance but additional benefits for achievements. EU functionaries make it clear that the degree of integration to the EU and future contractual relations will depend on the capacities and willingness of individual neighbors.

¹¹¹ 27000 interviews were conducted in national languages of respondents and in direct communication with them in all 27 EU Member states

¹¹² Special Eurobarometer ‘*The EU’s relations with its neighbours: a survey of attitudes in the European Union*’, No 285, September 2007

¹¹³ Buiter, W.H., ‘*Challenges for Europe*’, London: LSE Research Online, 2004, p.4

¹¹⁴ Ibid.

However, the criteria and the respective stimuli are not distinctly reflected in any of the documents. Key incentives that the EU could offer conditionally include trade concessions, financial aid and openness for the movement of people. But open issues remain as to whether these proposals would be conditioned within a given sector or in a context of the countries' track-records in promotion of democracy and human rights.¹¹⁵ In debating this argument, the Commission deemed it impossible to insist on the strict conditionality approach in the context of joint ownership of ENP cooperation and favored the soft approach though stressing the importance of the achievements-benefits link. As Commissioner for External Relations B.Ferrero-Waldner advocated, the strength of the ENP is not in "imposing reforms but ... supporting and encouraging reformers."¹¹⁶

4.4 European Neighborhood and Partnership Instrument

The European Neighborhood Policy Strategy Paper of May 12, 2004 provided an opportunity for partner countries to take part in some Community agencies and programs or engage in closer partnership with them¹¹⁷.

This would, in the view of EU policy-makers, encourage further administrative and institutional reforms in ENP partner countries, facilitate harmonization of their legislation with the Community *acquis* and compliance with EU norms and standards and ultimately boost modernization and reforms in relevant sectors. The policy line proposed by the Commission is for the EU to agree to a general commitment to be open to participation by ENP partner states, and for consultations to be held with a view to selective and gradual participation of individual ENP states on the basis of identified mutual interest and the meeting of functional prerequisites.

The fact that Action Plans also contained a provision on "gradual opening of or reinforced cooperation in relevant Community Programs" for ENP partner states¹¹⁸,

¹¹⁵ Emerson, M., '*European Neighborhood Policy: Strategy or Placebo?*', CEPS Working Document, No 215, 2004, p.15

¹¹⁶ Speech of B.F.Waldner, Commissioner for External Relations, at the Swedish Institute for International Affairs and the European Commission Representation in Sweden, 7 March 2006, Stockholm, p.3

¹¹⁷ There are 30 Community non-executive bodies in respective areas of competence and around 34 programs

attests to the support the proposal received from these countries. Such engagement is proposed through: (a) country participation as a member or observer or its cooperation with specialized bodies responsible for administering Community policies, e.g. such as the European Environment Agency; or (b) inclusion of ENP partner states in realization of Community policies such as research and development or consumer protection. In the latter case, the funding can come from ENP partner states themselves or from the EU budget.

The issue of EU financial assistance has been repeatedly addressed in a number of EC policy documents. The Commission Communication “A strong European Neighborhood Policy” stressed the necessity for this assistance to be streamlined to better meet the ENP partners’ needs and “reflect their different relationships with the EU”.¹¹⁹

As of 2007, the EU programs of Technical Assistance to the Commonwealth of Independent States (TACIS) and to the Mediterranean countries (MEDA) launched respectively in 1991 and 1996 to support transition processes in these countries and foster sectoral cooperation, have been replaced by a single instrument called the European Neighborhood and Partnership Instrument (ENPI). Having a broader mandate, the ENPI has been designed as the financial backbone of the ENP and a major financing instrument for implementation of Action Plans.

The ENPI has three strategic objectives, specifically: promoting democracy and human rights; facilitating the transition to a market economy and fostering sustainable development; and promoting cooperation in areas of mutual concern and interest. Within these policy objectives practical cooperation with ENP partners focuses on enhancing dialogue on sectoral reforms, support to institutional development, approximation of legislation and contribution to implementation of Millennium Development Goals. Approximately 90% of ENPI funding covers bilateral cooperation initiatives and regional activities with the participation of two or more partner countries, while the rest is

¹¹⁸ Communication from the Commission to the Council and to the European Parliament ‘*On the general approach to enable ENP partner countries to participate in Community agencies and Community programmes*’, COM (2006) 724 final, p.3

¹¹⁹ Communication from the Commission ‘*A strong European Neighbourhood Policy*’, COM (2007) 774 final, 05.12.2007, p.10

allocated for cross-border cooperation and other initiatives. However, as constantly repeated by EU policy-makers, ENPI allocations will be demand-driven and based on absorption capacity and implementation progress made by partner states.

The legal framework for the ENPI was laid down in the EC Regulation 1638/2006 of 24 October 2006 that highlighted the commitment for the Community to render assistance to ENP partner states and advance cooperation among them as well as between them and the EU in order to facilitate their realization of Action Plans and contribute to broader goals of establishing “a zone of shared stability, security and prosperity involving a significant degree of economic and political cooperation”.¹²⁰

The Regulation also outlined the principles of *complementarity* with relevant national or regional measures or strategies, *partnership* at the level of national and local authorities with close engagement of the business community and civil society, and *co-financing* by both EU and ENP partners in order to enhance joint ownership as crucial for the success of ENPI. Added to this was the fourth principle of *coordination* within EU, among its Member states as well as donors and international organizations of synergies and activities under the ENP.

The ENPI became operational on 1 January 2007. A total of more than EUR 11,1 billion under the EU’s 2007-13 financial framework will be provided to ENP countries to support their national reform agenda and multi-country and cross-border cooperation initiatives. In real terms, the ENPI represents a resource increase of some 32% in comparison with TACIS instruments.

¹²⁰ Regulation EC No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighborhood and Partnership Instrument, OJ L 310, 09.11.2006, p.1

Table1. ‘The European Neighborhood and Partnership Instrument – cooperation priorities’

The European Neighbourhood and Partnership Instrument – Cooperation priorities:

- good governance, reform, and the respect of human rights and fundamental freedoms;
- legislative approximation with the EU and institution building;
- equitable social and economic development and poverty reduction;
- sectoral Co-operation with particular focus on the areas covered in the ENP Action Plans (e.g. Telecommunications, transport, environment, research and innovation, higher education, people to people);
- cross-border co-operation across EU external borders.

Source: ‘*Working together: the European Neighborhood Policy*’, European Commission, Luxembourg, 2007

In order to promote ENP financial assistance on a continued basis and encourage better use of Community funding, two new innovative tools have been introduced under the ENPI, namely, a Governance Facility (GF) designed to provide additional incentives to ENP countries demonstrating the most progress in their reform efforts, specifically, in the field of human rights, democracy and the rule of law, and the Neighborhood Investment Fund (NIF), aimed at supporting International Financial Institutions (IFIs) lending in these countries in compliance with commonly agreed priorities and in sectors outlined in the Action Plans.¹²¹

Also, as of 2004 the European Investment Bank (EIB), the EU’s lending structure, extended its mandate to most Eastern ENP partners and as of 2007 also to South Caucasus countries. For the budget cycle of 2007-2013 around EUR 5 billion will be earmarked for these countries to finance projects in infrastructure and the environment.

In the view of policy analysts, the ENPI contains improvements over its predecessor programs, TACIS and MEDA. Particularly welcome for the former TACIS beneficiary countries is the wider range of support options along with traditional technical assistance (investment funding, budgetary support, education, etc.). However, there still remains an over-reliance on technical assistance projects of types that are sometimes difficult to

¹²¹ An amount of EUR 300m has been allocated for the GF for the years 2007-13, with EUR 700m being set aside for the NIF.

implement efficiently. Given the institutional problems and impediments related to getting an administratively simpler financial regulation, there has to be a shift towards priorities in favor of programs less prone to these constraints.

4.4.1 Twinning and TAIEX

Coming from previous positive experience with Eastern and South Eastern European states, now EU members, the EU introduced Twinning and TAIEX in 2006 as practical tools to facilitate political and economic transition also in ENP partner countries. The main aim of these tools is further encourage the reform process and promote harmonization of the legislation of ENP countries with that of the EU.

Twining envisages rendering institution building support with an aim of assisting in transposition, implementation and enforcement of the EU acquis as well as establishing medium-term administrative cooperation which is carried out as a peer-to-peer exchange of expertise, i.e. by sending public sector officials from EU member states as resident twinning advisers to government authorities of ENP partner states thus providing for transfer of public sector expertise from the former to the latter. Another important feature of cooperation is that the beneficiary country retains the ownership of Twinning projects, thus relations between the beneficiary country and an EU member state involved in a project are those of partnership rather than of the donor-recipient type. The projects should also contain aspects of legal approximation of a beneficiary country legislation in the relevant field to that of the EU and activities must be result-oriented and in compliance with policy objectives under the Action Plans: any new or improved system introduced at the end of projects must be self-sufficient and the relevant public body that would manage this system will have to be able to adapt to these changes.

The Technical Assistance and Information Exchange (TAIEX) program envisages providing targeted expert assistance, consultation, workshops and study visits to the EU on issues of the drafting, application and enforcement of legislation as stipulated by Action Plans. Being demand-driven, TAIEX envisages delivery of specific expertise on dissemination of good practices and know-how and helps officials of beneficiary

countries to understand, harmonize or implement rules and regulations on a broad number of issues across various sectors.

Providing aid as *direct budget support* is the third form of assistance. It has many advantages over traditional forms of aid, which tend to set up parallel administrative structures with costly expatriate advisors and with their own procedures of monitoring, procurement and financial control. However, budget support necessitates a careful assessment of the beneficiary's current budgetary systems and reform plans.

4.4.2 Cross-Border Cooperation Program

As an integral part of the ENPI, the Cross-Border Cooperation Program (CBC) has been designed with a view to promoting cooperation between EU member states and their neighbors by reducing 'the dividing effects of external borders and avoiding the creation of a development gap between EU and its partners'.¹²² An important component of the CBC is therefore a strong involvement, at the stage of both elaboration and implementation, of local/regional stakeholders in partner countries and EU members. The CBC budget for the period 2007-2010 totals EUR 583.28 million.¹²³

Although the CBC resembles previous regional programs in terms of its scope and coverage, its implementing and financing mechanisms represent a novelty with the bulk of the financing coming from the EC and additional funds to be secured by partner states. Additionally, a multi-layer institutional structure designed to ensure effective implementation of projects, their monitoring and supervision, provides a wider platform for participating countries and the EC alike to exert influence on the ongoing processes and gives more flexibility in adaptations.

The major challenge in its realization, however, would be to maintain complementarity between CBC and the national Action Plans in order to avoid potential duplication of

¹²² Communication from the Commission 'A strong European Neighbourhood Policy', COM (2007) 774 final, 05.12.2007, p.10

¹²³ European Neighborhood and Partnership Instrument, Cross-Border Cooperation, Strategy Paper, 2007-2013, p.3

resources and blurring of policy objectives, because in most cases the CBC programs will function in areas where a wide range of EU policies are relevant. This will necessitate coordination and monitoring of CBC activities in areas, such as, for example, environmental governance. Another challenge is the administrative and institutional capacity of regional authorities in ENP partners to successfully engage in these types of joint and correlated actions.

The currently ongoing “Black Sea Joint Operational Program 2007-2013” is one of the two CBC programs elaborated to promote cooperation amongst stakeholders, mostly local authorities and civil society, of ENP partners and EU member states. It will cover priority areas of economic and social development in the border areas and people-to-people contacts to initiate cooperation and joint action and is a project-based endeavor. Negotiations preceding adoption of the program revealed additional problems related to decentralization, delegation of authority from central to local executives, civil society involvement in partner states and political issues due to unresolved military conflicts in the region that undermine security and stability as a basis for any cooperation and limit the scope of partnerships within a number of areas of mutual concern. It remains to be seen how practical implementation of joint initiatives and projects under the program will contribute to mitigating the effects of these problems.

4.4.3 Towards a better assistance streamlining

Analysis of EC technical assistance projects in ENP partner countries under the TACIS and MEDA programs¹²⁴ reveals the necessity for increased engagement of local and regional executives in projects, adequate prioritization of project activities and, most importantly, support for capacity-building for local stakeholders.

Lessons learnt from these evaluations show that the assistance provided will be even more efficient if it can ensure: a) correlation between the partner country development objectives and bilateral cooperation targets; b) comparative advantage and expertise of the EC as a donor; c) balance between ENP-based cooperation policy with other core

¹²⁴ Court of Auditors, Review of TACIS CBC Programme, OJ C329, 23.11.2001

policies of the EU and d) building upon existing mechanisms in order to better channel the response strategy and achieve optimal results.¹²⁵

Experience has demonstrated that a strong political backing of sector-related regional projects at the national level rather than favoring merely a bottom-up approach is required for the program to be successful, given the relatively modest amount of resources that can be spent for these purposes. This is particularly valid for the area of the environment, which experiences most difficulties in gaining the recognition by governments of partner states (except for ecology ministers) of the pressing character of environmental concerns and the necessity for prompt actions.

In addition, some analysts view the elaboration of comparable statistics based on European standards and setting concrete and feasible benchmarks as important for monitoring the development of cooperation. With the right choice of target areas and cooperation tools in view of the diverging development agendas of partner states, EC programs can significantly contribute to the political and socio-economic development of these countries and help implement the provisions of the Action Plan in practical terms. In this context, the ENPI programming will continue focusing on internal and external partnership-building and closer involvement of all stakeholders in programming activities.

4.5 Eastern Partnership

Although one of the first references to the “Eastern dimension” of the ENP was mentioned in the Commission Communication on Wider Europe as far back as 2003, it took the EU five years to come up with a proposal to launch deeper cooperation with this region.

¹²⁵ Evaluation of Council Regulation 99/2000 (Takis) and Its Implementation, European Commission/Evaluation Unit/EuropeAid, January 2006 available at: http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/2006/728_vol1_en.pdf accessed on December 5, 2008

In 2008 Poland, Sweden and Lithuania put forth a proposal on ‘developing the ENP Eastern dimension’ on the example of the Union for the Mediterranean as advocated by the French President Nicolas Sarkozy. The proposal envisaged deepening relations with the ENP eastern countries, namely, Ukraine, Moldova, Belarus and the three South Caucasus countries, both in bilateral and multilateral formats.

The bilateral format envisaged, among other things, cooperation on visa facilitation, creation of a deep free trade area, concluding successor agreements going beyond the existing PCA framework”, and most importantly, support for sectoral reforms. The multilateral cooperation was based on project orientation, i.e. implementation of specific projects with the participation of interested EU member states. Thematic areas where a policy dialogue could be pursued and projects implemented covered issues of security, border management, social and economic development and the environment.

In putting forth the proposal, the Polish side strove to promote “ideological” enhancement of the ENP and claimed there was a difference between the two dimensions of the ENP in a sense that the southern ENP countries were “neighbors of Europe” while eastern ENP countries were “European neighbors”.¹²⁶ In the same vein, Lithuanians stressed the importance of bringing “regional multilateralism into ENP East” viewing it as “an important factor facilitating adequate solutions to all ENP domains”.¹²⁷

The proposal was first debated on May 26-28, 2008 during the General Affairs and External Relations Council meeting in Brussels. An important breakthrough in the EU perception of the concept of ‘the Eastern dimension’ were the Presidency Conclusions of 19/20 June 2008 whereby the Brussels European Council expressed support for the initiative to develop the eastern dimension of the ENP and tasked the Commission to submit a proposal on modalities of the ‘Eastern Partnership’ (EaP) in spring 2009. In doing so, the Council, however, reiterated the importance of treating the ENP as a single

¹²⁶Speech of Radoslaw Sikorski, Polish Foreign Minister, at the European Policy Center, 26 May 2008, Brussels, in Lobjakas, A., ‘EU: Poland, Sweden Breathe New Life Into Eastern Neighborhood’, URL: <http://www.rferl.org/content/article/1144495.html>

¹²⁷ Speech of G.Kirkilas, Prime Minister of Lithuania, ‘The challenges facing the European Union : Perspectives from a new Member State’, at the National Forum on Europe, Freland, 9 October, 2007, p.1

and coherent policy and highlighted the necessity for the new proposal to be complementary to the existing initiatives.¹²⁸

Contrary to views of some policy-makers both inside and outside the EU, the support for the initiative came from the European Parliament. In its Resolution of 10 July 2008, the Parliament highlighted that the Commission's strengthened ENP policy was not enough for bridging the "conceptual, political and legal gap" between the Union's enlargement strategy and the ENP to be able to better respond to the aspirations of the EU's Eastern neighbors and expressed support for the EaP Initiative.¹²⁹

Further impetus to the proposal was given by developments following the conflict between Russia and Georgia in August 2008. The Extraordinary European Council meeting held on September 1, 2008 expressed its concern over the ongoing deterioration in relations between the two countries and the Russian policy in the region and recommended that the Commission speed up elaboration of proposals for EaP modalities to present them by December 2008. This demonstrated a considerable shift in the positions of those previously reluctant countries on the merits of the proposal and signalled the commencement of the EU pursuing a proactive policy with regard to the geo-political processes taking place in the region and bearing strategic impact on developments well beyond it.

On 3 December, 2008 the EC submitted to the European Parliament and Council its Communication on the EaP that determined the directions of future cooperation between the EU and Eastern partner countries.

The EaP aims at bringing relations between the EU and its partners to a higher level by, inter alia:

- Signing Association Agreements;
- Establishing a deep and comprehensive free trade area;
- Elaboration of a new generation of Action Plans;

¹²⁸ Brussels European Council, Presidency Conclusions, No 11018/08, 20 June 2008, p.19

¹²⁹ European Parliament Resolution '*On the Commission's 2007 Enlargement Strategy Paper*', (2007/2271(INI)), 10.07.2008, p.5

- Progressive visa liberalisation;
- Deeper cooperation to enhance energy security of partner countries and the EU;
- Enhanced sectoral cooperation;
- Access to participation in Community programs.

The institutional ground for the EaP was also envisaged. Within its multilateral framework, regular meetings between EU Member States and EaP countries at the level of Heads of State or Government, Ministers of Foreign Affairs and the four thematic platforms (*Democracy, good governance and stability; Economic integration and convergence with EU policies; Energy security; Contacts between people*) would provide an open forum for exchanging information and sharing experience on partners' steps in the field of political and economic reforms as well as for discussions on the prospects of this cooperation.

The Prague EaP Summit held on 7 May 2009 inaugurated the EaP by the adoption by all 27 EU Member States and 6 EaP countries of the Joint Declaration that determined the main objectives and principles of this partnership.

Azerbaijan is also among EaP participants though the country has stated on numerous occasions that it viewed the EaP as, first of all, the bilateral framework for deepening cooperation with the EU “given each country’s own pace of development and reform agenda”.¹³⁰ While recognizing that higher level of political association and economic integration would deepen bilateral cooperation, Azerbaijan voiced its expectation for this partnership “to be demand-driven and based on joint commitment”¹³¹.

However, its high-ranking officials consistently warned that until the resolution of the Nagorno-Karabakh conflict the country would not engage in the multilateral component of the EaP that would envisage direct cooperation with Armenia.¹³²

¹³⁰ Statement of M.Mammad-Guliyev, Deputy Foreign Minister of Azerbaijan, at the 9th meeting of the EU-Azerbaijan Cooperation Committee, 20 June, 2008

¹³¹ Ibid.

¹³² Tagizadeh, T., ‘*The European Union’s Eastern Partnership: what does it offer Azerbaijan*’, Azerbaijan in the World, Biweekly Newsletter 2 (13), Azerbaijan Diplomatic Academy, 2009, p.5

With regard to the specific areas for the joint undertaking, the legislative approximation with EU acquis was stated as an important focus area. Within sectoral cooperation, energy, environmental and social issues were named as potential interest areas. The program of secondment of civil service representatives of EaP partner countries to EC and EU member states public authorities was particularly welcomed. This proposal, initially suggested by the Azerbaijani side, has long since been on the table of discussions with the EU.

Overall, domestic policy-makers consider the EaP as an important stimulus for Azerbaijan to pursue and deepen its reform agenda and an opportunity for both sides to engage in a comprehensive dialogue on many issues of mutual interest. In this regard, it can also complement ongoing endeavors to promote implementation of the Action Plan and help Azerbaijan closer integrate with the EU, which is increasingly viewed as “a good model of a successful development”.¹³³

¹³³ Eyyubov, E., ‘*Azerbaijan – EU: Partnership in Progress*’, Azerbaijan in the World, Biweekly Newsletter 2 (13), Azerbaijan Diplomatic Academy, 2009, p.1

5. THE ENP AND AZERBAIJAN

5.1 Background of relations between the EU and Azerbaijan

The contractual framework of EU-Azerbaijan relations is based on the Partnership and Cooperation Agreement (PCA) signed in 1996 and in force as of 1999. Signed for a period of 10 years, the agreement was due to expire in 2009. The parties looked at ways of strengthening their relations either through prolongation of the PCA or establishing a new, enhanced agreement that would better correspond to the current level of cooperation requiring more commitment and willingness from both sides to work towards mitigating common challenges. However, initially the EU was not willing to engage in a new drafting exercise preferring the option of a roll-over PCA by extending it for a subsequent year while Azerbaijani officials would like to see a more active involvement on the side of the EU through the signing of an enhanced agreement that would, in their view, encourage further reform in the country.

The situation changed with the crisis around Georgia in August 2008 that significantly re-shuffled the security and stability framework of the whole region of South Caucasus. Influenced by those developments, the Eastern Partnership envisages a real possibility of concluding Association agreements that would go beyond the present PCAs.¹³⁴

Currently, discussions are ongoing in various formats and options are being examined. Under present circumstances, a way out can be seen in prolongation of the PCA for a year and a launch of negotiations on an association agreement. That would provide an opportunity for a thorough analysis of current developments and issues to be covered in a future agreement and provide a political guarantee for Azerbaijani officials of EU taking the dialogue to a qualitatively higher level.

The PCA represents a substantial agenda reflecting the interests of both the EU and Azerbaijan to pioneer changes in the country's political and economic transformation. As such, it contains a number of clearly defined commitments for both parties along with general obligations that cover practically all spheres of bilateral interaction. An important point in this regard is legislative harmonization that is an approximation of the

¹³⁴ Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May, 2009

Azerbaijani legislation with EU acquis envisaged as an evolving and open-ended process. The agreement also defines areas of cooperation ranging from promotion of free trade, a favorable business and investment climate, endorsement of intellectual property rights and cooperation in the field of the environment to maintaining a regular dialogue between the parties on issues of security, protection of human rights and democracy.

As the legal basis of cooperation between the EU and Azerbaijan, the PCA is viewed by analysts as able to deliver positive change in core areas of bilateral interaction, including the environment. In helping to address current sectoral development challenges encountered by Azerbaijan, it provides a framework for institutional development in respective areas.

The scholarly quest suggests that the upgrade of institutions is a complex task that corresponds to the so-called “second phase” of transition reforms. Contrary to the “first phase” reforms that involve a withdrawal of the state from socio-economic administration and management, the second phase reforms are more complicated as they require the development of structures and institutions that govern a market economy, i.e. they concentrate on not so much the withdrawal of the state, but rather on the redefinition of its role in economic processes. Implementation of the PCA concerns most of these second phase reforms and provides a good correlation between objectives of Azerbaijan’s socio-economic transformation and its commitments in developing partnership with the EU.

The institutional framework for EU-Azerbaijan cooperation is also set out in the PCA: the Cooperation Council, Cooperation Committee and its two Sub-committees – one on Energy, Transport and Environment and the other on Trade, Economic and Related Legal Issues as well as the Parliamentary Cooperation Committee are platforms for a regular dialogue between officials of both sides. The Council is responsible for monitoring PCA implementation as well as for examining “any major issues arising in the framework of this Agreement”.¹³⁵ It may also produce recommendations. In carrying out its duties the Council is assisted by the Cooperation Committee, which may in its turn set up auxiliary body/bodies as necessary. The Parliamentary Cooperation Committee brings together the

¹³⁵ PCA, TACIS project publication, Baku, 2002, Articles 81-82, p. 42

European and Azerbaijani Parliament members to discuss cooperation issues of mutual interest and may request information on PCA implementation from the Council. All these institutions meet annually, often times alternating between Baku and Brussels/Strasbourg/Luxembourg.

As envisaged under the EaP, the European Parliament came up with a proposal to establish an EU-Neighborhood-East Parliamentary Assembly (EURONEAST) that would serve as a political platform for dialogue between the European Parliament and Parliaments of Eastern ENP partner countries thus strengthening the bilateral dimension of this partnership. Azerbaijan has also been invited to join this process.

Negotiations are ongoing in order to set up, on the insistence of the Azerbaijani side, of the third Sub-committee on Justice, Liberty and Freedom, as practiced by the EU in its cooperation with other ENP countries. The dividing line is the position of the EU on this issue: concerned over the human rights situation in Azerbaijan, it suggests establishing a human rights dialogue that would channel relevant discussions while the Azerbaijani authorities insist on setting up a full-fledged Sub-committee or at least enriching this dialogue with a security element as a concern for Azerbaijan in view of the unstable geopolitical and security situation in the South Caucasus region and the existence of a protracted military conflict with Armenia over the Nagorno-Karabakh region of Azerbaijan as a major obstacle to the development of the region and a serious contributor to the overall regional instability. The fourth Sub-committee is less controversial: it envisages institutionalizing a regular dialogue on issues of education, culture, research and technological development.

The security dialogue is supplemented by the involvement of the EU Special Representative for the South Caucasus (this position was established in 2003 and is currently held by the Swedish diplomat - ambassador Peter Semneby) who holds the mandate of assisting the EU in developing a comprehensive policy towards the region and supporting ongoing peace-settlement efforts.

As a signal of enhanced interest on the side of the EU towards the country and the region and at its own request, in 2004 Azerbaijan, along with neighboring Georgia and Armenia,

was included in the ENP. In its March 2005 Country Report the European Commission advised that an Action Plan with Azerbaijan be adopted in order to help boost market reforms in the country and promote human rights protection and democratic development along with institutional reforms and capacity-building.

The AP was adopted on 14 November 2006 and towards the end of 2007 the first AP Progress Report was prepared and submitted by the Azerbaijani authorities to the European Commission. In its turn, the Commission circulated its own progress reports on most ENP partner states' AP implementation, including Azerbaijan.

In the report, the EC noted achievements by Azerbaijan and referred to a number of areas where in its view Azerbaijan showed little progress. In fact, the document addressed a number of concerns shared both by the EU and the Azerbaijani Government. However, in some instances it did not adequately measure the level of success attained by Azerbaijan or its endeavors to work toward an improvement of the situation in a number of areas within a given timeframe. The view of the Azerbaijani side was that being an evolving process, implementation of the Action Plan covered the time span of 5 years and the existence of measures pending realization was natural. It also voiced the importance of common ownership for success of the Action Plan: it should not be viewed as a commitment by one side and a control mechanism by the other. This is a two-way street and there is no unilateral success or failure.

Analysts refer to various degrees of involvement by ENP partner countries in the implementation of their commitments and explain these by differences in terms of their readiness in addressing the broad spectrum of reform actions suggested by the EU. Based on Azerbaijan's declarations of priorities, the country is viewed as a "passive" partner that is, on the one hand, willing to launch a more intensified cooperation with the EU but, on the other hand, is not keen to go through the domestic reform process that this cooperation dictates. In contrast to the two other South Caucasus states, Azerbaijan is depicted as "more relaxed" and less dependent on European generosity.¹³⁶ This is explained by the country's strategic geopolitical location and endowment with abundant

¹³⁶ Poviliunas, A. 'South Caucasus in the context of European Neighbourhood Policy', Lithuanian Foreign Policy Review, No 17, 2006, p.132

energy resources which open up a wide set of options before it and provide a good bargaining position in issues of regional and global cooperation.¹³⁷

Yet, Azerbaijan expressed its commitment to the ENP viewing it as a platform for speeding up the country's political, economic and social transformation processes. In May 2004, at a meeting with R.Prodi, President of the European Commission at that time, President I.Aliyev welcomed the extension of the ENP to Azerbaijan and emphasized that the country's strategic policy towards more active integration into European structures continued.¹³⁸ Since then, developments in bilateral relations demonstrate the increased awareness in the country's government circles and civil society alike, of the progress needed in order to facilitate this cooperation. The Country Strategy Paper for 2007-2013 refers to the explicitly expressed interest of Azerbaijan in "further integration into Euro-Atlantic structures" and states that the inclusion of the country in the ENP was regarded by the country's population as encouragement of policies pursued by the government since Azerbaijan's independence.¹³⁹

Right before the launch of negotiations on the Action Plan, a decision was taken by the Government to boost the bilateral cooperation with the EU through establishing by a Presidential Decree the State Commission on European Integration on June 1, 2005. The high-profile of the Commission is attested by the fact that it is chaired by the Deputy Prime Minister, with Ministers of Foreign Affairs and Economic Development being his deputies. The Commission has been tasked with the primary responsibility of supervising the process of negotiations and subsequent implementation of the Action Plan.

The regular work of the Commission is channeled through nine working groups each chaired at the Deputy Minister level of an appropriate line ministry and each with its own work plan focusing on priority-specific aspects of implementation. The dividing of the work into working groups has had a positive impact on increasing the efficiency of overall country performance by keeping a targeted focus on implementation and monitoring. At the same time, due to under-capacity and insufficient institutional setting,

¹³⁷ Emerson, M., Noutcheva, G., and Popescu, N., 'European Neighborhood Policy Two Years on: Time indeed for an 'ENP plus'', CEPS Policy Brief, No 126, 2007, p.7

¹³⁸ Poviliunas, A. 'South Caucasus in the context of European Neighbourhood Policy', Lithuanian Foreign Policy Review, No 17, 2006, p.132

¹³⁹ URL: http://ec.europa.eu/world/enp/documents_en.htm#9, accessed on 10 October 2008

it was impossible to create a permanently functioning network of “EU experts” within line ministries as staff members responsible for EU issues were also at the same time involved in bilateral and multilateral cooperation arrangements and projects with third parties.

In order to increase political support and ensure efficient coordination of EU affairs, a special department on cooperation with the EU was set up within the Ministry of Foreign Affairs directly responsible to the Deputy Foreign Minister. The department is responsible for general coordination and monitoring of issues to be reflected in the bilateral cooperation agenda as well as the overall political support and negotiations.

The European Commission responded to these policy and institutional innovations by re-defining the scope and mode of its assistance. The Country Strategy Paper for 2007-2013 identified areas for cooperation as determined by bilateral cooperation priorities. They include assistance in promoting Azerbaijan’s transition to a market economy and democratic governance, implementing the Action Plan and addressing security challenges. The importance of a “policy mix” combining various forms of assistance is also addressed in the document. It envisages an active use of TAIEX and Twinning instruments as well as budget support schemes and potential EIB lending in case the EIB commences its operations in Azerbaijan, across the sectors identified as assistance priorities. In the case of budget support, however, the assistance is preconditioned by the requirement for the Azerbaijani authorities to ensure transparent and accountable public expenditure management, an open public procurement mechanism and exact formulation of budgetary assistance objectives, including related monitoring benchmarks. The European Commission also pledged its support to the active involvement of Azerbaijan in appropriate Community programs, agencies and networks.

Based on this, a multi-annual Indicative Program (NIP) for Azerbaijan has been worked out that identified sectors and sub-sectors for joint action as well as reference to funding mechanisms. The present NIP covers the period 2007-2010 and envisages allocation of EUR 92 million. The document specifies that the funding may be increased in future through disbursements of the Governance Facility to be allocated to countries demonstrating tangible progress in the governance aspect of implementation of the

Action Plan. The program is based on common partnership and envisages the close involvement of Azerbaijani counterparts in program implementation, also at the co-funding level. Following the NIP, an annual Action Program has been elaborated that contains a detailed list of specific projects in the identified priority areas and a financing breakdown for 12 months.

However, the picture of EU-Azerbaijan relations would be incomplete without bringing to the forefront the founding element of this cooperation: energy. In fact, the big energy potential of Azerbaijan as a supplier and transit country attracted EU interest as early as in the beginning of the 1990s. The signing of “the Contract of the Century” on September 20, 1994 on development of Caspian energy resources with leading global energy operators paved the way for a long-term energy cooperation expanding well beyond the region of the South Caucasus.

To date, 27 Production Sharing Agreements (PSA) have been concluded between Azerbaijan and transnational oil corporations. The largest PSA (Azeri-Chirag-Guneshli) has proven crude oil reserves of 5.4 billion barrels.¹⁴⁰ Two major pipelines were renovated in the late 1990s: Azerbaijan-Georgia (Baku-Supsa) and Azerbaijan-Russia (Baku-Novorossiysk). The bulk of Azerbaijani oil is currently being transported via the recently constructed multi-billion Baku-Tbilisi-Ceyhan (BTC, Azerbaijan- Georgia-Turkey) pipeline which has become the region’s major oil pipeline.

Azerbaijan also has proven natural gas reserves of roughly 30 trillion cubic feet (Tcf), and the potential for even larger reserves.¹⁴¹ Parallel to the BTC, a gas pipeline Baku-Tbilisi-Erzurum (BTE, South Caucasus Pipeline) has been put into operation transporting natural gas from the Shahdeniz field to Turkey and further to Greece and the South East of Europe.

It came as no surprise therefore when a Memorandum of Understanding (MOU) on strategic partnership in the field of energy was signed between the EU and Azerbaijan on 7 November 2006. The document represents a crucial step in enhancing EU energy

¹⁴⁰ “Doing business in Azerbaijan 2007/2008”, Baku, 2008, p.50

¹⁴¹ Ibid., p.51

cooperation with Azerbaijan and facilitating the country's efforts to continue modernization and reforms of the domestic energy sector. It is also a clear articulation of the EU's vested energy interests spreading well beyond the region of the South Caucasus to cover the Caspian Sea basin and Central Asia, with Azerbaijan being an important partner and a strategic hub.

The cooperation is envisaged in four areas: approximation of Azerbaijani legislation with the Community legislation in energy with gradual convergence of gas and electricity markets; strengthening the security and safety of the energy supply from Azerbaijan and the Caspian sea basin to EU; development of a comprehensive energy demand management policy in Azerbaijan, including issues of energy efficiency and alternative energy development; and technical cooperation.

The document also specifies the ENPI and EIB as possible funding sources for developing cooperation in the above-mentioned fields. The Sub-committee on energy, transport and the environment¹⁴² was tasked to serve as a platform for conducting activities aimed at implementation of the MOU. An opportunity to conclude an agreement between the parties based on the outcome of future discussions is also set for in the document.

A distinctive feature of the MOU is the reference to a number of selected areas of potential mutual interest where enhanced partnership may be developed in future, viz. education, agriculture and transport. The reality, however, suggests that the EU is reluctant to go forward in these fields or at least in agriculture, based, first of all, on its internal agricultural policy constraints. The EU explains this by an adequate reflection of a broad set of agricultural issues both in the PCA and the Action Plan which in its view constitute a sufficient basis for maintaining this cooperation. The Azerbaijani side insists on enhancing the partnership, specifically in the area of education explaining this by the necessity to develop the country's human capital, which would contribute to developing novel and efficient patterns of governance, a topic that runs through all other sectoral and policy aspects of the Action Plan.

¹⁴² Environment was first added to the agenda of the Sub-committee in 2007.

To ensure better coordination of EU activities and, more importantly, increase the political weight of the EU in Azerbaijan, the EC inaugurated Europa House in Baku in 2002. The House acted as an information hub for the public in Azerbaijan on EU policies and interacted with the international donor community represented in the country. At that time there were no plans within the EU to open a fully-fledged delegation in Azerbaijan and the establishment of Europa House fulfilled the aim of increasing the visibility of EC assistance to Azerbaijan.

Earlier, in 1995 the Commission opened its Delegation in Tbilisi and planned to cover Azerbaijan and Armenia from there but the Azerbaijani authorities did not accept this framework. The issue of opening a separate delegation for Azerbaijan became a priority topic for discussion in various high-level formats and a point of concern for the Azerbaijani side. After lengthy discussions and referring to the lack of financial resources to maintain the efficient functioning of a bigger office, the Commission decided to set up Europa House in Baku, vested with representation functions, but not as powerful as the delegation would be.

Only after the inclusion of the South Caucasus in the ENP did the fully-fledged EC Delegation open in Baku on February 4, 2008. The political backing for this decision was demonstrated by the visit of the EU Ministerial Troika comprised of the Slovenian Foreign Minister D. Rupel as the EU Presidency, Commissioner for External Relations and the ENP B. Ferrero-Waldner and EU Special Representative for the South Caucasus P. Semneby, to inaugurate the EC Delegation in Baku. The Delegation provides political and technical support to EU projects in Azerbaijan, acts as the point of contact and information on EU activities and maintains a regular dialogue with the authorities, media and civil society.

5.2 EU assistance to Azerbaijan as a catalyst for reforms

The EU assistance to Azerbaijan started in 1992 with the European Commission Humanitarian Aid Department (ECHO) followed by several different instruments, such as TACIS, the Food Security Program (FSP), Macro-Financial Assistance (MFA) and the European Initiative for Democracy and Human Rights (EIDHR). In the early years,

assistance was mostly in the form of humanitarian aid that subsequently transformed into high levels of technical and financial assistance. During 1992-2007 the EU provided around € 426 million to Azerbaijan. The EU also remains Azerbaijan's most important trading partner accounting for 46.2% of its external trade in 2004.

The table below shows the allocation of grants under various instruments of EU assistance to Azerbaijan.

Table 2. Total amount of EU grants to Azerbaijan

Allocations for assistance by the European Union to Azerbaijan (million Euro)											
	TACIS	ECHO	FSP	FEOGA	EXAP	REHAB	EHA	DM	ENPI	Twinning	TOTAL
1992	12,500										
1993	4,000	12,240					8,000				
1994	4,000	18,850									
1995	6,000	28,820		43,000							
1996	16,000	7,700	15,000	22,650		3,000					
1997		6,100	16,000			4,000					
1998	16,000	4,100	14,000		10,000	4,500					
1999		3,360	12,000		10,000	3,200	1,500				
2000	14,000	1,500			10,000	3,674					
2001											
2002	14,000							2,950			
2003			20,300								
2004	15,000										
2005											
2006	22,000										
2007									14,000	5,000	
TOTAL	123,500	82,670	77,300	65,650	30,000	18,374	9,500	2,950	14,000	5,000	425,994

Note: national allocations are shown only

TACIS - Technical Assistance Programme for CIS

ECHO - European Community Humanitarian Office

FSP - Food Security Programme

FEOGA - European Guidance and Guarantee Fund

EXAP - European Union Exceptional Assistance Programme

REHAB - European Union Rehabilitation Programme

EH - Exceptional Humanitarian Assistance

DM - De- Mining

Source: www.europahouse-az.org

The National Coordinator of EU assistance to Azerbaijan is the Minister of Economic Development who is vested with responsibility to oversee program coordination and allocation of technical assistance in consultation with the Cabinet of Ministers. A positive aspect of this arrangement is that as a government agency in charge of elaboration and implementation of the country's development policy, the Ministry of Economic Development is well placed to identify development gaps and needs through, inter alia, relevant EU assistance. The shortcoming is that a conflict of interests can occur when the Ministry elaborates a particular assistance program or takes the final decision on proceeding with a specific project. The Cabinet of Ministers as the superior authority would be more relevant in dealing with these types of issues based on its competencies and a high decision-making responsibility under the national legislation.

Long before institutionalizing new forms of technical assistance to Azerbaijan, the EU supported the establishment in 1992 of the National Coordinating Unit (NCU), the executive office of the National Coordinator that acts as a hub for EU assistance to Azerbaijan and is responsible for programming and implementation of EU technical assistance programs. Prioritization became an issue of concern for the NCU as it strove to balance the interests of line ministries each of which advocated support for reforms in their respective area of responsibility. This raised an objective question of increasing financial support on the one hand (comparison of Commission financing across recent years indeed shows a steady increase in delivery of financial resources) and streamlining the existing programming efforts with activities of other donors in the country.

In 2000 an external evaluation¹⁴³ of TACIS programs in Azerbaijan for 1996-1999 concluded that these programs were mostly relevant but with less impact on the transformation process than originally envisaged. This was partly explained by a relatively weak level of commitment to and ownership of reforms by the Azerbaijani

¹⁴³ Betley, M., Bird, A., and Napodano, M. 'Evaluation of the EC TACIS Country Strategy: Azerbaijan 1996-1999', March 2000,
URL: http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/tacis/951538_en.pdf

counterparts. It was recommended that reform prioritization be undertaken with a view to identifying the most pressing reforms in need of implementation. In our view, this outcome can partially be attributed to inadequate knowledge within respective divisions of the European Commission responsible for program formulation and management, of reform challenges encountered by Azerbaijan and as a result necessary policy adaptations. Also, the level of consultancy provided by project contractors was not always commensurate with expectations of project beneficiaries in selected policy areas.

As mentioned earlier, as of 2007 the TACIS program was replaced by the ENPI, which opened up new opportunities for EU financial and technical assistance to ENP partner states. Under the ENPI, in Azerbaijan Twinning, TAIEX and budget support programs are managed by the Program Administration Office (PAO) functioning under the aegis of the National Coordinator. To facilitate the process of identification and formulation of relevant project proposals and ensure efficient coordination, the PAO set up a network of line ministry focal points and already conducted a number of general awareness seminars. However, a number of important issues need to be addressed to enable a prompt start of full-scale Twinning and TAIEX operations in Azerbaijan. These include increasing awareness on these tools among public sector officials and identification of priority areas. Public sector management, economic development, social policy, the energy sector, standardization, health and education have been selected as areas for target actions.

Azerbaijan is also an active player in Community regional and cross-border cooperation programs. There are plans to include Azerbaijan in the SIGMA program jointly run by the Commission and the Organization for Economic Cooperation and Development (OECD). Assistance provided under SIGMA targets public management, viz., public procurement, anti-corruption initiatives and administrative reform. It aims at bringing the civil service of partner countries closer to meeting the requirements for a professional civil service operating in an appropriate legal framework.

These mechanisms, which have proved very useful for accession countries, are expected to contribute to ongoing efforts in enhancing the Azerbaijani government's

administrative capacity for realization of the country's aim of European integration and building long-term cooperative networks with civil servants of EU Member States.

5.3 EU-Azerbaijan ENP Action Plan: a way forward

As referred to above, on 2 March 2005, based on its Country Reports, the European Commission recommended intensification of cooperation with Azerbaijan, Georgia and Armenia. The report provided a comprehensive overview of the political and economic situation in the countries of the South Caucasus as well as the state of their relations with the EU. By developing an Action Plan under the ENP, the parties aimed at shifting their relationship to a higher gear in terms of economic and political partnership.

Structurally, the Action Plan¹⁴⁴ covers two areas: first, specific actions that enhance the attachment of the parties to common values and a number of foreign and security policy goals; secondly, actions which will help approximate the policies of partner governments with the EU in some sectoral policy areas.

The document language for Azerbaijan is rather vague. This approach has been followed by the Commission in drafting all other Plans. Yet, the document reflects some rather specific actions to be implemented by Azerbaijan.

It focuses on human rights, socio-economic reform, poverty alleviation, energy, the environment and other sectoral issues. A novelty is also the introduction of a regular monitoring of the process of implementation. The Plan is reviewed at the end of each year, with an additional, mid-term review in the course of 2009. Regular discussions on the progress achieved also take place within traditional bilateral institutions set up under the PCA, i.e. the EU-Azerbaijan Cooperation Council, Committee, Sub-committees as well as between parliamentarians.

The AP is an umbrella document that contains general (Introduction, New partnership perspectives, General objectives and actions) and more specific (Priorities for action,

¹⁴⁴ URL: http://ec.europa.eu/world/enp/pdf/action_plans/azerbaijan_enp_ap_final_en.pdf, accessed on 17 December 2008

Monitoring) chapters. Later, at the implementation stage, this layout raised concerns among policy-makers since the Plan contains double references to the same issues – under general provisions and specific actions. This created duplication problems during the reporting process and did not ensure uniformity of references made in Azerbaijan’s and the Commission’s implementation reports.

1. Introduction

The time span of the Action Plan is 5 years. Given the current level of cooperation between the EU and Azerbaijan, this period is viewed as the most realistic for pursuing the reform agenda and subsequent monitoring of the pace of advancement. The focus is kept on the need for closer political cooperation and economic integration with a view to strengthening security, stability and welfare. There is also a reference to “ambitious objectives based on mutual commitments to common values” as well as commitments on fostering “political, economic and institutional reforms”¹⁴⁵ as well as approximation of legislation with the EU acquis. This part also contains a paragraph on enhanced dialogue and “shared responsibility”¹⁴⁶ in conflict prevention and resolution.

2. New partnership perspectives

As encouragement, it offers a stake in the internal market, increased scope and intensity of political dialogue as well as deepening trade and economic relations including harmonization of legislation. This is backed by the proposal of the Commission on extending the mandate of the EIB to cover South Caucasus countries and increasing financial assistance under the ENPI in 2007. The Commission also offers the perspective of a dialogue on issues relating to the movement of people and a gradual participation in Community agencies and programs promoting cultural, educational, scientific links etc. In a paragraph on conflict prevention, the EU promises to “consider ways to strengthen further its engagement”.¹⁴⁷

¹⁴⁵ URL: http://ec.europa.eu/world/enp/pdf/action_plans/azerbaijan_enp_ap_final_en.pdf, accessed on 17 December 2008, p.1

¹⁴⁶ Ibid.

¹⁴⁷ URL: http://ec.europa.eu/world/enp/pdf/action_plans/azerbaijan_enp_ap_final_en.pdf, accessed on 17 December 2008, p.2

3. Priorities for action

The document contains 10 priority action areas focusing on the contribution to the settlement of the Nagorno-Karabakh conflict, promotion of democracy, protection of human rights, improvement of the business climate and of the customs system, sustainable economic development, harmonization of legislation, energy and transport cooperation, strengthening partnership in the field of justice, freedom and security, and, lastly, enhancement of regional cooperation. Specific actions contained herein cover basically all aspects of bilateral cooperation and coincide with the country's domestic development agenda.

4. General objectives and actions

Actions under this chapter are of general character and in the form of a to-do list. The following issues are addressed under various sub-titles: improving the transparency of the electoral process; strengthening local democracy; improving capacities of institutions dealing with human rights; ensuring compliance with Core Labour Standards; improving access to justice; conducting the civil service reform. The chapter on sectoral cooperation contains provisions on cooperation in the field of energy, transport and the environment.

5. Monitoring

Monitoring will be done through reporting by the Commission on a yearly basis. Azerbaijan was also encouraged to provide information for these reports. Bilateral structures under the PCA are viewed as appropriate fora to promote implementation of the Action Plan as they have the advantage of bringing together representatives of partner countries, Member States and the European Commission. Progress reports will serve as a basis for the Council to decide on the next step in contractual relationships with Azerbaijan.

Indicators to be used for assessment include the existence of a particular legislative act, institutional mechanisms in place to support implementation of this act, the accessibility of citizens to these mechanisms, the level of transparency and accountability of related decision-making bodies etc.

The novelty of the document is in the fact that along with a plan of actions aimed at improving the quality of relations between the parties, it views the bilateral cooperation

through the prism of governance: successful implementation of governance-related objectives of the Action Plan is set as an indicator of the volume of additional country allocations under the ENPI. Other chapters also contain governance-related issues such as regulatory convergence and sectoral reforms to improve accountability of policy-makers.

However, a number of monitoring issues remain unclear. First of all, except for the cases when a partner country has to ratify a particular international convention or adopt a specific law, the Action Plan as a framework document does not contain measurable indicators of progress since priority policy goals specifically those relating to governance are expressed broadly and in general terms. Secondly, even though the Action Plans are structured to encompass six identical chapters, their detailed content as well as the level of ambition in pursuing objectives contained herein, are naturally different for each country. Thirdly, partner states find themselves at different stages in their governance-related reform activities, therefore consideration of progress achieved in particular areas should outweigh the reference to a country's general score of governance performance. Fourthly, success and tangible progress in implementation of legislation rather than reference to the scope and number of policy planning objectives and legislative plans should guide the selection process since in most cases legislative reforms require considerable timing and preparation which can go beyond the time-limit of 3 or 5 years that Action Plans generally cover.

A challenge that persisted in the pre-Action Plan period and can still be observed in bilateral cooperation is the reciprocal lack of detailed and regularly updated information on the policy developments in Azerbaijan as well as on EU policies and regulations. Furthermore, most objectives and actions under the Action Plan constitute Azerbaijan's sole responsibility, while 12 address the EU side and 36 need to be jointly undertaken by both parties. This leads to a conclusion that the Action Plan is not a purely bilateral document laying out shared obligations under the enhanced partnership; to a great extent it is driven by EU self-interest and has 'centre-periphery' features.¹⁴⁸

¹⁴⁸ Buscaneanu, S. 'How far is the European Neighbourhood Policy a substantial offer for Moldova?', Leeds, August 2006, p.26

Furthermore, in some cases it is rather difficult to see which side will be responsible for realization of some goals and objectives set in the Action Plan (see, for instance, objectives on supporting the TRACECA process or regional energy cooperation). Even when it is obvious, the progress in realization of the Action Plan cannot be measured due to the lack of exact assessment criteria. Moreover, although it is absolute that the time span for implementation of the Action Plan is 5 years, there is no specific reference to deadlines and quality in meeting particular objectives.

In view of the above constraints, the long-term efficiency of the Action Plan is viewed by some analysts as questionable as it might become a routine bureaucratic exercise. It is regarded as useful as an inventory of what has been and will be undertaken by related Azerbaijani ministries towards European integration. However, actions have been more of a nature of what ministries routinely do in the course of their work rather than what they should do in order to get closer to the aim of integration. Some also fear the simplistic approach of the EU - to take no commitments, to promise no clear prospects, to describe actions in a manner that would enable the EU always to say that not everything has been done yet.

Yet, in terms of policy guidance and the support that it offers, pursuing an Action Plan-driven reform agenda constitutes a qualitatively higher level of engagement for Azerbaijan, wishing to move towards its European aspirations in transforming its economy and society. Intensification of the level and scope of political cooperation, a perspective shift from cooperation to integration and the possibility of gradual participation in key aspects of EU policies and programs, support for legal harmonization in compliance with EU acquis, and last but not least, improved patterns of governance constitute valuable incentives of this engagement.

6. ENVIRONMENTAL GOVERNANCE IN THE CONTEXT OF THE EU-AZERBAIJAN ACTION PLAN IMPLEMENTATION: OPPORTUNITIES AND CHALLENGES

6.1 Environmental aspect of the ENP

As of 2006, the largely bilateral character of the ENP has been complemented by the thematic dimension highlighting the importance of topics of common interest that run across all or most Action Plans. Assistance to ENP partners in implementation has been identified as the main aim of the thematic dimension with a view that this cooperation will open up new ways for all interested ENP partner states ‘to share their experiences in modernizing their sectoral policies and capacities’.¹⁴⁹

Since then, environmental protection has been determined as one of the key ENP thematic areas with ‘streamlining the implementation of existing multilateral agreements’ and prioritizing the required measures acknowledged as major objectives in the development of the thematic dimension.¹⁵⁰ This is believed to help strengthen the ENP partner countries’ legislative framework with increased management capabilities in order to facilitate implementation and promote a more active participation of the civil society as well as the general public in access to information and policy formulation.

According to the Eastern Regional Program Strategy Paper for 2007-2013, the countries of the region encounter serious environmental challenges related to water and air quality, efficient waste utilization (including radioactive waste management), nature protection, industrial pollution, energy sustainability and efficiency and marine pollution. They also face difficulties in implementation of the UN Framework Convention on Climate Change and the Kyoto protocol. Forest management problems, exacerbated by illegal logging and trade, land degradation and desertification pose a considerable challenge. All these challenges feature high on these countries’ development agendas and require investments and policy advice.

¹⁴⁹ Non-Paper expanding on the Proposals contained in the Commission to the European Parliament and the Council on ‘Strengthening the ENP’, COM (2006) 726 final, 04.12.2006, p.1

¹⁵⁰ Ibid., p.3

As a key sector of the ENP, the environment therefore constitutes an important part of the Action Plan where commitments to improve governance in the field of the environment, incorporate environmental considerations in other sectors and contribute to development of relevant international, regional and cross-border partnerships are reflected.

Almost all Action Plans have particular sections devoted to promotion of good environmental governance, protection of human health and a more rational use of natural resources. They also encourage ENP partner states to sign and ratify and as well as fulfil their commitments under multilateral environmental agreements.

Table 3. 'ENP – main environmental objectives'

Improving environmental governance: Limited resources and environmental pressures mean strategic planning is essential, also involving stakeholders such as non-governmental organizations and the private sector. Environmental reporting is needed to get a clear picture of the state of the environment, along with sound procedures for environmental impact assessment. Taking action to improve the environment: Getting the legislative framework in place and repairing sector-specific plans is needed to deal, for example, with issues related to water quality and waste management. Building on regional and multi-lateral environmental agreements: such as the Kyoto Protocol on greenhouse gas emissions; United Nations Economic Commission for Europe (UNECE) environmental conventions; the Barcelona Convention on the Protection of the Mediterranean Sea; the Danube River Protection Convention (DRPC); and the Convention on the Protection of the Black Sea against Pollution (Black Sea Convention).

Source: 'Working together: the European Neighborhood Policy', European Commission, Luxembourg, 2007

Over the past years considerable progress has been achieved in these countries in reforming environmental institutions, elaboration of policies, and improvement of legislation. A number of action plans and strategies have been adopted. ENP partner countries cooperate in the framework of regional and global initiatives and conventions.

To name a few, they participate in the Environment for Europe Process¹⁵¹, the Eastern European, Caucasus and Central Asia Component of the EU Water Initiative¹⁵², the World Bank's Forest Law Enforcement and Governance (FLEG) Process, activities of Regional Environmental Centers as well as UN and UNECE's environmental conventions, which provide a forum for exchange of expertise, policy guidance and implementation of major environmental problems representing a challenge for national development and overstepping national borders.

Within this spectrum of multilateral environmental endeavors, some cooperation processes provide a forum for dialogue and action while others require a more focused approach, and some others are duplicated. Also, in some instances, the necessary backing from partner countries is lacking. Furthermore, the issue of implementation poses serious difficulties with transposition of related commitments under global environmental agreements not always being followed by their effective application in these countries.

Furthermore, environmentalists complain that the ENP as mostly a political process concentrates heavily on specific issues of democratic development and market reforms in partner states and does not duly reflect the content of some sector-specific actions that need to be undertaken by these countries to mitigate consequences and prevent the emergence of serious environmental challenges that are not of immediate urgency and yet can have potentially grave implications in the future, such as climate change. Support to capacity-building, institutional development, use of eco-tools as well as new policy approaches are particularly relevant in this case. Efficient addressing of climate change-related environmental problems can also result from improved inter-relation between energy, environment and research policies bringing in innovation and technological advancement as well as development of renewable energy sources.

That said, as a global leader of multilateral efforts in environmental matters, the EU is regarded by many as capable of providing expertise, knowledge and know-how along

¹⁵¹ A Pan-European framework established in 1989 under the aegis of UNECE in order to initiate a high-level dialogue and cooperation with a view to integrate environmental aspects in political and economic transformation processes in Eastern Europe and former Soviet Union states. The principal activities in this framework are carried out by a Task Force co-chaired by the UNECE and an environment minister of one of the countries concerned.

¹⁵² The EU Water Initiative was agreed at the 2002 World Summit on Sustainable Development and strives to foster improved governance in water resources and enhanced stakeholder cooperation.

with technical assistance to interested countries to help alleviate their most pressing environmental problems.

The EU involves donors, international financial institutions and development agencies and organizations as well as other players with a view to mobilizing and channeling investments in the area of the environment in these countries. To date, the EIB has dispersed loans of an approximate value of EUR 600 million for selected environmental and cross-cutting projects in a number of Eastern ENP countries. The EBRD, where the EU and its members are key players, is also closely involved in the financing of EU programs and projects in the area of environmental governance and capacity-building. In 2006, 56 projects were initiated in the field of the environment which constitutes 13% of all TAIEX activities for the same period, in beneficiary countries on specific issues of ratification of the Basel Convention, groundwater modeling under the Water Framework Directive, enforcement of Drinking Water and Urban Waste Directive etc.

Along with this, as of 2007, ENP partner countries have been provided a possibility to participate in Community agencies and programs, with a few limitations, and depending on their implementation progress as well as their capacity to meet requirements of these agencies and programs. However, while the benefits of improved environmental management are clear, the fact that it often represents a major short- and medium-term financial burden for both public and private actors is an issue which needs to be taken into account in the planning and funding processes.

For policy-makers of ENP partner states the major analytical problem is to judge the optimal degree of reliance on the EU *acquis*. This necessitates cost-benefit analysis in various sectors subject to complex regulatory regimes (the environment, product quality, financial services etc). In some cases, such as product quality, it is logical to copy EU standards. In other instances, the full EU regulatory regime would create burdens as is the case for financial services. The right choice requires thorough analysis, expert knowledge, and policy guidance on the side of the Commission. The “ENP Regulatory Handbook” has been suggested as helpful.¹⁵³

¹⁵³ Emerson, M., Noutcheva, G., and Popescu, N., (2007) ‘European Neighborhood Policy Two Years on: Time indeed for an ‘ENP plus’’, CEPS Policy Brief, No 126, p.16

Environmental protection is also increasingly viewed by policy-makers as an area where regional cooperation can give added value. It also facilitates the engagement of civil society and business actors. EU research programs provide a good opportunity for joint actions on environmental issues across borders. Regional EC assistance can be advantageous in cases when concerted actions of interested states are required to tackle environmental challenges in the trans-boundary context. This explains the focus of EC regional environmental assistance on international legal instruments, water management and protection of natural resources.

Issues like environmental governance, inclusion of environmental aspects in other sectors of the economy, encouraging implementation of multilateral environmental obligations and harmonization of national legislation with the EU *acquis* are important areas of policy reform and realization as reflected in the Action Plans. They require a more focused collaboration both in bilateral and multilateral formats and entail serious financial challenges. However, it is increasingly acknowledged that the benefits of strengthened cooperation in the area of the environment do in many instances outnumber the costs that might need to be invested in the long run.

6.2 Environmental profile of Azerbaijan

As referred to in the theoretical part of the present dissertation, the concept of MLG with its particular focus on the multi-actorness and multi-levelness of the process of policy-making provides favorable avenues for analysis of the particularities of the sectoral approach in governance. As it has been stated above, the intertwining of multiple interests of various policy groups and action performers that occurs at different levels of the governance process opens up ways for new policy combinations that result in new decisions being made and new policies being pursued.

The multi-levelness of this process is, on the one hand, a “fertile soil” for these transformations to take place, and, on the other hand, a reasonable restraint on policies going too far uncontrolled. Various stakeholders in the process of policy identification,

formulation, elaboration, and, finally, implementation are in a constant struggle to measure their interest with those of other participants and in this “clash” of opinions and methods, new policy options are formulated.

These views are specifically relevant while taking a closer look at the issues of environmental management. Probably, there has been no other policy sector in the focus of the scholarly endeavor recently that has “suffered” as much from an “abundance” of players and arenas in which these players strive to fulfill their interests. Environmental governance, also within its sectoral dimension, is widely recognized as an important, if not crucial aspect of the very concept of development and an inalienable part of every state’s policy agenda.

In this sense, it is exemplary that although in Azerbaijan this process is still taking shape, environment-related issues have been gradually moved higher in the list of the Government’s priorities not least due to the increased interaction of the country with other international stakeholders such as multinationals, global NGOs and environmental organizations and commitments that stem from this cooperation. Partnership with the EU has an additional value in this argument as it provides a rather specific framework for the policy adaptation and change in the area of environmental management and particularly helpful instruments and mechanisms to lead this change in line with the imperatives of the present-day environmental governance. The Action Plan is this very framework.

6.2.1 Overview of environmental situation

Inherited from the Soviet times when Azerbaijan was a focal point of chemical and extractive industries of the Soviet Union, a number of serious environmental problems constitute a challenge for the Government.

The economic downturn experienced by Azerbaijan up until the late 1990s significantly reduced the Government’s possibilities to provide adequate financing for conducting environmental policies and implementing large-scale and resource-intensive measures. At present, huge economic growth figures are experienced mostly in urban areas and do not immediately affect the rural population where environmental problems are also

significant. Under these circumstances, there is a risk that the establishment of sustainable environmental management practices in these areas will lag behind the Government's major objective of poverty reduction.

The Absheron peninsula, home to around 50% of the country's population is regarded as the most damaged place in Azerbaijan due to air, soil and water pollution. Major causes of this degradation which is felt in urban areas are industrial and municipal activities that lead to pollution and the varying level of the Caspian Sea where most of these activities occur.

Added to this is inadequate management of the social infrastructure in urban areas, which results in drinking water under-supply, pollution of water basins by insufficiently treated wastewater discharges, air pollution by toxic emissions and last but not least serious problems in the collection, storage and disposal of municipal, industrial and hazardous waste. This has become a serious health issue.

The Kur-Araz river system is the major water source for Azerbaijan, which as a downstream country, experiences considerable problems related to the scarcity and quality of water resources. Trans-boundary management of the river basin requires the existence of an appropriate legal and institutional framework in the regional format and commitment by all parties which is not always the case. Although Azerbaijan is a party to the 1992 Convention on the protection and use of the trans-boundary watercourses and international lakes (Helsinki Convention), the upstream countries Georgia and Armenia refrain from ratifying this Convention and this poses serious challenges for the joint management of the basin.

Deforestation triggered by illegal logging (particularly acute in the territories occupied by the military forces of Armenia), soil contamination and outdated farming practices put a heavy burden on nature and require the development of policies on the creation and efficient functioning of protected areas.

Moreover, administrative and institutional capacities need strengthening, namely in implementation and enforcement. Civil society also needs to be supported and included

in partnership with government in order to become an active player in environmental decision-making.

In fact, all the problems cited above have also been reflected in relevant parts of the Action Plan. Addressing these issues will require considerable action on the side of the Azerbaijani Government and support from the EU through financial and technical assistance projects. The EU framework directives on water, air quality and waste management provide important benchmarks that can facilitate policy development in specific sub-sectors in Azerbaijan. Other important areas for intervention include identification of possibilities for enhanced regional cooperation and convergence of environmental legislation, including its harmonization with EU *acquis* as well as adoption and development of norms and standards in this area. Building relevant capacities within the government agencies responsible for conservation and protection of natural resources and public health is another policy objective of the Action Plan. This has to be kept in mind in the process of country programming as well as identification of potential projects under ENPI mechanisms.

6.2.2 Major aspects of environmental policy-making

Empirical research reveals two principal approaches to environmental policy-making: the end-of-pipe approach and the integrated economic approach.¹⁵⁴ The first one uses regulatory policy instruments such as emissions standards to mitigate environmental damage that arise from use of specific natural resources. The integrated economic approach introduces environmental concerns directly into other policy areas, e.g. energy and transport by using eco-taxes, ‘green subsidies’ and similar policy instruments and thus influences patterns of resource use by changing the costs and benefits associated with using particular resources.

The end-of-pipe approach is of command nature and therefore more applicable to mitigating environmental damage from large industrial sources that are easy to monitor.

¹⁵⁴ Horak, M., ‘*Environmental policy reform in the post-communist Czech Republic: the case of air pollution*’, *Europe-Asia studies*, .53 (2), 2001, pp.313-327

Integrated economic instruments address pollution controlling that is costly to control, e.g. motor vehicles pollution, by influencing consumption patterns.

Traditionally, environmental policy-making in Azerbaijan has been centralized and driven mostly by a command approach to solving local environmental problems. The end-of-pipe approach has been more of a help in tackling a number of persistent environmental challenges. In this context, in the absence of economic instruments encouraging less polluting forms of economic and industrial activity, the resort to regulatory supervision as the main mechanism for addressing environmental bottlenecks has created a pattern of environmental governance in Azerbaijan with little policy space available for innovative approaches and practices.

The decline in economic and as a result in industrial activity at the beginning of the country's transition period led to the mitigation of some environmental problems but also to budgetary constraints that affected the domestic capacity to maintain environmental infrastructure and forced environmental structures to rely more on generating revenue rather than on changing behavior. In most instances, these structures referred to laws that were deficient and therefore ineffective instead of aiming for well-articulated objectives to protect human health and the environment.

Empirically, policy-making is believed to takes place at three levels: elaboration of tools on the basis of past experience; choice of tools in order to attain specific goals; and more general objectives as the ultimate target of policy-making.¹⁵⁵ Hall believes that actors encounter new, previously unknown challenges that do not fit in the existing policy framework and this triggers the change. Changes are divided into major and minor ones: the former refer to core policy transformations while the latter denote changes of policy tools. The second type take place more often and does not lead to significant political debates. Sabatier expands this definition by introducing the notion of actor alliances who compete for the dominant position in the specific policy area.¹⁵⁶ In Azerbaijan, this approach involves understanding the importance of specific policy issues e.g.

¹⁵⁵ Hall P., 'Policy paradigms, social learning and the state: the case of economic policy-making in Britain', *Comparative Politics* 25 (3), 1993, pp.275-296

¹⁵⁶ Sabatier, P., 'The advocacy coalition framework: revisions and relevance for Europe', *Journal of European Public Policy*, 5 (1), 1998, pp. 98-130

environmental governance and modernization and implies keeping the focus on a particular group of actors who initiate the change.

In contrast to Hall, other scholars put more emphasis on the political setting in which decisions about various tools and their combinations influence the choice of policy-makers. This, so-called “institutional” approach refers to various structures of state and society at large that influence interests and decisions of political actor groups as well as their relations in respect to other actor constellations.¹⁵⁷ The general premise here is that institutions operate on the basis of respective norms and procedures that stipulate the choice of particular tools. Based on a particular institutional setting, actors will choose and modify the tools that they deem necessary in the respective context in order to solve a particular policy problem. However, when a serious problem occurs in the policy area, the institutional structure will be compelled to employ new tools and mechanisms. And yet, past experiences can be important in forming new policy options and therefore those options that fit best the current organizational structure stand the chance of being prioritized versus those that suggest a breakthrough.

In the context of Azerbaijan, traditional environmental policy-making has not been characterized by the existence of structures that generated conflicting positions therefore there was no need to reconcile the interests of all respective actors. However, with principles of environmentalism gaining pace, a broader policy agenda is likely to take shape and new actors and groups of actors might emerge each with their distinctive impact on the processes of policy formulation, selection and implementation.

Over the past decade Azerbaijan has launched an environmental reform process including institutional development and introduction of new legislation and policies. A number of state programs and action plans have been adopted. This was followed by the gradual application of the polluter pays principle, attempts to incorporate environmental considerations into other policy sectors and introduction of environmental taxes and charges.

¹⁵⁷ Thelen K. and Steinmo S., ‘*Historical institutionalism in comparative politics*’, in Steinmo S., Thelen K. and F.Longstreth (eds) *Structuring Politics: historical institutionalism in comparative analysis*, Cambridge University Press, Cambridge, 1992, p.22

However, due to competing needs and limited resources, both human and financial, the country faces problems with strategic planning and policy prioritization. Furthermore, other stakeholders such as civil society are not actively engaged in the process of elaboration and implementation of policies related to environmental management since the level of public awareness and participation does not always enable civil society to influence these processes. This also contributes to the lack of overall support to the proposed policies of environmental reform and insufficient consideration of the issue of integrating environmental aspects in other sectors of the economy.

Additionally, public funds spread over too many programs that fail to be implemented including those that could be done without government funding (see Appendix 2). At the same time, existing environmental practices do not provide sufficient incentives for private investments in environmental protection. Donor assistance is not always thoroughly coordinated or responsive to the real needs of the country. In some instances, environmental information systems do not correspond with policy objectives, monitoring is not demand-driven and capacity has suffered a drastic decline. Weak institutional coordination has led to duplication, incompatible data collection and fee-based data exchange.

Besides, the lack of awareness of environmental problems resulted in low prioritization by the general public of environmental issues and little efforts are put into enforcement of the existing legislation and support for community-initiated projects on sustainable conservation practices. Since recently the alternatives available for the Government on the establishment of strategic relations with other societal actors and selection among various steering modes have considerably increased and as a result the country may face the difficulty in choosing strategic tools that address environmental problems in the best possible way and provide a relevant enforcement framework.

Insufficient administrative capacities namely in strategic planning, data collection and reporting and lack of appropriate human and financial resources are additional issues to be addressed. The administrative capacity of the Ministry of Ecology and Natural Resources as the main norm setting and regulatory body in carrying out environmental policy, is relatively weak – understaffing and lack of appropriate experts significantly

impede its activities. The ministry carries out coordinating and consultative functions and is unable to duly perform enforcement of the current environmental legislation due to the lack of administrative capacity. This becomes an even bigger problem at the local level since Azerbaijani executive structures are characterized by a high degree of centralization at all levels and local authorities have relatively limited power.

In light of these constraints, a successful transformation of environmental governance in Azerbaijan will to a large extent be contingent on the development of enabling institutional, policy and legal frameworks able to cope with a multitude of environment-related challenges in the long-run. The design and application of efficient financial mechanisms to support this transformation will facilitate the reform process and open up wider participatory opportunities. Gradualism and prioritization remain core issues here. The temptation to do too much at once should be resisted since this may impair the ability to deliver outcomes. Yet, lagging behind emerging imperatives of new environmental governance can be harmful and delay progress in attaining the goals of sustainable development. EU experience on the successful transposition of its environmental norms and policies into transition economies can provide a useful guidance in the process of implementation of Azerbaijan's commitments under the Action Plan.

6.3 Establishment of conditions for good environmental governance

As has been referred to above, good governance implies setting a politico-economic framework that is conducive to development and efficient implementation of policies by Government. But, as governments are not the sole decision-makers and “trend-setters” in this process, the principles of inclusiveness and a participatory approach are central to the concept of good governance. Just like in any policy area, environmental governance, as a multi-faceted process, embraces a broad spectrum of issues. Actors, networks, policies and solutions cannot be characterized unilaterally. They can be observed and assessed only in interaction.

In this context, good environmental governance means designing appropriate frameworks for the successful conduct of environmental policies with due regard for the role and contribution of a variety of societal actors other than Government in the process of policy formulation/ implementation and decision-making.

I came to this definition inspired by the findings from the preceding parts of the thesis, and consider it relevant if applied to the study of current environmental policy-making in Azerbaijan. Establishing good governance practices in the area of the environment is at the same time one of the Government's major objectives in the process of deepening its relations with EU. The Action Plan contains a particular reference to this objective.

Therefore, analysis that will follow in this chapter is structured so as to provide the reader with a picture as broad as possible, of governance patterns currently in effect in Azerbaijan and those to be developed towards reaching the goal of successful environmental management.

The breakdown of analysis into several frameworks, namely policy, legislative and institutional, is intended to help better comprehend the background against which environmental policy-making in Azerbaijan is being conducted. Analysis of patterns of strategic environmental planning is complemented with reference to the regulatory mechanisms and environmental management tools that in fact demonstrate practical issues of environmental policy implementation. Environmental democracy in Azerbaijan completes the description of policy issues addressed in this chapter. Throughout the chapter, the study of related challenges, their possible explanations and ways to overcome them accompanies the process.

6.3.1 Strengthening strategic planning of environmental issues

After gaining independence, Azerbaijan initiated a lengthy process of political and economic transformation towards a democratic society and a market-based economy. The environment has been part of this process of change. The country strove to improve its environmental legislation, elaborate and implement a number of strategic policy

documents and introduce new economic incentives to help successfully manage the environment.

6.3.1.1 Policy framework

The Ecological Concept of Azerbaijan developed shortly after independence prioritized basic policy objectives related to sustainable use of energy and natural resources, protection of biosphere and waste management.

Based on this document, the first National Environmental Action Plan (NEAP) of Azerbaijan was elaborated in partnership with the World Bank in 1995-1998. It prioritized industry-caused pollution, depletion of potable water resources, gradual extinction of sturgeon stocks, soil erosion and salinization as well as biodiversity loss and deforestation as environmental problems to be tackled in the first place.

It also provided a breakdown of the territory of Azerbaijan in terms of the need for environmental policy intervention. The Absheron peninsula and industrial centers like Baku, Sumgayit, Ganja, Mingchevir and Shirvan, which account for 70% of the country's population have been identified as areas for urgent action. Nakhchivan and the Kur-Araz lowlands were selected as the second priority zones followed by the rest of the country.

In looking into addressing these challenges, the NEAP emphasized the necessity for policy reform and the integration of environmental concerns into other sectors of economy. They identified the mitigation of industrial pollution, prevention of land degradation and protection of the biological resources of the Caspian Sea as the priority actions to be undertaken and recommended specific measures that included elimination of overlapping responsibilities among environmental management structures, and separation of environmental control functions from production activities.

The NEAP also recommended that capacities of relevant agencies be strengthened by, among other things, investment in equipment as well as research, reporting and processing methods together with training activities. It identified the state budget,

international donor assistance and the private sector as the major potential source for financing the afore-mentioned measures. The estimated cost of each type of action under five policy priorities ranged between USD 5000 and USD 5000000; the total figure reached USD 42.5 million.¹⁵⁸

This, however, turned out to be problematic: analysis revealed that due to the lack of proper financing and administrative capacities only 20% of the activities envisaged by the NEAP have been implemented, e.g. issues related to rehabilitation of oil-contaminated areas or incorporation of environmental concerns in all sectors of the economy that have a potentially damaging effect are still under discussion. Partially this happened because there had been no cost and benefit analysis undertaken: the target of ratifying an international convention was referred to in the document but costs related to its implementation, especially enforcement have not been foreseen.

Despite this, the NEAP can be referred to as a successful exercise and the first significant policy document outlining major aspects of environmental protection and providing instruments aimed at sustainable environmental management and control and in this context has helped achieve the major goal of institutional development – establishment of the Ministry of Ecology and Natural Resources (MENR) in 2001. It also boosted the interest of a broad range of other stakeholders, especially the business sector, civil society, the mass media, NGOs and environmental experts as well as international counterparts in the process.

In 2003, a two-year State Program on Poverty Reduction and Economic Development (SPPRED) was endorsed by the Government as a major medium-term multi-sector policy document that also contained environmental provisions, in line with NEAP objectives. 15 sectoral working groups were set up within the Program Secretariat run by the Ministry of Economic Development. While having the socio-economic issues as the major focus for policy implementation, SPPRED tackled the issue of environmental protection from the prism of poverty reduction and called for balanced economic growth that would not undermine environment and advocated improvements in various sectors of the economy,

¹⁵⁸ National Environmental Action Plan, 1995-1998, p.20

namely: improved access to business credits, promotion of small and medium enterprises, reforming the energy sector, development of tourism.

The importance of closer engagement of municipalities and local communities in the assessment of the environmental impact of economic activities in the regions of Azerbaijan has been emphasized in the document. The program has received big support and financial assistance from international development organizations and financial institutions. Its deficiency however was that it did not provide an estimate of costs and benefits related to the implementation of these measures. Furthermore, respective projects were run by individual government agencies in their areas of competence and there was little interaction among them during the project design and implementation process. The SPPRED was further developed in 2005-2008, with its present timeframe covering years from 2008 to 2015.

The overarching goal of the National Program on Environmentally Sustainable Socio-Economic Development (NPESSED) for 2003 - 2010 is to efficiently use natural resources and protect existing eco-systems for the needs of the current and future generations. The program specifically refers to a description of the natural resources of Azerbaijan, the impact of global ecological problems and gives a sectoral overview of the economy, namely, industry, agriculture and tourism. It also includes a plan of action containing a list of specific actions, reference to the state bodies responsible for their implementation and timelines for these actions to be completed. It does not include financing mechanisms but provides a check-list for the MENR in its activities and project-based cooperation with foreign partners.

The need for the Government to expand its environmental protection agenda turned into an elaboration of the State Program on Socio-Economic Development of the Regions of Azerbaijan (SPSEDR) for 2004-2008 that has the improvement of environmental conditions in provinces as a major objective and incorporates environmental considerations in entrepreneurship activities. Environment-related measures focus on the elaboration of specific projects on soil recultivation, waste treatment, construction of modern irrigation facilities, water collections schemes, prevention of land erosion etc. Budget resources, extra-budgetary state funds as well as funding to be provided by

international organizations and donors have been identified as potential sources of financing of these measures.

The two remaining important environmental policy documents are the Action Plan on the improvement of the ecological situation in Azerbaijan for 2006-2010 and the State Program on Food Security of the Population for 2008-2015.

The first document outlined measures to be conducted in the Absheron peninsula and in the rest of the country to address specific ecological challenges such as the setting up of an early warning system to prevent or mitigate the consequences of possible natural disasters, promoting awareness-raising and eco-education. The improvement of legislation is the concluding part of the Action Plan and covers selected laws and regulations subject to revision such as the Administrative and Criminal Codes, the Law on Protection of the Environment and the Forest Code.

Although with no specific focus on environmental protection, the State Program on Food Security contains a list of tangible measures to be implemented by respective authorities in the field of the environment. On a general note, the document addresses issues concerning the current situation in the agrarian sector, including use of soil and water, state phyto-sanitary control, capacity-building, agro-financing, enterprise activity related to food security, control over the quality of food and its safety as well as emergency situations. The second part of the Program outlines directions for the state policy in these areas. Issues of institutional development and risk management are also addressed and are followed by a list of specific quantifiable measures and figures that need to be attained towards the end of the program term.

While the program can serve as an important reference document, its major shortcoming is the lack of specific guidelines that could help monitor and measure the success of its implementation, viz. the directions cited as priority ones for food security do not match the potential sources of finance and given the difficulty of institutionalization and insufficient financial backing characteristic for the agrarian sector, the potential impact of these policy measures on the alleviation of environmental problems is hard to foresee.

That said, for the first time, the cross-sectoral approach has been so clearly used in a policy paper: regular ecological monitoring of soil and water and informing food producers, development and replenishment of fish stock and related facilities and the prevention of flooding are particularly cited as areas of sole or shared responsibility of the MENR. The Program also contains an annual reporting mechanism.

Having analyzed the existing environmental policy planning framework in Azerbaijan, a conclusion can be drawn that the majority of these documents are not specific in nature and do not contain an implementation mechanism though in some cases references are made to responsible state agencies or enterprises. Practically no information can be derived with regard to the financing of all these actions to be undertaken. Whatever the amount, the current level of expenditures is inadequate to be able to efficiently address environmental problems in the country. The legislative part of these documents should have been the starting rather than the last point for these activities to refer to. There is no mentioning of the necessity of legal harmonization in line with internationally accepted standards and EU legislation. This, to some extent would have facilitated the search for relevant policy options and mechanisms and provided guidance for practical implementation purposes.

6.3.1.2 Legislative framework

Driven by the requirements of a market economy, in the early 1990s Azerbaijan started elaborating of the new environmental legislative framework while preserving in most parts its relatively well-developed regulations and acts from the Soviet period.

The Constitution as the fundamental document has a particular reference to the right of citizens to live in a healthy environment. Article 39 contains provisions on quality of environment, the right to access information and the right to get compensation for the damage to health and property due to infringements on ecological rights.¹⁵⁹ The Constitution also imposes the duty on every citizen to protect the environment (Article 78).¹⁶⁰

¹⁵⁹ “Azərbaycan Respublikasının Konstitusiyası”, Bakı, Qanun, 2002, p.22

¹⁶⁰ Ibid., p.37

The Law on Protection of the Environment (1999), designed to be applied directly without the necessity to work out any by-laws that might entail additional financial and administrative costs for a transition economy, lays the ground for any subsequent legislation in the area of the environment and provides for the socio-economic basis for environmental policy-making and implementation.

Among its objectives are the mitigation and prevention of negative consequences of industry activities on the environment, conservation of biodiversity and rational use of natural resources. The law further elaborates on the rights and duties of the state and civil society in environmental protection, articulates the need to elaborate and effectively apply market-based mechanisms for pollution control and sets the ground for application of relevant norms in line with EU standards and regulations. It also identifies responsibilities for infringing environmental legislation and dispute settlement procedures, principles for carrying out ecological expertise, research and sharing and dissemination of information on ecological issues, addressing ecological disasters and other emergency situations and last but not least, international cooperation on environmental protection.

The Law on Environmental Safety (1999) is the second most comprehensive piece of domestic legislation. It sets the ground for protection of life, health, society, its material and moral values, air, space, water, plants and animals from anthropogenic threats. It brings to the forefront of state policy-making the issue of ecological safety, access to information and liability and focuses on the economic aspects of environmental protection. Analysts argue that the scope of this law fits within the area of coverage of the Law on Environmental Protection (relationships between society and nature) and it would be expedient to merge the two documents. However, this issue has not been the object of wider policy discussions so far.

The Law on Mandatory Environmental Insurance (2002) sets major principles of insurance of any operations that might lead to environmental pollution. However, the law is hard to invoke in many practical cases.

The two other generic legal instruments that have a cross-cutting application and can be invoked for the purpose of environmental protection are the Code of Administrative Offences and the Criminal Code, both in effect as of 2000.

The first document refers to administrative violations of regulations of use of nature and environmental safety. Penalties are measured in terms of “minimum wages”¹⁶¹ and for the same violations different fines are invoked for individuals, officials and legal entities. However, it contains no methodology to make the value of the fine commensurate with the degree of the damage inflicted.

The second code has a special reference to ecological crimes. Among punitive methods are fines, community service and/or imprisonment. The punishment depends on the scope of the damage and is applied only to physical persons.

Despite this extensive legal framework, much remains to be done to embrace all topics related to environmental protection. Enforcement for newly introduced principles as well as efficient application of public health protection mechanisms are among the goals that need to be achieved.

The legal department of the MENR is responsible for elaborating drafts of environmental laws, by-laws and regulations. However, due to limited human capacity, the department faces considerable challenges in tackling a broad spectrum of environmental issues. To a great extent this is attributable to the lack of regularly updated and detailed information to be provided by other related state bodies as well as to the fact that scientific research institutions are often constrained in terms of technological base and capacity to carry out quality research. Among future important legislative tasks is the consolidation of legal acts on the collection and disposal of solid waste as well as the collection and disposal of oil-production generated wastes.

In terms of international legal commitments,¹⁶² the PCA remains an important instrument that sets the legal framework of cooperation between Azerbaijan and the EU and contains

¹⁶¹ The Code of Administrative Offences, Baku, 2000

¹⁶² For the list of international legal instruments in the area of environmental protection and governance that Azerbaijan is a party to, see Appendix 1.

specific provisions on cooperation in the area of the environment. Its major target also related to the environment is harmonization of the country's legislation with the EU acquis. Article 56 of the PCA specifically emphasizes the objectives of approximation of Azerbaijan's environmental legislation with the EU acquis and importance of developing efficient strategies that would contribute to tackling global environmental issues.¹⁶³ The first objective entails huge and long-term transformations in the entire system of environmental management in Azerbaijan, while the second one pursues a sector-based approach and calls for strategic planning. In this sense, the PCA complements the national policy framework that views upgrading and developing environmental regulations in line with EU standards as one of the important conditions for achieving the goal of sustainable development.

Inspired by the PCA and the Action Plan, the draft State Program on legal approximation of legislation of Azerbaijan with the EU acquis has been elaborated and is currently under consideration. The environmental part of this document identifies around 17 environmental directives as instrumental reference points for Azerbaijani policy-makers and outlines measures to make relevant changes and amendments to the existing legislation.

Although legal approximation, particularly in the field of the environment, may be perceived as adding to costs, inadequate institutional capabilities in this area may lead to further accumulation of problems, with a definite detrimental economic impact that must be prevented. This is recognized by the Action Plan that establishes a strong link between development and environmental sustainability. In this regard, consistent support to institutional development and building respective capacities for implementation of the Plan could become a useful vehicle for the approximation of legislation in this area.

6.3.1.3 Institutional development

As referred to above, the establishment of the MENR in 2001 as a result of the merger of the State Committee of Ecology and Control over Natural Resource Use and the State

¹⁶³ PCA, TACIS project publication, Baku, 2002, p.28

Committees on Geology and mineral resources and on Hydrometeorology, brought in new structural changes in environmental policy-making in Azerbaijan and strengthened efforts on implementation of the domestic ecological agenda of the Azerbaijani Government. The new structure is vested with more responsibilities with regard to state policy on environmental protection, the use of nature, groundwater, mineral deposits, surface natural resources, rehabilitation of natural resources and the observation and forecasting of hydrometeorological processes within the country's territory and the Azerbaijani sector of the Caspian Sea (see Appendix 3).

More specifically, the MENR Statute outlines the following functions:

- to exert state policy on environmental protection and the use of natural resources to ensure the right of the country's population to live in a healthy environment;
- to conduct state policy on geological exploration, protection of sub-soils and the sustainable use of raw mineral resources;
- to carry out state policy on sustainable use, protection and reproduction of aquatic bio-resources in internal waterways and the Azerbaijani sector of the Caspian Sea;
- to elaborate and implement state programs on the protection, use, and rehabilitation of forests;
- to elaborate and implement state programs on the use and protection of water sources;
- to organize the hydrometeorological service;
- to exert state control on protection of the atmosphere, soil, minerals, and sources of energy;
- to ensure implementation of relevant international commitments within its mandate and coordinate activities of other relevant bodies.

The MENR has a staff of approximately 9000 both centrally and locally and a network of 25 regional/district offices and carries out its work there in cooperation with local authorities, municipalities, communities and NGOs. It is also responsible for managing specially protected areas and hunting reserves.

Though the MENR is the leading policy-making body in the environmental sector, a number of other state agencies are responsible for particular issues of environmental protection as relevant to their policy mandate and have divisions/units within their organizational structure to cover related environmental issues.

The functions of the Ministry of Industry and Energy with regard to environmental protection include prevention of environmental pollution during industrial production, exploration, refining and transportation activities as well as mitigation of the consequences of problems that occurred in the past. More than 200 staff members from production units and research institutes of the Ministry are engaged in dealing with environmental protection and safety issues.

The Ministry of Economic Development is responsible for implementation of socio-economic strategies that also promote the sustainable use of natural resources.

The Ministry of Agriculture has the primary responsibility for development of agricultural policy and is closely involved in sectoral environmental management issues, such as land management.

Although the Ministry of Health carries out human health and security policies, specific aspects of its duties are cross-linked with the goal of environmental protection, namely sanitary-epidemiological monitoring and enforcement.

The Ministry of Justice is responsible for drafting relevant legislative-regulatory acts in the field of environmental protection in compliance with the Constitution of Azerbaijan and the country's commitments under international conventions.

The State Statistical Committee deals with the preparation of annual reports and the collection and compilation of state statistical reports. These reports are submitted by organizations whose activities are linked to the use of natural resources and may lead to environmental pollution. The Committee also publishes annual reports on the environment and the main indicators on the protection and efficient use of natural resources.

The Ministry of Education is responsible for developing and introducing environmental curricula in higher and secondary education institutions, both public and private. These institutions cooperate with international organizations such as the OSCE, UNDP, UNEP, WWF as well as oil companies and participate in joint projects on environmental education and awareness-raising.

The National Academy of Sciences is responsible for carrying out state scientific policy. The Academy implements its research activities through a network of scientific, research and other types of institutions. The Institutes of Genetic Resources, Ecology, Botany and Zoology conduct research in the field of biodiversity conservation. This research is mostly financed through the state budget.

In view of a considerable number of state institutions responsible for particular aspects of environmental policy-making at the central level, the coordination of the activities of these structures constitutes a major policy challenge.

At the local level, the work of the MENR regional offices is linked to executive authorities of the country's 66 administrative districts. Local governance is carried out by regional offices of state government agencies and by municipalities, the latter being responsible for water supply, sanitation activities and land use decisions within their competence. However, in comparison to local executive authorities, municipalities do not have clearly defined functions and in most cases their capacity is limited. The low level of decentralization and the constrained resources of municipalities do not promote the local initiative and community-based approach to addressing environmental issues and places the burden of dealing with local environmental challenges on the regional departments of the MENR.

Another serious impediment for enhanced coordination of environmental protection activities among policy-making structures themselves and in their relations with civil society institutions and local communities is insufficient capacities within these structures to manage emerging challenges efficiently and in a timely manner. For instance, suburbs around big cities have departments on the environment that report to executive structures and as such are not subordinated to the MENR. The Baku

municipality has its own department of construction of parks and gardens that does not report to the MENR although its activities directly affect the environment in Baku. Structural reforms and building relevant capacities are necessary to improve the situation.

A program on capacity-building and training on environmental policy and law entitled “Regional Environmental Policy in the South Caucasus: Capacity development and advanced training” for officials of the Ministry of Ecology has been funded by the German Federal Ministry of Economic Cooperation and Development. The program objective is to strengthen overall administrative capacities of partner institutions towards harmonization of the environment legislation in the three countries of South Caucasus with relevant EU legislation and its efficient implementation. Through trainings, partner institutions would be better prepared to react on environmental challenges and would improve their staff’s professional skills. The program will also contribute to organizational development.

6.3.2 Optimizing the use of environmental regulatory mechanisms and benefiting from economic tools

The legislative basis for improving strategic environmental governance and use of innovative approaches to managing environmental problems was set in the Law on Protection of the Environment, which introduced the concept of environmental impact assessment for projects and operations in many areas of economic activity, introduced provisions on economic tools to control environmental pollution, improved monitoring methods and techniques and, most importantly, introduced the requirement for informing the public on issues related to environmental protection.

6.3.2.1 Environmental impact assessment

Azerbaijan was among the first countries of the former Soviet Union to incorporate environmental issues in economic activities as far back as in the early 1980s. In the 1990s due to the necessity of economic transformation towards the market economy environment impact assessment was subordinated to the policy of use of natural

resources and economic development. Subsequently, with an increased flow of oil revenues, environmental considerations began to come to the forefront and this allowed the government to launch the reform of environmental impact assessment (EIA) practices.

Multinational extracting companies active in Azerbaijan increasingly used EIA as a prerequisite for their operations in the country. Also, international development organizations and financial institutions put forth EIA requirements for projects that they financially and technically supported in the country and this helped build the relevant capacity.

These developments led to an increased understanding of the expediency of building a comprehensive EIA system in the country. At the request of the Government, an EIA Handbook for Azerbaijan was developed with UNDP assistance in 1996, the first document of its kind in the post-Soviet Azerbaijan. Later, the system was strengthened by Azerbaijan joining relevant international legal documents, such as the UN Convention on EIA in a Transboundary Context (the Espoo Convention), and the Convention on the Access to Information, Public Participation and Access to Justice in Environmental Matters (the Århus Convention).

These documents marked a milestone for the introduction and application of new assessment techniques in the area of environmental performance. Their deficiency, however, was that they did not categorize economic or any other projects in terms of their scale and subsequent impact on the environment. Rather, they constitute a checklist of broad categories of projects based on precedents and this cannot be a very reliable benchmark in the case of the rapidly modernizing economy of Azerbaijan: the importance of developing huge economic projects often overshadowed the necessity for EIA. Therefore, a clearly defined and adequately enforced evaluation system should be further developed to achieve tangible progress in EIA.

Currently, EIA is part of the procedure of the State Ecological Expertise (SEE). The Law on Protection of the Environment defines ecological expertise as “the identification of conformity of the environmental conditions with qualitative standards and ecological

requirements in order to identify, prevent and forecast the possible negative impact of an economic activity on the environment and related consequences”. SEE applies to a big number of products and services and covers seven different applications. The Law nominates the MENR as the responsible authority for SEE, however, it does not specify which activities would require SEE. By default this implies that all activities are subject to this type of evaluation.

The SEE is therefore not mandatory and the MENR decides if a project requires a full, partial or no EIA. Regional projects requiring EIA are sent for consideration to the MENR which decides on the scope of the EIA and organizes meetings of representatives of the applicant, experts and the public from concerned communities.

Being a part of SEE, EIA is required only for development activities, yet the legislation does not mention any particular type of projects. According to the UNDP EIA handbook, all projects in Azerbaijan are divided into several categories: projects of international and state importance that have an impact on the environment (A), projects of state and local importance that do not have impact on the environment (B) and projects of local importance that do not have an impact on the environment (C). For category A projects, elaboration of an EIA document outlining complete implementation procedures is required. Category B projects need elaboration and presentation of a summary on the initial situation of environment. Category C projects require project description in the application to be submitted to the MENR for approval.

The MENR is the major authority for category A & B projects and the Ministry’s regional offices should be contacted for category C projects. According to the EIA handbook, broad public participation in all category A & B projects should be ensured with relevant proposals discussed and incorporated in the project documentation. Projects implemented by foreign companies and financed by IFIs are classified as category A projects and in most cases their EIA procedures are implemented in line with existing requirements. However, in some instances, the MENR is addressed after the launch of the project activities and the EIA document for the project is drafted only upon MENR’s requirement and this leads to deficiencies in implementation of EIA procedures.

Projects run by some state agencies either do not have EIA documents or these documents are not always available. The rest of the projects are announced as category B & C projects. However, procedures for their approval are not open to the public. Another problem is that in order to avoid the drafting of an EIA document, categories of projects are altered and mostly category C projects are chosen as it is easier to get approval from local authorities.

An expert group composed of specialists in the area of the environment is established for each EIA. There are no strict guidelines on the composition of the group: the MENR has a pool of experts and designs the group based on the particularities of a given case. The group delivers its recommendations to the MENR who takes the ultimate decision on acceptance or rejection of a project proposal. In the case of acceptance, respective conditions are reflected in the monitoring component of a project. The MENR supervises the subsequent monitoring compliance and may halt the project activities in the case that required conditions are not met.

The national legislation specifically provides for these assessments to be coordinated with other relevant government agencies, however does not specify the necessary procedures and a timeline. It also does not outline the necessity for EIA to measure the global impact of a relevant project proposal. The list of subjects of an assessment is vague and does not fully comply with exiting international and EU guidelines. The lack of screening categories and absence of strict requirements for the screening group composition might create problems: on the one hand, they ensure flexibility but on the other, they result in allocation of limited numbers of staff from the Ministry to small projects thus they cannot focus on bigger projects that require deeper assessment.

The amending provisions therefore should set out a procedure that must be followed for certain types of project before they can be given development consent. This helps to ensure that the importance of the predicted effects, and the scope for reducing them, are properly understood by the public and the relevant competent authority. The lists of the project types that must always be subject to EIA and those that may have significant effects on the environment should be drawn up. It is hoped that adoption of the draft Law

on EIA that is currently under discussion within the Government will help address all these problems.

6.3.2.2 Environmental monitoring and data management

Existing legislation establishes priorities for environmental monitoring and requirements for environmental data collection and management. The Law on Protection of the Environment establishes the system of state monitoring of the environment and natural resources. The Law on Hydrometeorology (1998) sets procedures for hydrometeorological observations and pollution monitoring. Relevant legislation, viz. the Law on Radiation Safety of Population (1997), on Fisheries (1998), on Air Protection (2001), on the State Land Cadastre, Soil Monitoring and Land Management (1998), on Industrial and Municipal Waste (1998), on Fauna (1999), on Specially Protected Areas and Objects of Nature (2000) and on Pesticides and Agrochemicals (1997) lay down requirements for monitoring in these respective areas. Also, legal acts on the ratification of international conventions on the environment have specific monitoring provisions to ensure compliance with commitments under these conventions.

Although indirectly related, the Law on Sanitary-Epidemiological Services (1992) sets out provisions to protect the population from the negative implications of the environment, refers to the right of citizens to live in a healthy environment and have access to information on sanitary and hygienic conditions of the environment. It further identifies the rights and duties of central and local authorities and sets sanitary requirements for certain sub-sectors of the economy.

At the policy level, the NEAP envisages capital investments in monitoring activities and facilities, avoidance of duplication of monitoring functions, and introducing new legislation that would encourage enterprises that damage the environment to carry out self-monitoring. These actions are supported by the SPESSED that supports efforts on increasing the role of NGOs in the process of implementation of relevant projects, conducting public awareness-raising campaigns and the promotion of environmental culture in communities.

Institutionally, environmental monitoring functions are carried out by the National Environmental Monitoring Department (NEMD) of the MENR in a number of areas¹⁶⁴, viz.:

- surface and ground natural waters, soil, atmosphere, precipitation pollution and radiation;
- pollution of trans-boundary water courses;
- biodiversity, forests and animal species;
- pollution accidents as a result of natural and man-made disasters;
- information gathering, storage, processing and sharing.

There is no country-wide inventory of pollution sources. With the assistance of Japan International Cooperation Agency (JAICA), an inventory of pollution sources in the Absheron peninsula was prepared in 2000, however, its results are not used for monitoring purposes. Due to the lack of methodological coordination, results obtained from monitoring networks operated by the NEMD, regional environmental committees, the National Department for Hydrometeorology and the Sanitary Epidemiology Inspectorate of the Ministry of Health are incomparable. There is no centralized electronic network for monitoring data transmission. Restricted analytical capacities of monitoring stations lead to low-quality data generation.

Article 5 of the Law on Access to Environmental Information (2002) commits government agencies to set up an information collection system, including cadastres of natural resources and pollution registers, update environmental databases, and disseminate information on emergencies.¹⁶⁵ The Regulation on Procedures for Consideration of Citizen's Appeals (1999) enables individuals to request information related to the environment from domestic and foreign enterprises that operate in Azerbaijan. The requested information should be made available within 15-30 days or a maximum of 2 months in exceptional cases and in writing and provided free of charge or upon payment of reasonable fees.

¹⁶⁴ UNECE Environmental Performance Review for Azerbaijan, 2004, p.21

¹⁶⁵ Law on Access to Environmental Information, 2002, URL: <http://www.e-qanun.az/FBrowser.aspx?Vol=06&state=3>, accessed on November 5, 2008

Most environmental data is collected through the NEMD, the National Department for Hydrometeorology, the Directorate for Integrated Environmental Monitoring of the Caspian Sea, the Forest Development Department, the Department for Biodiversity Conservation and Development of Specially Protected Areas. The data is stored at the State Information and Archive Fund for Environment and Natural Resources. Its task is to store data on hydrometeorology, geology, forestry, soil degradation, air pollution, the state of nature reserves as well as fines and compensation for the damage incurred. The NEMD also elaborated rules on environmental monitoring and data collection from government agencies concerned.

The MENR regularly publishes five bulletins on the results of monitoring - on hydrometeorological conditions, the state of the environment, Caspian Sea pollution and seismic conditions. Moreover, a monthly comprehensive bulletin is circulated among government agencies and municipalities that reflects information on MENR activities.

In line with the UNECE Guidelines on the Preparation of Governmental Reports on the State and Protection of the Environment endorsed at the Kiev Ministerial Meeting of the Environment for Europe Process in 2003, the MENR has set up a system for developing regular reports on the environment through establishing an intra-agency expert group. The first report was published in 2004.

Azerbaijan also participates in the project on support for environmental information collection administered by the European Environment Agency aimed at improving the quality and sustainability of environmental reporting and monitoring to bring domestic environmental information and management systems in line with European practices.

These efforts are supplemented by the publication of an annual statistical yearbook on the environment by the State Statistical Committee containing information on the population, land resources, forests, geological exploration, energy, environmental expenditures and international comparisons. The input data is gathered from the MENR, the executive authorities and enterprises.

Besides the MENR, other government agencies carry out environmental monitoring functions, though to a limited extent. They are the Ministry of Health, Ministry of Agriculture, Ministry of Economic Development, Ministry of Industry and Energy, State Agency for Amelioration and Water Management and the State Agency for Standardization. The overall responsibility for coordinating the activities of related government agencies is with the Cabinet of Ministers. However, there are problems with coordination and integration at the working level. This might create difficulties with implementation of relevant state policy documents requiring joint action. In this context, there is a risk that the burden of implementation of environmental programs and action plans will be borne solely by the MENR.

The new publication of the Red Book and design of a new Green Book may be efficient guidance in the field of biodiversity conservation. These measures will lead to the establishment of an integrated environmental monitoring system that would help decision-makers to evaluate the efficiency of implemented policies and prevent and reduce the negative impacts on the environment of various activities.

6.3.2.3 Compliance and enforcement

Effective enforcement would imply a strong link between the rate of revealed infringements, the rate of punished violations and the punitive measure itself.¹⁶⁶ In Azerbaijan the rate of detected violations depends on the MENR, the punishment for violations – on the Ministry and other structures, e.g. the police, and the penalty issues are within the competence of the courts and legislation.

The MENR is the major government agency responsible for administration and implementation of enforcement measures. Its inspection functions are carried out by the Division for Ecology and Nature Protection Policy that has a broad authority, including the right to impose administrative fines and compensation of administrative damage.

¹⁶⁶ UNECE Environmental Performance Review for Azerbaijan in 2004

At the same time, the MENR's Department of Environmental Protection has under its authority regional offices that also perform inspection duties. Although inspections remain their major function, field offices of the MENR have additional duties: they receive (but do not process) applications for SEE, interact with local authorities on issues that need the MENR approval, collect environmental media samples and analyze them in their laboratories.

There are some overlaps in the controlling roles of these two structures. The capacity of both is relatively weak due to insufficient administrative and financial resources as in most transition economies.

At the industry level, the impact of potentially polluting industries on the environment is reflected in ecological documents on maximum permissible standards emissions and discharges as well as in the so-called "ecological passports"¹⁶⁷ (eco-passports) issued by the MENR. Remnants of the practice widely applied in the former Soviet Union, eco-passports are still major environmental documents for enterprises. They reflect a detailed data on enterprise, including resources use, waste management, recycling and effectiveness of pollution treatment.

In terms of capacity and expertise, the compliance monitoring exercise can be done more efficiently if administered by a central body rather than field offices. With the ongoing decentralization of power in the country, the mandate of regional offices might be expanded by their increased role in SEE and issuance of permits. The separation of the permitting and controlling functions would therefore be expedient and deficiencies in legislation and expertise related to environmental enforcement and compensation issues.

6.3.2.4 Environmental management tools

In Azerbaijan, elaboration and implementation of economic tools to manage natural resources and mitigate pollution are an inter-agency process where a number of state bodies are involved. These measures are reflected in the Law on Protection of the

¹⁶⁷ UNECE Environmental Performance Review for Azerbaijan in 2004, p.21

Environment, which introduced new types of economic tools, including environmental subsidies, insurance and auditing, and penalties to ensure compliance with norms and standards. At the policy level, the NEAP provides for the establishment of a system of penalties and fees and financing for environmental activities.

As of 2001, the State Environment Protection Fund within the MENR has collected fines imposed on polluters as well as payments for use of natural resources. Its mission is to provide financing for attaining environmental protection objectives, specifically management of protected areas, reducing environmental damage, research, international development as well as promotion of the development of eco-technologies.

The MENR defines the scope of the application of economic tools in relevant spheres of water, air and land pollution, treatment of waste, protection of flora and fauna. The MENR's regional offices, Environmental Protection Department, Forest Development Department, Department for Replenishment and Protection of Water Basin Biological Resources, Department for Biodiversity Conservation and Development of Specially Protected Areas collect charges, fees and fines for the damage. The State Committee for Land and Cartography determines the rates of the tax for the use of land. The Ministry of Taxes collects the land tax from legal entities and other environment-related taxes. The Ministry of Economic Development regulates the prices of electricity, gas, oil and oil products and water supply. The executive authorities and municipalities regulate and collect payments for municipal waste treatment and heating. Water abstraction fees are collected by the AzerSu Joint Stock Company (AzerSu JSC).

In the case of air pollution, applicable charges are different in various regions as environmental conditions vary across regions. The highest charges are in Baku and Sumgayit. A different rate system is applied to vehicular sources of air pollution.

Waste-water charge rates are different for the Kur river basins and for basins of other rivers and the Caspian Sea. The charge level depends on the amount of clean water required to dilute the pollution up to the established water quality standards.¹⁶⁸

¹⁶⁸ UNECE Environmental Performance Review for Azerbaijan in 2004, p.92

The rates of charge for solid waste differ according to the type of waste and its degree of toxicity. Enterprises may be exempt from these payments if they discard their waste in specially equipped landfills that prevent emissions into water and air.

Forestry charges are divided into stumpage fees and charges for firewood and industrial wood. Charges are levied to promote the rational use of forest resources and produce revenue for forest management authorities. According to statistical data, revenues from collecting these charges amount to 40% of annual reforestation costs.¹⁶⁹

However, the charge-based system does not promote a wide application of new technologies as the amount of charges is not commensurate with real pollution levels and administrative penalties are symbolic. Also, energy pricing in the country does not encourage either energy producers to save production and supply costs or consumers to save energy. Subsequently, further economic growth may shift energy consumption patterns towards increased production and use of energy without due regard for the environment.

A similar situation is observed in the water sector: current pricing does not lead to rational use of these resources. Due to low living standards, household water supply charges are subsidized. Water cost recovery therefore is low and only 50% of fees are collected from users annually.¹⁷⁰ Furthermore, enforcement mechanisms are inefficient and do not provide for an effective and timely collection of penalties. According to statistics, in 2008 out of 1mn 900 thousand AZN (EUR 1637931) worth of charges levied to redress environmental damage, only 194000 AZN (EUR 167241), or 0.1% were collected.¹⁷¹

Foreign sources of environmental financing remain insignificant compared to other sectors. Investments in the area of the environment amount to 0.1% of total investments in the public sector.¹⁷² The MENR budget is small even compared to the budget of other ministries. To increase the amounts that can be channeled to the environmental sector,

¹⁶⁹ URL: <http://www.eco.gov.az/m-berpa.php>, accessed on 25 March 2009

¹⁷⁰ URL: <http://www.eco.gov.az/m-berpa.php>, accessed on March 25, 2009

¹⁷¹ URL: www.day.az accessed on March 25, 2009

¹⁷² UNECE Environmental Performance Review in Azerbaijan, 2004, p.35

efforts need to be streamlined within the MENR and relevant “bankable” project proposals need to be developed.

In this context, economic incentives and instruments such as eco-labeling, cleaner production and environmental management systems successfully used in many countries to achieve cost-reduction and promote compliance, can be replicated in Azerbaijan. However, from the above-stated, only the cleaner production has been recently introduced in the country through the UNIDO-supported cleaner production centre in the chemical industry.

6.3.3 Ensuring public participation in environmental decision-making and access to environmental information

An efficient solution to environmental problems necessitates a strong interaction between the government sector, private circles, NGOs and the general public. Increasingly, civil society is viewed by policy-makers as a power to bring to environmental governance. Flexibility and entrepreneurial character distinguish NGOs from government bodies.

In Azerbaijan, the role of civil society in environmental management is well developed. Yet, they are more active in the process of policy formulation rather than implementation or decision-making. This, on the one hand, can be partially explained by the relatively low level of interest on the side of NGOs and media, which stems from insufficient knowledge of environmental processes and, on the other, by inadequate outreach actions on the side of enterprises whose activities may affect the environment and related government structures that devote the bulk of their time and efforts to issues of intra-governmental coordination and building partnerships with the international donor community.

6.3.3.1 Public engagement in the conduct of environmental policies

Analysts suggest that sustainable environmental governance would benefit from greater participation by NGOs in the policy process and offer three major roles for civil society organizations in a strengthened environmental governance system.¹⁷³

a) Information management responsibilities

NGOs can be helpful in the collection, dissemination, and analysis of information. Measures to improve the utility of information exchange could be undertaken and the development of a structure for civil society participation in the decision-making processes both at the central and local levels is necessary.

b) Operational responsibilities

The operational functions of relevant government agencies could be strengthened by including local community-based groups that possess profound knowledge of relevant environmental issues and can help identify best practices in order to stimulate positive change and enhance environmental performance.

c) Assessment and monitoring responsibilities

As in most cases NGOs are key providers of local environmental data and information; a viable mechanism for data collection and analysis will facilitate a two-way information flow. Interested population groups should be involved in the assessment and monitoring process. The inclusion of civil society groups in data collection would greatly contribute to filling knowledge gaps as well as enhance knowledge development, increase interest and promote engagement. Also, funding and communication technology transfer will be critical for the ability of knowledge-generating institutions to perform these functions.

¹⁷³ Gemmill, B. and Bamidele-Izu, A., ‘*The role of NGOs and Civil Society in Global Environmental Governance*’, Esty, D.C. & Ivanova, M.H. (eds.) Yale School of Forestry & Environmental Studies, 2002, p.13

The afore-mentioned functions of NGOs are also relevant in the context of Azerbaijan where, civil society have undergone considerable transformation both in terms of legitimization of its role and organizational development. This has contributed to a perception of NGOs as important societal actors with a stake in policy-making.

The legal basis for engaging the civil society in the environmental governance process has been set in the Constitution (Article 39) which acknowledges the right for everyone to live in a healthy environment.¹⁷⁴ Due to the nature of this basic human right, the obligation to protect the environment is imposed not only on individuals and legal entities but also on state agencies.

The Laws on Protection of the Environment and Access to Environmental Information set the scope of environmental information to be provided to the public: the state of the environment and environmental impact, environmental standards and regulations. The Law on Protection of the Environment contains a separate provision on rights and duties of NGOs in terms of environmental protection. These are: to elaborate and implement their own ecological programs with engagement of citizens in relevant activities, provide public control on environmental protection, participate in the process of negotiations with regard to drafting environmental laws, demand the cessation of operations (either temporarily or permanently) of enterprises whose activities damage ecology and public health, obtain precise and up-to-date information from government bodies on measures towards improving environmental protection or redressing the damage thereof. The Law on Sanitary and Epidemiological Services requires government agencies to collect and provide the public with reliable and detailed information on environmental health. As it stems from Azerbaijan's commitments under international environmental legal instruments, information on environment-related plans and programs also has to be submitted on request by the public.

At the policy level, the adoption of the Concept of state support to NGOs in 2007 provided a policy framework for Government-NGO interaction. This can be explained by increased understanding within government structures of the importance of strengthening partnership with civil society institutions. The Concept contained a particular reference to

¹⁷⁴ “Azərbaycan Respublikasının Konstitusiyası”, Bakı, Qanun, 2002, p.22

commitment on the part of Government to coordinate efforts aimed at further institutionalization and enhancement of this mutually rewarding dialogue.

For the past 5 years the number of environmental NGOs in Azerbaijan has doubled. There are approximately 110 environmental NGOs in the country active in areas of environmental education and law, ecotourism, wildlife protection, eco-technologies, waste management etc.¹⁷⁵ Their role in collecting and disseminating environmental information, policy advice and monitoring activities has been considerably strengthened also through commitment on the side of Government to provide financial support to their operations. Most of them have joined coalitions such as the Caucasus Ecological NGO Network, International Persistent Organic Pollutants Elimination Network and the Coalition of Increasing Transparency in Extractive Industries. Through these networks, NGOs participate in exchange of information and expertise and receive technical and financial assistance in organizing socio-ecological activities. In addition, temporary NGO coalitions are set up in the framework of various projects. As a rule, in almost all eco-projects administered by Government, the public communication and education component is entrusted to NGOs.

The Council on State Support to NGOs established in December 2007 and reporting to the President of Azerbaijan, is directly responsible for providing financial and other relevant support to NGOs in Azerbaijan. In 2008, the Council announced a grant contest for the amount of EUR 1 mn and increased this amount to EUR 2 mn in 2009 and over 400 NGO projects received financial assistance.¹⁷⁶ Of this amount, EUR 150,000 has been provided to 25 projects implemented by 21 NGOs in the area of the environment.¹⁷⁷ The MENR also cooperates with international companies operating in Azerbaijan to promote environment-related fund-raising activities.

In terms of *information management functions*, a number of environmental NGOs such as “Ecosphere” Social Ecological Center, the “Ornithology” society, the International Eco-Energy Academy, “Ecores”, “Ecoil”, the National Ecological Forecast Center, “Ruzgar” Ecological Social Union, Energy & Ecology and the Greens Movement are

¹⁷⁵ URL: <http://www.eco.gov.az/teb-qht-ler.php> accessed on 15 June 2009

¹⁷⁶ Ibid.

¹⁷⁷ Ibid.

closely involved in projects that have the collection and dissemination of information on particular environmental issues as an important part of their mandate.

These actions are supported by the MENR: in order to promote information exchange and interaction with media and NGOs and disseminate information of general interest, the Ministry press office drafts and circulates bulletins and press releases, prints leaflets on specific issues of environmental protection, prepares environmental videos and organizes trainings for the mass media.

As of 2002, reports on the condition and protection of the environment in Azerbaijan (e.g. water supply and consumption; quantitative and qualitative characteristics of air, information from meteorological stations; forest resources, national parks and reserves; waste generation, storage and treatment, geological-exploration works) are submitted regularly to the government agencies, placed on the MENR website and published in the mass media, and as of 2000 they have been drafted in conformity with specific EC compliant standards. However, to enhance practical implementation of policy objectives of the MENR in specific areas of environmental concern, there is a need to undertake comparative analysis of particular aspects of the environmental situation in EU Member States and Azerbaijan to enable policy-makers to identify existing policy gaps and better organize their environment-related activities.

As part of their *operational functions*, some 30 NGOs and mass media representatives regularly participate in round table discussions with the MENR on topical issues of environmental protection in the framework of a partnership platform maintained by the Ministry since 2002. Furthermore, working groups have been set up to implement the commitments of Azerbaijan under a number of international environmental legal instruments and NGO representatives participate in the work of these groups.

Additionally, every year on International Earth Day, Environment Day and other eco-days the MENR publishes articles in the mass media, participates in relevant TV and radio programs and organizes area rehabilitation works together with local communities in different regions of the country. Community members are also invited to all events organized by the Ministry and they are represented in commissions set up for specific ecological issues.

Increasingly, NGO representatives are appointed to the senior positions of a group leader and project manager in a number of projects run by the MENR and are represented in project events such as conferences, expert meetings etc.

As far as *monitoring and assessment responsibilities* are concerned, according to the Regulation on Environmental Impact Assessment (1996), the MENR together with the initiator of the project has to arrange consultations with the general public before elaborating EIA documents and an additional meeting after the document has been drafted. NGOs participate in the work of the expert group set up to consider an EIA for a particular project and submit comments on EIA documentation as well as on the final document.

This procedure has been extensively followed in the case of development projects proposed by international companies. In many cases open hearings were announced through mass media where civil society representatives and the research and academic community participated. However, environmentalists claim that there is often no direct feedback on the side of government agencies on comments made by NGOs or no regularly updated information on focal points for an EIA of a particular project proposal.

That said, due to the lack of information on ecological issues, public awareness in other regions of the country except for Baku, Sumgayit and the Absheron peninsula, is relatively low and the possibilities for them to become opinionated are therefore very limited. Also, environmental research institutes mostly operate in academic institutions in urban areas and their outreach capacity is constrained. In 2008, a total of 290584 AZN (around EUR 210000) was allocated to the MENR Scientific-Research Institutes on Forestry, Fisheries and Hydrometeorology to develop scientific research in the area of environment. This is a relatively modest amount for full-scale research endeavors.

All in all, while the Government recognizes the importance of NGOs in the promotion of democracy and human rights, the role of civil society as strong players in environmental decision-making remains to be enhanced.

6.3.3.2 Access to information

The Law on Access to Environmental Information reads that information that is not explicitly classified “for restricted use”, can be made public. Restrictions contained herein are in line with the relevant provisions of the Århus Convention. However, the lack of clear procedures creates difficulties in the realization of the right of public access to information. The general public is not closely involved in the process of elaboration of strategies and plans on particular aspects of environmental protection. Information is channeled mostly through the mass media.

As provided for in the Law on Environmental Safety, the general public may participate in the discussion in Parliament of draft environmental laws prepared by public authorities. Also, the right of an individual to go to court to enforce the right of access to information on environmental issues and to participate in environmental decision-making is reflected in the national legislation. Based on the Procedures for considering citizen appeals, an appellant is provided with an official response by the MENR within a short timeframe and in case additional investigation is needed he/she receives advance information followed by an official response within 15-30 days.

In order to transpose provisions of the Århus Convention into Azerbaijani law, the Law on Access to Environmental Information was adopted. Despite overall conformity of the Law with the Convention, it is not without deficiencies specifically as regards issues of reports on the state of the environment, data on activities affecting the environment, environmental authorizations and agreements. Within the EU, the Convention is effectively implemented by the Council Directive 2003/4/EC of 28 January 2003 on public access to environmental information. This Directive can serve as a valid guideline for amending the Law on Access to Environmental Information to bring it in full compliance with the Convention requirements, also when it concerns the terms of making information available, cases where an applicant may request from a public authority access to environmental information available in a specific form, provisions amending the list of reasons for rejection and providing for some requirements in connection with such refusal etc.

To increase access of the general public to environmental information, Aarhus Information Centers were set up in Baku, Ganja and Gazakh within the MENR with the support of the OSCE in 2003. They provide government agencies, scientific institutions, and NGOs engaged in the conduct of environment-related activities with free access to library, internet and conference room facilities. Another important function of these centers is that of a link between policy-makers and the civil society by serving as a venue for public discussions on a broad range of environmental issues. In order to expand this network, new Aarhus centers will soon be set up in Sheki, Guba, Mingchevir and Lenkeran. Additionally, the UNDP supported the establishment of an environment centre in Sumgayit responsible for dissemination of information, increasing public awareness on environmental monitoring and damage assessment as operative respective databases.

In 2005, the MENR established a Public Council to provide a platform for environmental NGOs, experts and a wider public to engage in consultations on issues of elaboration of general and specific environmental policies and international eco-projects. The MENR also considers NGO and citizen appeals and supports defending their rights in courts. However, the number of court cases that would ensure the ecological rights of citizens is still insignificant.

In terms of EU involvement, environmental NGOs complain there has not been any outreach activity in the area of the environment by the EC Delegation in Azerbaijan. Importantly, local NGOs are not fully aware of the environmental dimension of the Action Plan and related commitments of both parties. Therefore, intensification of interaction between the EU and the civil society on issues of environmental protection would help close this gap by sustaining a regular dialogue on various environmental policy issues and increase the level of awareness and commitment of both sides to the process of environmental reform.

6.4 Development of policies for successful management of key environmental sectors and convergence with EU requirements

Sectoral environmental governance in Azerbaijan has been traditionally characterized by strong centralization. The hierarchical approach in solving environmental problems was

partially attributable to the ex-Soviet imperatives of economic management. With socio-economic transformation bringing first successful results, the traditional approach to addressing sector-specific environmental issues is being taken over by participatory arrangements where along with Government a number of other societal actors such as civil society, businesses as well as the international donor and development community are increasingly involved in problem-solving and policy design exercises.

This process demands the incorporation of qualitatively new organizational, legal and institutional changes in present-day governance methods to be able to conduct efficient environmental management policies and to attain the best possible solutions to the existing environmental problems that are characteristic for many transition economies as well as to emerging challenges related to repercussions of global problems such as climate change and trans-boundary pollution, on national development. Furthermore, inadequate administrative and technical capacities to manage these issues within relevant government institutions and the general public complicate the process of reform in respective sectors.

Viewed across three dimensions, i.e. legislative, policy and institutional, sectoral developments in Azerbaijan are assessed in the present thesis in terms of their applicability and contribution to the Government's overall objective of bringing its governance patterns in line with international and mostly European requirements. The component on international cooperation in various sectors provides examples of technical assistance and capacity-building projects designed by the Government in partnership with international organizations and donor agencies to help address specific environmental governance issues and promote sustainable environmental management policies.

The analysis that follows below provides a more detailed account of the sector-specific aspects of environmental governance in Azerbaijan and strives to reveal opportunities that along with challenges accompany this process. The breakdown of sectors has been done in accordance with the Government priorities for action and covers practically all issues related to development and sustainable management of natural resources. The cross-sectoral dimension of environmental policies has also been mentioned. An attempt

to seek policy solutions to help address these challenges and optimally benefit from the opportunities has been undertaken. Again, the Action Plan is viewed at the appropriate framework to promote domestic environmental reform in compliance with EU norms.

6.4.1 Air quality management

Economic development processes taking place for the last 6 to 8 years have had a negative implication on the quality of air in the capital and other major cities of Azerbaijan. The transport sector has been recorded as the major pollutant responsible for CO emissions. Although, the amount of public transport has been reduced due to reorganization, more passenger cars (more than 800000 cars)¹⁷⁸ have been imported into the country as a result of economic growth and the rising prosperity of the population. However, emissions per car appear to be more problematic rather than the increasing number of vehicles: due to low-quality fuel and the increased import of environmentally unfriendly cars, air quality is becoming a challenging issue to address.

The Baku city transport department within the mayor's office has elaborated a long-term plan of gradual replacement of the old public transport fleet with a new one and introducing EU standards for motor vehicle emissions and technical compliance. Although some measures have been undertaken¹⁷⁹, the lack of public finance and administrative capacities have impeded the prompt implementation of the plan.

Chemical, steel and power plants also contribute to pollution. According to the MENR statistics, together with the capital Baku, four other cities viz. Ganja, Sumgayit, Gey-Gol and Mingechevir account for some 96% of toxic air emissions. Although overall emissions have been reported as reduced, per unit releases of toxic substances have increased due to the fact emissions control facilities lag behind internationally accepted norms and pollution charges are not economically viable.

An issue of particular concern is the indoor air quality: in view of the absence in many residential areas of centralized heating systems, many people resort to low-quality home

¹⁷⁸ URL:www.azstat.org, accessed on 5 September 2008

¹⁷⁹ Around 200 new buses have been put in operation in the city of Baku as of June 2009.

heaters that produce harmful gases and decrease oxygen concentration, especially in rural areas.

6.4.1.1 Legislative framework

The Law on Protection of the Environment has a particular reference on matters related to air pollution control and prevention. However, economic growth made it imperative to tackle the emerging problem of air quality separately. Hence, in 2001 the Law on Air Protection for the first time introduced provisions on institutional responsibilities, NGO rights, regulations for the state inventory of harmful emissions and their sources, litigation procedures and international cooperation.

The Law introduced two types of norms – sanitary-ecological norms of air quality and technical norms of air emissions - for the latter the maximum allowable emission levels are set. The Law also provided for a gradual replacement of Soviet-era standards (GOST) with internationally accepted norms for air quality protection and monitoring. Implementation of these objectives is viewed by policy analysts as a lengthy and resource-intensive process that would necessitate significant changes in data collection, measuring and processing methodologies.

Two substantial problems can be spotted within the current legal framework on air protection. First, no direct linkage is drawn between air pollution and its health implications. Second, air quality standards do not explicitly refer to protection of ecosystems.

Weak enforcement mechanisms of these laws do not encourage compliance with current norms and regulations. On the other hand, ineffective incentives discourage industries to lower their emissions below the level set by relevant regulations or apply technological know-how.

Legal solutions to these problems can be sought in relevant EU legislation. The Council Directive 96/62/EC of 27 September 1996 on ambient air quality assessment and management defines basic principles which establish quality objectives for air, draw up

common methods and criteria for assessing air quality and disseminate information on air quality. Another Directive¹⁸⁰ establishes limits and alert thresholds for concentrations of dangerous particles and gases in the air and provides for public information procedures. The current Azerbaijani legislation contains only general provisions concerning air quality assessment.

The Law on Air Protection does not refer to specific requirements with regard to industrial pollution. Additionally, applications for authorization and decisions of competent authorities are not generally made available to the public. The Council Directive 84/360/EEC of 28 June 1984 on the combating of air pollution from industrial plants establishes procedures to prevent or reduce air pollution from industrial plants and under the Directive, Member States are obliged to take necessary measures to ensure that the operation of these plants requires prior authorization by competent authorities. Another important piece of Community legislation in the Council Directive 70/157/EEC of 6 February 1970 on the approximation of legislation of Member States relating to the permissible sound level and the exhaust system of motor vehicles that specifies limits for the noise level and exhaust systems of vehicles. Legislation of this type in Azerbaijan is also in need of respective improvements.

6.4.1.2 Policy framework

In Azerbaijan, policy makers refer to two most comprehensive “checklist documents” that envisage the highest level of public sector involvement in air quality protection. The first one, the NEAP, enumerates the improvement of urban air quality, the inventory of industrial sources of air emissions and the identification of ozone depleting substances as major policy tasks to protect the air. It also introduces a long list of requirements on air quality management, such as monitoring air quality in big urban centers using a common databank, the development of models for toxic emissions forecasts and air pollution mapping, the establishment of a public warning system for monitoring air quality in residential areas where pollution might lead to health risks etc.

¹⁸⁰ Council Directive 1999/30/EC of 22 April 1999 relating to limit values for sulphur dioxide, nitrogen dioxide and oxides of nitrogen, particulate matter and lead in ambient air, OJ L 163 , 29.06.1999

The second document, the NPESSED, also contains specific measures to reduce air pollution, although with no reference to timetables or costs involved for introducing these measures. These are: relocation of industries away from densely populated areas, rehabilitation and replacement of gas and dust capturing facilities at industrial enterprises, prohibition of the import and use of old vehicles that do not meet safety standards, the introduction of environmentally friendly transport, the extension of green belts in residential areas etc.

Furthermore, a proposal on elaboration of the Plan of Actions on bringing technical standards of motor vehicle releases to the atmosphere in conformity with European standards has been submitted to the Government following consultations with relevant state agencies. It would be advisable to include here measures on setting up facilities to record pollution within big industrial centers.

An additional policy incentive has been provided for in the State Program on Development of Alternative and Renewable Energy Sources (2004) such as customs fee exemption for certain alternative energy generating facilities imported by the country.

However, given the limited amount of public finance, insufficient administrative capacities and technological know-how that need to be injected for all these measures to take effect, the deadlines set in the afore-mentioned programs are in many cases unrealistic. At the institutional level, the responsibilities of related government structures need to be clearly defined to be able to successfully pursue the identified policy objectives.

6.4.1.3 Institutional framework

The general responsibility for air quality monitoring lies with the MENR. The Sanitary Epidemiological Service of the Ministry of Health carries out air quality control in urban centers and in cooperation with the MENR develops health-based air quality standards (see Appendix 4). Also, the State Statistical Committee publishes annual reports on emissions. The Ministry of Interior via its traffic police reports on vehicular sources. The

Ministry of Transport and the Department for Transport of the Baku mayor office also cover air quality monitoring issues within their mandate.

A number of pollutants are controlled regularly in major industrial centers. While local standards for most of them are in line with requirements of the World Health Organization, the number of monitoring check-points is limited and their operational capacities are restrained in terms of equipment, data processing and storage techniques as well as expertise. Also, no regular information is collected on trans-boundary movement of pollutants. Currently CO₂ emissions are on the decline, yet the country's further economic development may contribute to deterioration of air quality if sustainable practices are not put into action.

6.4.1.4 International cooperation

As a relatively small economy, Azerbaijan's contribution to global problems of climate change, ozone depletion and acid rain is insignificant. In fact, its share in global greenhouse gas emissions is 0.004% (46 mn tons CO₂ equivalent). However, with intensification of the country's economic and industrial development, measures will need to be undertaken to fully incorporate environmental considerations in other sectors of the economy and meet obligations under a number of multilateral environmental agreements.

As a party to the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol, Azerbaijan has undertaken to develop, implement and disseminate national programs to reduce the expected impact of climate change. It has also announced its voluntary participation in the Clean Development Mechanism (CDM) as a host country. As a part of its commitments under the UNFCCC, Azerbaijan has established the State Commission on Climate Change. Also, in accordance with Articles 4 and 12 of the Convention, a project on establishment of the First National Communication has been prepared by the Government with support from the Global Environment Facility (GEF) and United Nations Development Program (UNDP) in order to develop a national plan of action to minimize the negative effect of climate change on the country's economy and health of the population. As a result of the project, a national inventory of greenhouse gases has been drawn up, assessment of the impact of climate

change on ecosystems and of opportunities for reducing the use of greenhouse gases has been undertaken and adaptation measures to minimize losses from such an impact have been identified.

Following Azerbaijan's accession to the Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol, the MENR was designated as the National Coordinating Body responsible for developing and setting the required regulatory framework to control the trade in and use of ozone-depleting substances (ODS). A number of projects in partnership with GEF were implemented, such as the phasing out of ODS in the Chinar refrigerator plant in Baku and the compressor plant in Sumgayit.

In the framework of the CDM implementation, a project was initiated with the Japanese Mitsubishi company to clean up waste disposal sites in the Balakhani and Surakhani suburbs of Azerbaijan, to mitigate the negative implications of deteriorated waste disposal sites on the environment and human health. The clean-up of the polygons was conducted and methane gas emissions into the atmosphere were reduced and the gas was used for energy generation.

The Canadian International Development Agency (CIDA) assisted the MENR in building capacity for elaboration and implementation of projects on mitigating climate change and reduction of greenhouse gas emissions. Economic experts, NGOs and academia participated in workshops conducted by CIDA specialists. 2 pilot projects have been implemented on the establishment of wind and solar power local heating systems.

In order to facilitate implementation of national commitments of non-Annex 1 countries under the UNFCCC, the Second National Communication was initiated by the Government of Azerbaijan with the assistance of the GEF. The project resulted in the elaboration of a national cadastre of anthropogenic greenhouse gas and carbon emissions, planning of adaptation measures, setting conditions for the application of eco-technologies and model projects. An important component of the project is building a regular dialogue among policy-makers, civil society organizations, media, academia, the scientific and business community. Also, issues not addressed in the first Communication

such as the impact of climate change on human health and ecosystems and the selection of CDM projects were covered in the Second National Communication.

The UNDP also helped the Government build CDM capacity in order to promote financing of carbon investments. The project resulted in the formulation of the institutional framework for CDM projects in Azerbaijan and the elaboration of a medium-term CDM strategy. Additionally, amendments and changes of the Law on Industrial and Municipal Waste have been introduced and a relevant database has been launched. Also, a number of specific project proposals have been identified to be implemented in the framework of future projects, viz. construction of a wind energy park in the Sangachal area and the application of alternative energy technologies in MENR facilities.

Furthermore, an EU-funded technical assistance project provided training to Azerbaijani policy-makers and industry representatives on the formulation and implementation of sustainable strategies on reduction of greenhouse gas emissions.

Policy analysts claim that Azerbaijan has a big potential for the use of biogas plants in the country's agricultural regions. Regrettably, these projects do not produce enough interest to promote relevant capital investments. As a pioneer in this area, the MENR has financed six demo bio-gas projects in several regions of the country and ten more similar facilities are expected to be constructed.

Two more projects on the promotion of small hydro and wind power have been initiated in cooperation with the GEF to support the development of renewable energy in Azerbaijan. The first project will contribute to the introduction and application of new technologies and help form the human capital required for development of the renewables sector by providing access to international knowledge and expertise. The second project will result in the development of an Action Plan to remove legal and institutional barriers to sustainable and commercial wind energy development.

However, implementation of CDM projects in Azerbaijan is delayed due to the fact that participation in these activities is not specifically reflected in current laws and strategies,

the exchange of information among project stakeholders is not regular and complete, and project benefits are not fully incorporated in sectoral policies such as transport and industry.

However, Azerbaijan is an active participant in the post-Kyoto negotiation process. This is partially explained by the fact that as a rapidly developing conventional energy producer, the country could face difficulties related to the impact of global decisions on reduction of greenhouse gas emissions to be adopted after 2012 on its economic development policies. It therefore strives to focus on policies promoting energy efficiency, sustainable use of energy and development of renewables in its domestic energy policies.

The EU-Azerbaijan MOU on strategic partnership in the field of energy provides a framework for EU assistance in supplementing these policies. Facilitation of the transfer of environmentally-friendly technologies from the EU to Azerbaijan in a cost-effective manner, assistance in enhancing the country's capacity for adaptation to climate change, benefiting from best practices of EU Member States on participation in global carbon markets and improved access to concessional credit facilities can be potential areas for future cooperation.

6.4.2 Water resources management

Azerbaijan is scarcely endowed with water resources and around 70% of its river flow is formed outside. The country is a part of the Kur-Araz river basin that also includes Georgia, Armenia and partially Turkey and Iran and is characterized by rich biodiversity. The country depends almost entirely on the Kur-Araz river basin for all types of water uses, namely for domestic, industrial and agricultural purposes as well as for hydropower generation and recreation (see Appendix 5). Underground waters amount to 25% of the river flow although Azerbaijan boasts the largest underground mineral water resources in the region which can be extensively used in future.

As a downstream country, Azerbaijan faces serious challenges with the quality of the waters of the Kur-Araz basin since they flow into the country already polluted from

upstream countries. Industrial plants in Georgia and Armenia discharge hundreds of tons of strong acids and heavy metals into the river flow.

Municipal water supply constitutes a problem for the country's population with only 50% of people in urban centers having access to centrally-managed regular supply of potable water. The daily water consumption rate in Baku is more than 400 liters per person, which is high in comparison to other countries.¹⁸¹ This happens as a result of leakage problems in transmission and distribution networks. Surface and groundwater in these areas is often contaminated by oil spills, use of fertilizers in agriculture and enterprise wastes.

Industrial wastewaters emerge as a result of the activities of refineries, chemical and power plants. Most of the pre-treatment facilities that these enterprises have do not function properly due to outdated equipment and as a result industrial waste water is treated together with municipal wastewater and flows further into the water body.

The water treatment infrastructure in Baku and adjacent areas does not function according to international standards. The quality of water is also damaged by inadequately designed and managed solid waste landfills and illegal dumpsites. The physical losses of water account for around 60% of the total production rate, plus, the occasional intersection of treated wastewater pipes with drainage systems increases health risks. Due to the lack of financial remuneration incentives there is little stimulus to operate these systems.

6.4.2.1 Legislative framework

The legal basis for domestic water protection has been relatively well developed and along with the more generic Law on Protection of the Environment includes the Water Code (1997), the Law on Amelioration and Irrigation (1996), the Law on Water Supply and Waste Water (1999).

¹⁸¹ UNECE Environmental Performance Review in Azerbaijan, 2004, p.91

The Law on Protection of the Environment for the first time set out legally binding principles of environmental protection and introduced relevant economic mechanisms such as payment for the use of water resources and for disposal of domestic and industrial waste, which have direct implications for issues of water resource management. It also laid down environmental requirements and procedures for approval of construction of municipal or industrial facilities.

The Water Code, the most significant piece of legislation directly related to the issue of water protection, introduced a new water management system in Azerbaijan based on principles of sustainable economic development, integrated river-based water management and separation of water protection from water industry. The Code distinguishes among various purposes of water use (i.e. potable water, water for agricultural use, recreation, energy generation etc.), regulates issues of maximum allowable concentrations of harmful substances in water and sets basic rules for industry.

The Law on Amelioration and Irrigation sets norms for the design, construction and operation of domestic irrigation systems and introduces the system of special permits (licenses) for respective design and construction activities.

The Law on Water Supply and Wastewater delegates responsibility for providing water and sewerage services to enterprises thus strengthening the principle of separation of regulatory and commercial functions as stipulated in the Water Code. It also lays out specific measures that can be undertaken by these enterprises in case of non-payment by consumers of water supply or sewage fees and introduces the metering system as the main method for charging water use fees.

Despite introducing a general framework for the protection of water bodies in the territory of Azerbaijan, the domestic water legislation is not without deficiencies. Legislative harmonization with EU *acquis* in this area can provide useful guidance.

For instance, as a major policy document to protect and restore clean water and ensure its sustainable use throughout a wider European area, the EU Water Directive¹⁸² establishes a qualitatively new approach to water management based on river basins, natural geographical and hydrological units and sets specific deadlines for Member States to protect aquatic ecosystems. The Directive addresses inland surface waters, transitional waters, coastal waters and groundwater and introduces several innovative principles for water management, including public participation in planning and integration of economic approaches, including the recovery of the cost of water services.

There is no provision in the Azerbaijani legislation on the quality standards for surface water allocated for drinking purposes. The Water Code is the only piece of legislation introducing only general requirements concerning water protection and quality. To the contrary, the Council Directive 75/440/EEC of 16 June 1975¹⁸³ sets minimum quality requirements to be met by surface fresh water, viz. parameters defining the physical, chemical and microbiological characteristics; minimum frequency of sampling and analysis, and reference methods for measuring the parameters. Further refinement of the existing legislation is therefore necessary.

6.4.2.2 Policy framework

Although the “polluter pays” principle was introduced in Azerbaijan in mid- 1990s, the country’s water management system experiences serious deficiencies: the sector-based approach rather than integrated water resource management principles is still prevalent, there is no system for time-bound realistic objectives to be set and hardly any cost assessment and financial planning mechanisms are in place.

The NPESSED was one of the first policy documents to cover some of these issues. It covered the problem of potable water scarcity in the capital and other urban areas, inadequate quality of drinking water and wastewater management throughout the country. It called for a broad range of centrally and locally planned actions to help address these problems in the long run. The program specifically envisaged the

¹⁸² Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, OJ L 327, 22.12.2000

¹⁸³ Council Directive 75/440/EEC of 16 June 1975 concerning the quality required of surface water intended for the abstraction of drinking water in the Member States, OJ L 194, 25.07.1975

elaboration and implementation of a state program for effective water use, the introduction of specific water use control mechanisms and incentives, the improvement of regulations on water ecosystems and the enhancing of international cooperation on trans-boundary water resources management. The weakness of the program is, however, that it does not prioritize actions to be pursued and focuses more on issues that entail significant financial costs, for example, meter installations rather than control of potable water facilities.

6.4.2.3 Institutional framework

The conservation of water resources and prevention of their pollution is the primary responsibility of the MENR. It also issues wastewater discharge permits and monitors water bodies. The Centre for Epidemiology and Hygiene of the Ministry of Health sets norms for potable water and monitors its quality and controls surface water quality for recreational purposes. The Azerbaijan Amelioration and Water Management Open Joint Stock Company issues water abstraction permits for surface water and imposes payments for water use. It is also in charge of land improvement on irrigated land and the operation and maintenance of the irrigation infrastructure. The AzerSu JSC deals with distribution and treatment of water throughout the country.

However, due to the fact that the existing water management system is based on administrative units rather than on river basins, achieving efficient water management targets remains problematic. The poor state of the water supply and waste water treatment infrastructure throughout the country complicates compliance with domestic standards that are mostly in line with the requirements of the World Health Organization and in the case of waste water treatment even more rigid than EU norms. Additionally, potable water and wastewater discharge fees introduced in the 1990s do not promote rational water use and help finance water protection measures since they have not been adjusted during the recent years of inflation and remain inefficient as economic tools. Their collection rates also remain low. Tariffs levied on consumers for water supply and sewage services enjoy a high level of subsidization and as such are not economically profitable.

Although the creation of the MENR has provided a clearer management structure in the water sector, duplication of functions persists as government agencies responsible for particular aspects of water management are not fully engaged in the exchange of regularly updated information. The elaboration of a national integrated water use and protection strategy can be a viable solution to mitigate water management challenges.

6.4.2.4 International cooperation

Following the National Water Supply and Sanitation Sector Strategy elaborated together with the World Bank in 2000, the Government initiated a series of reforms in the water sector. The institutional strategy proposed decentralization of water-supply and wastewater systems in small urban areas. In rural areas with relatively simple water supply systems the vision was that communities own, manage and help finance these facilities. The financial strategy provided for tariff levels for full cost recovery and revised respective subsidies. The technical reform meant installation of water meters, reduction of network leakage, increasing energy efficiency and pre-treatment of industrial waste water. The reform in the service sector included improved service to the vulnerable segments of the population, affordable standards of service and development of the required human capacity.

As part of the implementation of this strategy, a number of projects were financed by the World Bank i.e. the development of a regulatory framework for the utilities sector and a policy framework for the water sector and cleaning up of the main channel of the Kur River Delta to allow access by the sturgeon population.

Within domestic endeavors on infrastructure development, the construction of the Oguz-Gabala-Baku water pipeline will provide access to safe drinking water for the population of the Absheron peninsula and relieve the pressure on the existing potable water supply infrastructure. In this regard, EU technical assistance would be expedient to help introduce best practices to manage the pipeline and ensure sustainable use of water resources.

Supporting the Government efforts, the US Agency for International Development (USAID), the German Kreditanstalt für Wiederaufbau (KfW) and the Asian Development Bank (ADB) have provided assistance to mitigate water supply problems outside Baku by increasing public awareness on water monitoring, promoting closer collaboration at the local and regional level in long-term planning of water supply systems, including demand management, engagement of the private sector and development of administrative capacities. However, there is still a big demand for further financing and policy advice since the ongoing efforts are insufficient to help address water management issues that accumulated after decades of neglect.

Simultaneously, the EU TACIS program has been recently launched on the Joint River Management Program on monitoring and assessment of water quality on trans-boundary rivers aimed at the prevention, control and reduction of trans-boundary pollution. The program covered four river basins, including the Kur and Araz rivers.

The ADB assistance strategy focuses on specific issues of flood mitigation, land degradation and inefficient watershed management. The ADB also implemented a preparatory technical assistance project on rehabilitation of water supply and sanitation services in the cities of Goychay, Agdash and Nakhchivan designed to improve the living and health conditions of the population in these towns through a better access to a safe water supply and sanitation services.

As a result of the project on elaboration and implementation of measures on prevention of emergency situations in the Kur river basin financed by the German Federal Ministry of Environment, Nature and Security, the International Information Centre on emergency situations in the Kur river basin was set up within the NEMD. Efficient integration of environment and sustainable development considerations into public sectoral policies and in business practices as well as closer involvement of NGOs and civil society would serve as a success indicator of the project.

In line with the NPESSED, which stressed the importance of increased regional and international cooperation to protect trans-boundary rivers from pollution and ensuring the effective use of water by riparian countries, the Kur -Araz River Basin Environment Program (KAEP) emerged after the Geneva declaration signed by the five riparian states

(Azerbaijan, Georgia, Armenia, Iran and Turkey) in September 2008. Its objective is prevention of environmental deterioration and promotion of sustainable development of the basin. The project is co-financed by the EU, GEF, UNDP and United Nations Environment Program (UNEP). On the example of the Caspian Environment Program, the KAEP has been formed to promote trans-boundary environmental cooperation and coordination of international and national efforts in research and management as well as economic incentives and legal harmonization in order to provide a balanced integrated water basin management.

Azerbaijan is also an active participant in the EU Water Initiative (EUWI), which was launched at the 2002 World Summit on Sustainable Development and provided the political commitment at EU level to the targets on a more efficient use of available funds and achieving better coordination of efforts between various EU and local stakeholders.

The EUWI is an innovative attempt to attract attention to water-related issues. Most specifically, it aims to improve domestic and international water governance and the effectiveness of water management through multi-stakeholder dialogue, capacity-building and awareness and seek additional financial mechanisms to ensure the sustainability of water management policies. It also provides an enabling environment for complementary actions within respective thematic areas.

The EUWI is based on a participative multi-stakeholder approach and comprises a number of working groups having either a regional/thematic focus or concentrating on cross-cutting issues. Several working group meetings have been held to discuss issues related to national policies on water supply within the Eastern Europe - Caucasus - Central Asia component of the EUWI. EU experts visited Azerbaijan to study the current situation in the water sector and its priority development directions. A regular National Water Dialogue between EU and Azerbaijan will be launched as a follow-up to these discussions.

6.4.3 Selected Caspian Sea issues

Protection of the Caspian Sea has been identified by Azerbaijani policy makers as an important issue to address beyond the existing domestic framework for water resource protection due to the international character of its problems.

As an enclosed body of water, the Caspian Sea has limited carrying capacity compared to other bodies of water. Due to the fact that pollution entering the Sea is either bio-geo-chemically altered or remains in the Sea for many years, its ecological situation requires particular attention. Approximately 40% of species found in the Caspian are endemic and the potential loss of biodiversity is high. The Volga river flowing from Russia accounts for almost 80% of the Sea's contamination.

There is little quantifiable data on the status of biodiversity of the Caspian Sea since after the break-up of the Soviet Union the monitoring became fragmented and irregular due to the fact that the countries concerned did not have big budget allocations for their respective services (usually hydrometeorological departments) to undertake this activity. In recent years the situation in these countries, including Azerbaijan, has improved in terms of increased financial resources and a decrease in agricultural pollution. This, in its turn, has led to an increase in the number and coverage of monitoring operations. Monitoring data are supplemented by the findings of environmental projects and studies done by energy companies operating in the Caspian Sea. However, levels of agrochemicals remain a major cause for concern.

6.4.3.1 Legislative framework

The domestic legal basis for the protection of the Caspian Sea is based on generic environmental legislation. In terms of international legal instruments, several multilateral environmental agreements provide useful legal frameworks for national legislation relevant to the protection of the Caspian Sea. For example, Azerbaijan was among the first littoral states to ratify the Convention on Environmental Impact Assessment in a Trans-boundary Context (Espoo Convention) and this regime functions well for many of

the country's activities in the Caspian Sea. Azerbaijan is also a party to the International Convention for the Prevention of Pollution from Ships (MARPOL).

6.4.3.2 Policy framework

In 1994 the five littoral states (Azerbaijan, Russia, Kazakhstan, Turkmenistan and Iran) of the Caspian Sea adopted the Almaty Declaration on Cooperation for the Environmental Protection of the Caspian Sea region in which they recognized that the region was facing serious environmental problems with a potentially detrimental socio-economic impact. They decided to undertake a coordinated action and called on the international donor community and development organizations for support. Following this call, the Caspian Environment Program (CEP) was established by the UNEP, UNDP and the World Bank in 1998.

The CEP was the first comprehensive long-term strategy on protection and sustainable use of the Caspian environment. The first phase of the program envisaged the establishment of a regional coordination framework to promote sustainable development and management of the marine environment, elaboration of the National Caspian Action Plans (NCAPs) and formulation and endorsement of the Strategic Action Program (SAP). Transition to strengthened governance and full ownership of the Program by the five littoral states has been planned at the second phase.

The SAP elaborated as a result of an extensive regional consultation process, provided a regional policy framework, laid down the principles of regional environmental management, identified national and international interventions to address priority environmental concern areas as well as the required funding and institutional support.

The SAP also provided a good basis for the implementation of the Framework Convention for the Protection of the Marine Environment of the Caspian Sea (2003). The Convention contains provisions on the control of pollution from land-based sources, seabed activities, marine transport, dumping and other human activities. Issues of coastal management, sea level fluctuations and potential emergency cases are also outlined here. The Convention further sets general principles and the institutional mechanism for

environmental protection cooperation in the region. It is expected to serve as the major legal instrument for promoting regional environmental cooperation. There are also plans to develop a number of protocols that would target specific issues related to the protection of the Caspian Sea such as preventing pollution from various on-shore and off-shore activities, preservation of marine living resources and conducting environmental impact assessments.

Discussions on establishment of the Caspian Environmental Fund are ongoing to secure consistent financial contribution to the Caspian Sea protection policies. The updated SAP has estimated the national cost of addressing the actions that it recommends for each of the countries. The establishment of the Fund to implement those recommendations could also help mobilize adequate external funding.

6.4.3.3 Institutional framework

Major concerns of Azerbaijan with regard to its sector of the Caspian Sea have been reflected in the National Caspian Action Plan that outlined reduction of fish stocks (including sturgeon), biodiversity loss, degradation of the coastal landscape and destruction of coastal habitats and pollution from industrial, agricultural and municipal sources as the major problems to address.

The MENR is responsible for development and implementation of the state environmental management policy for the Caspian Sea to study, reproduce, use and protect natural resources and provide environmental safety. Around USD 1million is allocated from the MENR budget annually to undertake monitoring, control and research activities related to the Caspian Sea. However, these exercises are isolated and overall sectoral policies are not studied in terms of their environmental impact via strategic environmental assessments.

6.4.3.4 International cooperation

The overarching goal of international cooperation on the protection of the Caspian Sea is achieving consensus on the legal status of the Sea, development of common environmental standards for the use of its resources and emergency and oil spill response as well as gradual application of a zero-discharge principle to the Caspian Sea. Another important policy objective is to improve the efficiency of the environmental management system of the Sea and enhancement of stakeholder engagement in this process.

In 2003 the GEF approved the second phase of its support to the CEP that envisages four major areas of support, viz. implementation of the SAP in areas of biodiversity, invasive species and persistent toxic substances, strengthening capacity-building to promote regional ownership of the program, enhancement of legal and policy frameworks in the area of the environment both nationally and regionally; attaining tangible improvements in the Program's priority areas by implementation of small-scale environmental investment projects. The EU provided additional support through projects focusing on fisheries and sustainable coastal management.

Additionally, a project entitled "Strategic measures on the Caspian Sea and its shores and support of the Caspian Sea Framework Convention" has been recently completed by the MENR under the CEP. The project helped mitigate environmental deterioration of the Caspian Sea. However, the Integrated Water Resource Management concept that it aimed to develop, will require more specific legislative and institutional support measures by the environmental authorities.

At the public outreach level, as of 2006, the last week in September is celebrated as the week of the Caspian Sea. In Azerbaijan, community works and seminars are conducted with participation of students, NGOs and journalists where issues of marine environment protection and improving ecological culture are discussed.

6.4.4 Waste management

During the Soviet period industrialization contributed heavily to environmental pollution and waste generation in big industrial centers in Azerbaijan. Early transition to a market economy led to stagnation in economic and industrial activity in the country and indirectly to the decrease in the pollution level in these centers.

Later, reform processes necessitated the revival and development of industries that would be competitive in circumstances of economic transformation with increasing local and global demands. Therefore, along with traditional enterprises in the energy and chemical sectors, new plants have been put in operation in food processing, mining as well as steel and cement manufacturing. This has brought to the forefront the issue of pollution prevention and sustainable waste management.

Municipal waste has become a pressing problem in big cities and residential areas. The data for municipal waste generation is incomplete. According to unofficial statistics, along with 5 approved landfills around 120 unorganized landfills exist throughout the country.¹⁸⁴ Most of them do not meet international standards. There is no specific regulation on municipal waste collection and no disposal requirements, therefore the share of waste separated or recycled is negligent. In urban centers the landfills do not correspond to health and safety standards and stretch beyond their capacity. Uncontrolled waste sites lead to soil degradation that in its turn causes groundwater pollution and food contamination from agricultural produce that grow in these and adjacent areas. In the countryside illegal and uncontrolled landfills are common. There is no protective layer at the bottom of these dumps to prevent hazardous substances from leaking into groundwater. Moreover, there is a high risk of evaporation of toxic pollutants from these dumpsites. Research and medical institutions are also potential sources of radioactive waste pollution.

Domestic legislation on waste management has serious gaps. The issue of liability for past pollution is not addressed in existing legal acts. There are no licensing systems for

¹⁸⁴ URL: <http://www.eco.gov.az/es-gorulenishler.php>; accessed on 6 August 2009

industrial wastes and no up-to-date waste classification system. Public awareness on these issues remains low.

Another serious problem is the increasing risk of trans-boundary movement of toxic and radioactive waste. Strengthening efforts on improving the legal and institutional basis to tackle this challenge has been stated as one of the country's important environmental protection goals.

6.4.4.1 Legislative framework

The Law on Industrial and Municipal Waste outlines principles of management of industrial, household and radioactive waste as well as waste water. It enumerates the rights and responsibilities of state structures and other bodies, introduces requirements for the design, construction and operation of waste-treatment facilities and on transportation and storage of waste. It also addresses the issue of infringement and liabilities.

The Law on Radiation Safety of the Population sets the basis for safe operations related to radiation. It introduces measures that need to be taken by respective authorities or entities that use radiation technologies and as well as rights for the public to exercise control on compliance by enterprises with norms and regulations and receive accurate information on the conditions of radiation safety from these enterprises.

Hazardous waste legislation in Azerbaijan is almost in line with EU *acquis*, namely, the Council Directive 91/689/EEC of 12 December 1991 on hazardous waste. However, some discrepancies exist. Firstly, the notion of hazardous waste is not specified well enough. Secondly, the legislation does not explicitly prohibit the mixing of different categories of hazardous waste or mixing hazardous waste with non-hazardous-waste. Thirdly, there is no registration requirement for establishments that recover waste. Approximation of the domestic legislation with the Directive would facilitate implementing Azerbaijan's commitments under the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal (Basel Convention).

Another important piece of Community legislation is the Council Directive 2000/76/EC of 4 December 2000 on the incineration of waste that aims at the prevention or reduction of air, water and soil pollution caused by the incineration or co-incineration of waste as well as the resulting risk to human health. In contrast, relevant by-laws in Azerbaijan consist of only general provisions. They do not provide for a notion of co-incineration and set no requirements for application for a permit, its conditions and content. Provisions on delivery and disposal of waste, operating conditions of incineration or co-incineration plants, air emission limit values, access to information and public participation as well as measurement requirements are absent.

In the same vein, the Law on Industrial and Municipal Waste does not define inert waste, neither does it specify the categories of landfill, unacceptable waste in landfill or the standard waste acceptance procedure. All these issues are explicitly covered in the Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste that could serve as useful guidance for further domestic reform in the sector.

6.4.4.2 Policy framework

Improvement of industrial and municipal waste management and construction of landfills in line with internationally accepted health and environmental standards have been recognized as a major objective by the NPESSED. Specifically, it envisages use of advanced technologies for storage, sorting and recycling of household waste and generation of biogas from municipal waste as well as construction of waste incinerators that would also generate energy, namely electricity for urban areas, and composting municipal waste.

As a party to the Basel Convention, Azerbaijan introduced guidelines for trans-boundary transportation of hazardous waste that regulate issues of export, import and transit of hazardous waste, authority of designated agency and its interaction with other government agencies and contain provisions on prohibited waste and registration of hazardous waste producers.

Another important policy document, the Hazardous Waste Management Strategy, covers legal and institutional aspects of waste management as well as public awareness raising issues. The tasks identified in the strategy are very specific: minimizing waste, increasing recycling of hazardous waste, monitoring environmental performance of major waste generating industries and facilities, construction of new modern facilities for environmentally sound waste disposal and storage. It also calls for measures on contingency planning and the introduction of increased fines for non-compliance. There are also plans to elaborate criteria for rehabilitation of contaminated sites. The State Oil Company has developed a program on decontamination and rehabilitation of on-shore oil fields and oil polluted areas.

6.4.4.3 Institutional framework

The MENR has the overall control of municipal and industrial waste management. Radioactive waste is disposed of in the enterprise IZOTOP within the Ministry of Emergency Situations. The Ministry of Health is responsible for collection, treatment and disposal of medical waste and the approval of the design of incinerators for treating such waste is given by the Ministry's Sanitary Epidemiology Service. However, there is only one waste processing plant that operates in Baku and it is inefficient due to obsolete equipment.

Elaboration and processing of relevant initial statistical data appears to be a serious challenge since there is no reliable information on decades-old waste and in some cases on the waste generated by currently operating enterprises. In the case of hazardous waste, the prevailing site for its storage is the generating plant or already overloaded and inadequately equipped dumpsites. Lack of financial resources and weak institutional arrangements do not enable conducting relevant activities. Inadequate administrative capacities, specifically on issues of hazardous waste further complicate the problem.

6.4.4.4 International cooperation

In the framework of assistance under the EU Twinning program, a project on the development of hazardous waste control policy in Azerbaijan has been proposed and is currently under discussion within the Government.

An EU-funded EUR 4 million grant has provided an upgrade to the IZOTOP plant, which will establish new techniques of radioactive waste storage and monitoring. Additionally, a mobile laboratory has been set up for early detection and analysis of radioactivity. At a later stage the facility will become self-sustained through accumulation of fees from enterprises that will use its services.

An example of a public-private partnership has been proposed by a project on establishing the Absheron Environmental Centre initiated by the Municipality of Buzovna suburb of Baku. Co-financed by the municipality (EUR 7178) and the local company MINICOM (EUR 1600), the Centre has been set up to address the issue of household waste and land treatment. The Centre serves 200000 residents of adjacent communities. It will also promote building local knowledge on practical issues of waste management and solicit broader public support.

Also in line with Azerbaijan's commitments under the Action Plan on introducing sustainable waste management policies is the construction of a solid waste treatment plant worth EUR 346 million initiated by the Government with the support of the Islamic Development Bank in the Balakhani suburb of Baku. The facility is expected to reduce by 10 times the volumes of waste processed in the capital and its neighborhood. At a later stage, a bigger plant will be built and the city master plan for waste processing will be introduced. This will help introduce a system of interrelated processes of waste collection, division and burning and promote the use of energy generated in the course of plant operations.

These efforts have been supplemented by the World Bank project on a Mercury Clean-up Demonstration Project in the chlor-alkali plant in Sumgayit, which envisages

construction of a hazardous waste landfill site. A significant part of the project activities is training on health and safety issues related to the clean-up.

6.4.5 Management of land resources

As a country with historically strong farming traditions, Azerbaijan has a relatively developed agricultural sector. However, socio-economic challenges of the past decade produced negative impact on the sector particularly affecting the management of land resources.

The lack of capital and credit resources and a relatively low level of mechanization of agricultural processes created serious problems for the sector. Gradual replacement of large-scale processing industries by small production units further constrained development and increased pressure on the limited land resources. In rural communities this is multiplied by overgrazing and soil salinization and erosion as a result of improper farming practices and inadequate capacity.

In urban areas soil contamination, mostly with heavy metals from vehicles, oil exploration and power plants, is another serious challenge for the Government to address. Estimates suggest that there are 10000 hectares of heavily contaminated urban lands.

6.4.5.1 Legislative framework

In Azerbaijan, there is no specific legislation on soil protection: the Land Code addresses this issue. The Code divides land into seven categories according to its legal status and use: agricultural land, residential land, land used for industry, transport, military and other purposes, land of especially protected areas, land of the forest fund, land of the water fund and land of the reserve fund. Municipalities have the duty to protect land that they possess, however, due to the lack of technical documentation they are not always aware of what is their property land or do not have the means to protect these lands.

The Law on Plant Protection (1996) provides the framework for the use of pesticides and is supplemented by the Law on Pesticides and Agrochemicals that sets procedures for the

testing and registration of pesticides and agrochemicals and defines issues related to organization of agrochemical services. The Law on Conservation of Soil Fertility (1999) provides the legal basis for the protection of state, municipal and private land in terms of soil fertility.

6.4.5.2 Policy framework

The NPESSED contains a number of provisions on sustainable land management that include elaboration of a national action plan to protect agricultural land, setting up of an inventory of existing drainage and irrigation networks and their improvement and regular monitoring of damaged soil and implementation of measures towards its recultivation.

Among specific measures that NPESSED indicates as priorities are the use of optimized planting systems and advanced irrigation technologies to prevent land erosion and salinization, development of national and regional schemes for the use of chemicals in agriculture and prevention of the use of technologies that may pollute and degrade soil.

In line with Azerbaijan's commitments under the Convention on Desertification, the following measures are to be implemented within the NPESSED:

- stock-taking of lands affected by desertification;
- elaboration of an appropriate action plan;
- foresight development and awareness raising to improve the effectiveness of counter-desertification measures.

As the most specific document, the State Program on Efficient Use of Summer-Winter Pastures, Grasslands and Prevention of Desertification (2004) aims at improvement of legislation on state land and areas used for agricultural purposes; prevention of degradation of sown lands, state owned forestland and arable areas; promotion of development of stock-breeding and crops on a selective basis; temporary suspension of the use of wasteland areas and lands that need rehabilitation; gradual phasing-out of pesticides and their replacement with biological preparations; monitoring of pastures and updating technical register of arable lands; introduction of state, commercial and

mortgage credit systems to ensure agricultural development and environmental balance. Also, a National Program on soil conservation has been elaborated by the MENR.

6.4.5.3 Institutional framework

The MENR, the Ministry of Agriculture and the State Committee for Land and Cartography are principal government bodies responsible for issues of agricultural policy and land management.

The Ministry of Agriculture has the primary responsibility for development of agricultural policy. The Ministry has recently set up a number of regional agro-scientific research centers but due to the lack of funding, their development capacities are restrained. The State Committee for Land and Cartography deals with the land reform. Its functions include administration of land titles, cadastres and land mapping, soil erosion control and implementation of measures to control salinity as well as pastures management. The Azerbaijan Amelioration and Water Management Open Joint Stock Company is also in charge of land improvement activities on irrigated land.

However, cooperation and coordination between these key authorities is not very well developed and there are duplications in their functions with regard to management of pastures, soil conservation and irrigation. This creates problems in implementation and enforcement of the exiting legislation.

6.4.5.4 International cooperation

In line with the State Program on Efficient Use of Summer-Winter Pastures, Grasslands and Prevention of Desertification and the country's commitments under the UN Convention on Combatting Desertification, a GEF-funded project on building national capacity on combating desertification has been elaborated and envisages establishment of a National Centre to combat desertification and take measures to prevent land erosion.

Another common endeavor is the project on establishing conditions for sustainable land management, co-funded by GEF, UNDP and the Azerbaijani Government. Its objectives are identification of opportunities to reduce poverty and promote sustainable development; incorporation of issues of land management in activities under national sectoral development programs and dissemination of pilot projects. Four thematic working groups (socio-economic, agricultural, institutional and environmental assessment) have been set up with participation of a number of government agencies responsible for certain aspects of land management as well as local authorities and NGOs. Based on multi-stakeholder discussions of the project findings, land degradation maps and the National Action Plan on Combating Desertification have been elaborated.

Three specific environment-related projects are currently under implementation by the State Oil Company (SOCAR) that focus on issue of prevention of water and air pollution as a result of oil and gas exploration in offshore oil fields, collection of associated gas in the Balakhani oil field and Puta-Gushkhana field. They also envisage application of new low-waste technologies and construction of new-generation power plants.

6.4.6 Biodiversity and forest management

In Azerbaijan, biodiversity conservation constitutes a serious challenge for the Government. Out of 4263 villages and 251 settlements in Azerbaijan around 2300 are located in the vicinity of forest zones. The total area of Azerbaijani forests is 989.4 thousand ha, which constitutes 11.4% of the country's entire territory. This is relatively scarce compared to Russian Federation (44%) or Georgia (39%).¹⁸⁵ The country's forests serve primarily social and environmental functions although limited commercial forestry is also practiced.

Shortage of energy supply, low income, limited job opportunities and development of domestic livestock increase anthropogenic pressure on forests and lead to their deterioration. For instance, local communities in rural areas including refugees try to solve their economic problems by raising cattle. Increased number of livestock per unit

¹⁸⁵ URL: <http://www.eco.gov.az/es-gorulenishler.php>; accessed on 6 August 2009

of area damages pastures and forest areas and leads to soil erosion. Furthermore, due to the increased demand for firewood as fuel in remote rural communities as well as the ongoing occupation of the territories of Azerbaijan by military forces of Armenia, the woodland area in the country annually decreases.

As a result of the occupation, more than 261000 hectares of mountain forests of the Lesser Caucasus (around 21.7% of Azerbaijan's total forest area) risk complete extinction.¹⁸⁶ Among those, are two state strict nature reserves, including the Bestichay reserve of Eastern Platan forests, first in Europe and second in the world (after Canada), and four state nature sanctuaries. Natural resources of these areas are under constant destruction, this causing an irreparable damage to biodiversity.

6.4.6.1 Legislative framework

The Law on Protection of the Environment refers to biodiversity conservation as one of basic environmental principles. According to the Law, the state has supreme powers and duties in defining biodiversity conservation policy, including issuing decisions, permits and quotas on natural resource use; approval and implementation of conceptual plans and comprehensive programs for the use, conservation and renewal of natural resources; setting up a national inventory and national registration procedures for natural resources; introducing procedures for the monitoring of natural resources; and establishing national reserves, parks and other protected sites.

Protected area categories defined by the Law on Specially Protected Areas and Objects of Nature include international (some natural reserves), national (state reserves and national parks) and local (natural reserves, natural monuments, botanical gardens, zoological and dendrological parks, health resorts) areas. The Law also lists prohibited activities and means of state control over protected areas.

¹⁸⁶ Source: <http://www.eco.gov.az/es-gorulenishler.php>; accessed on August 6, 2009

The Law on Fauna classifies the fauna, property rights over fauna and legal relationships thereof. It also contains provisions on state monitoring, economic instruments and penalties.

The Law on Plant Protection covers issues of protection of plants from pests, diseases and weeds. It also assigns certain responsibilities to enterprises, land users and citizens, and prohibits the marketing of agricultural products that violate legal requirements with regard to the content of toxic chemicals, nitrates and poisonous substances. The Law has explicit references to administrative and criminal penalties.

The Forest Code sets the ground for the use, protection and rehabilitation of forests and outlines the types of forest ownership and property rights, management rules and responsibilities for the use and protection of forests. It also contains provisions on administrative and criminal responsibility for infringing upon forest regulations.

Although sufficiently broad, the legislation on conservation of biodiversity in Azerbaijan lags behind specific EU legislation. For instance, the Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora establishes a European ecological network comprising special areas of conservation and special protection areas and contains lists of natural habitat types, animal and plant species as well as those in need of particularly strict protection. The Azerbaijani legislation does not define the criteria for selecting sites eligible for identification as sites of national importance and designation as special areas of conservation. As regards the general system of protection of certain species of flora and fauna, it does not provide for prohibition of disturbance of certain species or requirements of assessment of projects in terms of their implications on protected areas.

6.4.6.2 Policy framework

The National Program on the Restoration and Expansion of Forests is the most important sector-based policy document to help address the issue of sustainable forest management. It identifies specific actions in 10 sub-sectors and includes information on implementing agencies, timeframe and performance indicators. Key forest policy goals have been

defined here as establishing the Forest Fund, promotion of rational use of forest resources through planning and implementation of forest management and rehabilitation activities as well as conservation and protection of forests including their recreational and other functions, and last but not least, international cooperation in this area.

The Program also envisages specific measures on alternative income generation activities in forest rural areas with a view to mitigate the pressure on forestry. However, the reference to financing base in order to support implementation is not made clear in the Program and it is evident that the state budget resources will not be sufficient for funding these large-scale measures. According to the Program, more than USD 65 million are required for these purposes. Also, current measures do not take into account specific methodologies such as determination of the Annual Allowable Cut limits for the timber.

Given the fact that in most instances illegal logging in rural areas is poverty driven, deterioration of living conditions and decrease in the paying capacity of people who currently use conventional energy supplied by Government may considerably increase man-caused impact on the country's forest resources and result in their intensive degradation. Therefore, social protection measures will have to be undertaken to mitigate negative implications of energy price increases as demanded by the country's current economic development needs. Unclear policies governing the use of forest resources and weak institutional structures and enforcement capacity are issues that need to be further addressed by the Government.

After becoming the ENP partner, Azerbaijan initiated domestic procedures on joining specific EU environmental legal instruments such as the European Bat Agreement (EUROBATS) and the Agreement on the Conservation of African-Eurasian Migratory Water-birds (AEWA) within the framework of the Bonn Convention on the Conservation of Migratory Species of Wild Animals. Later, the Strategy and National Plan on Biodiversity was elaborated with the assistance of the GEF, UNDP and the Fauna & Flora International.

The implementation capacity of the afore-mentioned programs and strategies will depend on ensuring the balance between support of international organizations in the area of natural resource management and domestic approach to making the right choice among

the forests' productive and other functions. Capacity-building for the rural population of forest areas will need to be enhanced. Alternative income generation activities such as poultry keeping, bee-keeping, fish breeding, carpet weaving, development of ecotourism etc. have to be encouraged. At the local level, success of policy measures will be contingent on the quality of interaction among local authorities, business community, population, local activity groups, specialized horticulture groups and mass media.

6.4.6.3 Institutional framework

Azerbaijan's ecosystems protection network consists of state nature reserves, conservation areas and the state hunting areas. The reserves cover all major geophysical areas, serving to protect both land and water habitats. Currently, in Azerbaijan there are 13 strict nature reserves, 19 nature sanctuaries and 6 national parks and 15,000 ha forests with endemic and valuable species.

Protected areas are under the umbrella of MENR and related policies are enforced by its Department for Biodiversity Conservation and Development of Specially Protected Areas. Protection of these areas is financed from the state budget. A Government decision has been taken to establish funds for each of the areas. Revenues accrued in these funds along with finances earmarked from the state budget are spent for the development of the protected areas.¹⁸⁷

Rehabilitation and protection of forests are funded by the Forest Fund. Its source of revenues is the donations and fines imposed for violating the Forestry Code. However, the funding is spent mostly on paying salaries of the staff and limited resources are available for forest management activities. This impedes a prompt realization of the National Program on the Restoration and Expansion of Forests that stipulates reforestation of 64000 ha by 2008. To date, only 10740 ha have been reforested.¹⁸⁸ To combat forest degradation, new regional forest nurseries for growing seedlings of valuable tree and bush species have been set up.

¹⁸⁷ In 2008, the MENR budget for biodiversity conservation and forest management totaled 168159 AZN (around EUR 120000).

¹⁸⁸ URL: <http://www.eco.gov.az/es-gorulenishler.php>; accessed on 6 August 2009

Lack of institutional expertise in forest inventory and planning is another problem. Forestry training modules are taught at the Forestry Faculty of Azerbaijan State Agricultural Academy in the city of Ganja but the faculty needs assistance in improvement of the curricula, specifically in stock-taking methods and geographical information tools. At present, new forestry management plans are being developed by MENR and the update of the Red Book of Azerbaijan has been initiated though due to limited funding this endeavor has not been accomplished.

This said, the MENR participates in implementation of a number of state programs developed by other ministries in various sectors of the country's economic life and promotes measures on environmental protection and effective use of natural resources identified in these documents. Thus, implementation of actions related to efficient use of land, water and energy resources, forest and biodiversity protection and other issues has been pursued under the State Programs on Poverty Reduction and Economic Development as well as on Socio-Economic Development of the Regions developed by the Ministry of Economic Development.

Within its commitments under the UN Convention on Biodiversity, the Government has to ensure participatory approach, including NGO involvement, in ecological conservation endeavors. Of more than 110 environmental NGOs active in Azerbaijan, 27 NGOs specifically deal with biodiversity conservation. These organizations try to obtain necessary financial resources by active participation in different grant and project competitions. However, empirical evidence reveals that awareness of the mass media that can form public opinion and mobilize public for response measures on issues of environmental protection remains poor. Magazines and newspapers published in Azerbaijan do not extensively cover environmental issues. "Azerbaijan's nature" magazine published by the MENR is the only periodical that provides updated information on biodiversity.

In order to help address these problems, the national ecological network AZECONET has been established in the framework of the Pan-European Ecological Network to assist the Government in its endeavors to promote biodiversity conservation.

6.4.6.4 International cooperation

As a party to international conventions on conservation of biodiversity Azerbaijan participates in the Pan-European Biological and Landscape Diversity Strategy that aims at protecting ecosystems, habitats, species, their diversity and landscapes of European importance.

The “Emerald Network” pilot project financed by the Council of Europe aims at establishment of a systemized database of the protected areas. Under the project collection of data, its scientific analysis, assessment of natural environment and species in the bio-geographical regions of the country is envisaged. In the framework of this initiative the MENR and the KfW cooperate towards establishment of the Eco-regional Nature Protection Program for South Caucasus that includes creation of the Samur-Yalama National Park.

As part of its commitments under the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Government provides regular reports to the Convention Secretariat on the status and measures undertaken to protect endangered species, especially sturgeon populations in the Caspian Sea.

Another project in this area is the Shah-Dag Rural Environment Project supported by the World Bank and GEF (USD 13 million). The Government co-funding is USD 1million. This project envisages setting a database for biodiversity monitoring that would help develop a national biodiversity management information system. The project will also promote development of eco-tourism in protected areas.

Along with the Government, local NGOs are engaged in project implementation and awareness-raising campaigns to help protect biodiversity. The NGO “Ecological Education Organization” is engaged in the development of the Caucasus Mountains tourism route, the Azerbaijan Society for the Protection of Animals cooperates with the WWF in developing public education programs on environment.

As a demonstration of its commitment to protection of forest resources, Azerbaijan also participates in the Europe and North Asia regional program of the Forest Law Enforcement and Governance process (FLEG) initiated by the World Bank. The program aims at mobilizing high-level political commitment and identifying FLEG as an area of national concern within the broader national governance and development agenda. It strives to develop strategies to address the underlying causes of illegal logging, associated trade and corruption and engage stakeholders, including local communities and the private sector in forest policy formulation and implementation through an open and inclusive participatory process. Strengthening regional cooperation in forest law enforcement and exchange of information and expertise among all countries in the region is an important aspect of the FLEG.

6.5 Implementation of environmental commitments under the Action Plan: lessons learnt

The EC support to implementation of Azerbaijan's environmental policy objectives under the Action Plan has been particularly emphasized in the Country Strategy Paper for 2007-2013.¹⁸⁹ This included prevention and alleviation of industrial risks such as environmental damage incurred during oil and gas exploration or as a result of chemical pollution, waste management and measures to combat deforestation. Water quality management has been identified as another important issue to address through the EUWI.

Based on the Country Strategy Paper, the NIP for 2007-2010 envisages extending EU technical assistance and policy advice to the area of environment identified as one of sub-priorities for action. It specifically refers to integration of environmental considerations into the country's sectoral policies and improvement of the legislative and administrative management of environmental issues with due regard of EU experience and best practices.

However, analysis shows that despite the enabling policy framework and financial support, the share of environmental projects in the total value of EC-funded assistance projects in Azerbaijan remains relatively modest. Although environment has been

¹⁸⁹ URL: http://ec.europa.eu/world/enp/documents_en.htm#9 accessed on 10 October 2008

identified as one of 10 priority sectors under EC funding, it was not included in the first-generation twinning projects for Azerbaijan, nor is it in the list of projects in the pipeline. The sectoral breakdown of ongoing and planned projects in 2007 revealed that there was no project on environment in the list of 7 projects identified. As projects under Twinning and TAIEX are determined by beneficiary countries based on their needs and in line with their commitments, it would be important to know whether non-inclusion of environment in the programming cycle is due to a relatively limited involvement of the MENR in these processes or other policy needs prioritized by the Government.

Paradoxically enough, the EC itself can be a reason of delay or “impediment” to project approval. According to ENPI regulations, a project proposal has to be elaborated by a line ministry and submitted to the PAO operating within the Ministry of Economic Development. PAO activities are supported financially and technically by the EC. These project proposals are then forwarded by the PAO to the EC for approval. Within the EC, the EuropeAid Cooperation Office (DG AidCo), considers a proposal and issues a final verdict on its relevance. Further to this decision, a project fiche and a tendering procedure are initiated. Line ministries therefore have limited or no access to the project approval process and little lobbying opportunities to support their request for technical and financial assistance. Closer engagement with the EC Delegation in Azerbaijan and conducting a consistent dialogue with PAO can help increase visibility of these ministries for the EC and better advocate for their interests.

This said, the past two years of implementation of the Action Plan brought in a qualitatively new picture of environmental policy-making in Azerbaijan. Intra-governmental consultations related to initial assessment of implementation of the country’s environmental commitments for the 2007 and 2008 showed a positive performance trend.

In 2007, the Government has successfully initiated a number of environmental policy innovations such as strengthening administrative capacity of the recently created State Maritime Administration, enhanced monitoring of the country’s obligations under the MARPOL and other IMO conventions aimed at preservation of the marine environment,

vessel certification in line with IMO conformity standards, conducting capacity-building for safe maritime transportation of dry cargo and prevention of oil spills.

In the energy sector, achievements included initiation of a project on legal harmonization of Azerbaijan's energy legislation to that of the EU, specifically in areas concerning energy efficiency, development of alternative energy sources including completion of a feasibility study for construction of a wind power plant on the Absheron peninsula. An unprecedented initiative is to construct a marine wind park on off-shore oil and gas exploration fields of Neft Dashlari¹⁹⁰ and Guneshli as well as Chilov island.

The MENR as the leading government agency in environmental policy reform implementation has also been pursuing a busy reform agenda: a number of measures were implemented within adopted state programs and strategies on biodiversity conservation, waste management, water and land protection, legislative reform continued and as part of the country's commitments under multilateral environmental agreements, specific environmental policy objectives, viz. development of CDM projects, conducting environmental impact assessment within identified infrastructure projects, introduction of new monitoring techniques and equipment for assessment of water quality in transboundary rivers, afforestation measures covering more than 8000 ha of the country's territory, installation of biogas and geothermal facilities in rural areas to promote energy sustainability, were addressed. A project proposal on improvement of hazardous waste management has been elaborated and submitted to the EC for possible funding under the Twinning program.

The year 2008 continued this trend. According to the second implementation report submitted by the Azerbaijani Government, in the course of implementation of the State Program on Poverty Reduction and Sustainable Development a particular focus was kept on the balanced development of the non-oil sector, improvement of public utilities sector and of rural environment.

In the energy sector, monitoring exercises were undertaken in a number of oil and gas facilities to check their compliance with ecological requirements, a project proposal on

¹⁹⁰ This unique city constructed on piles of dirt and landfill lies 45 km offshore on the Caspian Sea

setting up a new waste center by the SOCAR to address the issue of groundwater conservation and solid waste treatment as a result of oil exploration activities has been submitted to the Government. The Company also endorsed a corporative decision on environmental awareness-raising and a specific action plan to implement its provisions. Also, the inventory of greenhouse gases was drawn in a number of SOCAR facilities and on-shore operating companies. The Company became a member of UN Global Gas Flaring Reduction Partnership that aims at mobilizing petroleum industry, national governments and development agencies in joint actions to disseminate best practices and develop standards on flaring reduction.

The MENR's activities were channeled to implementation of adopted and elaboration of new environmental policy documents in line with EU standards, participation in transboundary water management projects and events within the EUWI. Public engagement and access to environmental information was promoted within Arhus public information centers functioning in the capital and other cities throughout the country. Capacity-building projects have been initiated in the framework of UNDP-OSCE-NATO-UNEP funded Environment and Security Initiative. Azerbaijan continued its cooperation with the Regional Environmental Centre for the Caucasus.

As part of its own assessment of implementation of Azerbaijan's commitments under the Action Plan, the EC elaborated progress reports for 2007 and 2008. These reports in principle supported Azerbaijan's endeavors on strengthening environmental management but pointed to several shortcomings. While the framework legislation was recognized as well-functioning, the need for further improvement of sectoral legislation, namely on water management, waste treatment, biodiversity conservation was emphasized. Enforcement of this legislation required a particular attention. It further mentioned that none of the 21 CDM projects initiated in Azerbaijan was registered at UN and called on the Government to speed up this process. A positive fact was the adoption of regulations on vibration and noise as well as on environmental fines. However, monitoring and enforcement were identified as important challenges.

Reports also mentioned improvements in information exchange between the EC and the Government on issues of climate change, protection of mountains, sustainable integrated land use of Eurasian steppes, obsolete pesticides and classification and labeling of

chemicals. Another positive fact was expanding as of 2007 of the mandate of the annual EU-Azerbaijan Sub-committee on transport and energy to cover environmental issues. The sub-committee provided a regular platform for an open exchange of views and a strengthened dialogue on matters of common interest on environmental policy-making. Strengthening administrative capacities, increasing inter-agency coordination as well as encouragement of public participation in environmental policy formulation and implementation have been identified as areas of possible joint interaction under EC technical assistance programs.

The improved state of environmental protection in Azerbaijan in the long-term would serve as a success indicator of domestic endeavors aimed at efficient integration of sustainable development considerations into public sectoral policies and private business practices and closer involvement of NGOs in the environmental policy-making in the country, in line with its commitments under the AP. Along with this, a strong interconnection between the Government policy needs and EC assistance targets will need to be maintained.

7. POLICY RECOMMENDATIONS

As I strove to demonstrate throughout the present research, environment is increasingly gaining value as an inalienable part of the domestic reform agenda in Azerbaijan and as an important element of the regular policy dialogue between Azerbaijan and the EU.

It is also noteworthy that the pattern of environmental governance is changing along with the country's politico-economic transformation and is being enriched with different approaches to solving persistent and emerging policy issues. These approaches combine traditional and new concepts and increasingly lean towards inclusiveness of various stakeholders at multiple levels in the complex processes of policy formulation and implementation.

This is a process of gradual rather than radical change and its track is well predictable: becoming closer to EU and its standards and values. The quality of this change will to a great extent be contingent not so much on taking on the extensive path but rather on deepening the current governance agenda in the area of environmental protection. The EU can provide a valuable source of knowledge and expertise to help accomplish the Government's objectives of environmentally sustainable socio-economic development.

The policy analysis undertaken in previous parts of the present research can be summarized in the form of the following major recommendations that can hopefully serve as useful benchmarks for Azerbaijani policy-makers in their endeavors to make the patterns of domestic environmental governance coherent with that of the EU.¹⁹¹

7.1 Harmonization of Azerbaijan's environmental legislation with relevant parts of the EU acquis

As it has been mentioned above, reforming, adapting and strengthening public sector institutions in order to succeed in efficient application of EU acquis remains a policy

¹⁹¹ The importance of ensuring a broader public participation in the conduct of environmental policies and developing international cooperative arrangements is inherent in all these recommendations. Therefore, as self-evident, these issues do not need a separate reference.

challenge of the Azerbaijani Government. Empirical analysis reveals that reforms associated with legal approximation may represent a burden on administrative capabilities and a time-intensive endeavor but by providing examples of best practice, they can make a significant contribution to the building of the necessary framework. Publicity of laws and regulations, effective enforcement and consistent administrative practice are further requirements for legal reforms to display their beneficial effect. Yet, the main challenge is not mere approximation but the adaptation of the administrative machinery and the society to the conditions necessary to make the legislation work. Approximation, therefore, must reflect and influence the extent of the changes achieved in these critical areas.

Difficulties associated with practical implementation of this goal are attributed to the reality that legislative approximation is a lengthy process requiring considerable investments both in administrative and human capacities and an efficient endorsement at the highest policy and decision-making level.

The primary effect of approximation of environmental legislation and as a result, adoption or changes in relevant laws should therefore be more on the domestic governance system of Azerbaijan rather than just a cooperation issue in relations with EU since this can promote formulation and adoption of strategies in a number of important policy areas relevant to transition. It can encourage Azerbaijan to apply new models of engagement of the business community and civil society in policy formulation and decision-making as well as implementation and monitoring. It can also enable Azerbaijani policy makers to have an access to specialized networks and make clear for them practical aspects of EU policy-making in relevant sectors. It can further facilitate creation of new institutions, if the conditions so require or enhance the capacity and regulatory powers of the existing ones. Last but not least, it can help increase EU visibility in Azerbaijan. Therefore, consistent implementation of the environmental part of the AP as a major policy document should remain a priority for the Government and receive adequate support on the part of the EU.

7.2 Building administrative and institutional capacities

The empirical research distinguishes among three major types of capacity building: individual, institutional and systemic.

At the individual level capacity consists of skills, knowledge and capabilities of employees of the government and public institutions. Their capacity is interrelated with their education, managerial skills and professionalism as well as the ability to apply these skills. Building capacity at the individual level depends on environmental education system, highly qualified specialists training at universities, scientific centers, and qualification level of stakeholders' employees.

Within the education system of Azerbaijan there are more than 45 higher educational institutes, 60 colleges and a number of environmental education centers that deal with environmental training. Most of these institutions are financed from the state budget. Despite the fact that the overall professional level of specialists employed at these institutions, the MENR and respective divisions of other government agencies is satisfactory, there is a need for regular trainings to enhance their level of qualification. Such specialists are usually employed in their positions for a long term and promoted to higher positions commensurate with their abilities.

At the institutional level, capacity depends on a level of organization's activities and a set of human, administrative, financial and technical resources. In the case of the MENR, these resources are not always adequate. Though in principle scientific capacity is high in Azerbaijan, there are not many specific results which can be applied: the findings of laboratory research are not translated into pilot projects. Poor relation between scientists, decision-makers and communities directly affected by a particular environmental problem therefore remains a challenge. As a result, there is no common database and means of its transfer to stakeholders. In tackling domestic environmental problems think-tanks should be established and state authorities should be ready to immediately respond to these changes as advised by think-tanks.

In this regard, the Comprehensive Institution Building Program initiated in the framework of the Eastern Partnership can provide an excellent opportunity for the Azerbaijani counterparts to benefit from a vast pool of expertise and knowledge accumulated within the EU on various aspects of environmental governance.

At the systemic level, the capacity depends on the establishment of mutual relations between relevant organizations operating in the framework of legislation, social standards and national values. For instance, various ministries and public organizations take part in biodiversity conservation in Azerbaijan. Despite the fact that they have one common goal, scope of activities, responsibilities and obligations, the methods and approaches applied are different. Close coordination needs to be established between those organizations in order to eliminate the possibility of isolation and repetition. Objectives, responsibilities, financial allocation, timeframe of the organization have to be defined while preparing legislative acts and state programs.

The international dimension of the systemic approach is another important issue to address. There is limited cooperation between Azerbaijan's environmentalists and environmental lawyers with their counterparts from EU Member States and also in terms of access to data and resource base of networks of leading European environmental policy research institutions, public bodies and NGOs. Maintaining a regular information exchange and interactive communication with EU analysts on practical ways of addressing environmental challenges can serve as an important point of reference for domestic environmental activists in their dialogue with the Government.

A particular topic to be highlighted is participation in Community programs. This has been reflected back in 2003 in the Communication on Wider Europe and further strengthened in the AP. A recent visit to the European Environment Agency website showed that there is not much cooperation ongoing with Azerbaijan or at least made visible. This component needs to be enhanced and European partners should be more proactive.

7.3 Technological modernization and use of market-based tools

In the context of an economy that is sustainable market agents drive the change in environmental practices rather than state agents who initiate these reforms from top to bottom. Therefore, market dynamics are becoming increasingly important in the process of environmental protection.

An important aspect of technological modernization is development of technology policy promoting innovation which is instrumental for ensuring sustainable development and encourages the search by policy-makers of adequate policy instruments and support schemes. Policy interventions should encourage businesses to look for new eco-friendly technologies and help establish a process where additional research for innovations are compatible with goals of environmental protection. Economic instruments promoting market efficiency and competitiveness, procurement policies to speed up the use of eco-friendly technologies by companies and promotion of innovations can be helpful policy instruments.¹⁹²

Currently, there are no specific policies to manage the inflow of financing and donor assistance in the area of environment in Azerbaijan. There are no specific programs on fund-raising activities. There is a need for bringing more investments into the environmental sector from commercial sources and through donor assistance.

There should be increased interaction among the MENR and other related ministries with a view to elaborate incentives for the public sector to be able to effectively manage private investments and donor/grant assistance to the environmental sector and enhance capacity within the executive authorities and municipalities for them to produce “bankable” environmental projects.

A project portfolio for addressing priority environmental problems for submission to potential donor community should be developed by the MENR. These projects should

¹⁹²Kuntze, U., Meyer-Krahmer, F. and Walz, R. *Innovation and sustainable development: lessons for innovation policies? Introduction and Overview* in F.Meyer-Krahmer (ed.) *“Innovation and sustainable development: lessons for innovation policy”*, Physica-Verlag, Heidelberg, 1998, pp.3-34

bear a social value and be in line with the ongoing poverty reduction endeavors. During the drafting process a strong link with beneficiaries should be maintained.

The Government should start reviewing subsidies that ultimately lead to increased environmental pollution. This is particularly relevant for the energy sector. Also, the rate of collection of relevant payments for water use, waste disposal should be increased. For this, they have to be self-sustained and this will necessitate the gradual increase in tariffs. Incentives for use of compliance promotion tools such as cleaner production, voluntary environmental audits and eco-labeling should be institutionalized.

The environment-related dialogue with the EU can be further enriched in the framework of the EaP as a new strategic policy direction. The EaP can provide an opportunity for focused discussions of environmental topics and sectoral assistance endeavors. The panel on environment to be established in the format of the Regulatory Convergence and integration in EU policies platform will be a good avenue for an exchange of views and identification of specific cooperation and technical assistance possibilities to help improve environmental governance in Azerbaijan.

8. CONCLUSION

This dissertation has been a scientific endeavor to initiate a discourse on the changing pattern of governance in a modern society and its impact on the conduct of sectoral policies in the context of a transition economy.

The governance paradigm with a diversified role of other players besides the government has gained a broad recognition in most of European countries and affected nearly all areas of their social and economic life. This picture was different in other countries, mostly transition economies where the increasing role of other segments of society in decision-making and policy formulation was not as apparent. A traditionally strong role of government in these countries was explained by their recent historic past characterized by command and control methods of management. This said, profound socio-economic and political changes initiated in these countries for the past 15-20 years have led to the increased understanding of the importance of the participatory approach in addressing a multitude of challenges that stood before these societies. The sectoral context was all the more important as it reflected the general trends and yet had its specificities that needed to be managed separately.

At the example of Azerbaijan as a transition economy with a changing governance paradigm, the dissertation strove to demonstrate the intrinsic value of this change in the area of environment that had been the stronghold of government for many decades. The application of the theory of Multi-Level Governance that posited that in the expanding framework of management of societal processes, various levels of governance managed by multiple players are becoming a reality, in the Azerbaijani context proved feasible as well. The sectoral dimension of this change was noticeable and environment was a good example.

To a great extent this transformation took place through enhanced cooperation of the Government with international institutions and organizations, among which the EU had a particular standing. The strategic cooperation between EU and Azerbaijan was given a strong impetus by adoption in 2006 of the joint Action Plan, a sort of a road map to proceed further. This document was instrumental in shaping the policy priorities of the

Azerbaijani Government and provided a benchmark for assessing the current patterns of domestic environmental governance. It also opened up new opportunities for participation of Azerbaijan in many of EU programs that were before restricted to the EU Members States or Candidate Countries.

Last but not least, in response to the success record of its implementation, the Action Plan would help solicit technical and financial support to the Government in implementation of many of its environmental policies and strategies.

The environmental sector in Azerbaijan has serious problems to address and opportunities for further development that would stem out of cooperation with the EU would help to a great extent overcome these challenges. The European model of environmental governance characterized by diversity of approaches ranging from voluntary arrangements to economic tools and incentives could be a good source of inspiration and policy action for the Government. Most importantly, legislative harmonization with the EU environmental acquis and further institutional improvements will help successfully transform the legal basis for domestic environmental policies in Azerbaijan and ensure their efficient application and enforcement. The empowered civil society and private sector are significant contributors to the future success of these policies.

The scientific value of the present dissertation would be incomplete without a brief look at the possibilities for future research.

Firstly, expert knowledge tested and refined in the course of this analysis provided a valuable input for understanding the existing patterns of environmental governance in Azerbaijan and resulted in realistic policy recommendations that could be of help to policy-makers. These recommendations can serve as important guidelines for both the Government and the European Commission in their programming exercise and preparation of technical assistance and capacity-building strategies in the area of environment.

Secondly, the dissertation can provide an inspiration for policy analysis in other areas of the government's reform agenda such as energy and transport that traditionally have

strong interconnections with the environment. The possibilities of application of the Multi-Level Governance model to a different context can be tested and their results can be compared to those of the present research to be able to draw or probably reject scientific parallels.

Lastly, the findings of the present dissertation can help build arguments for a future research in other country contexts, namely other European Neighborhood Policy partner states that might have similar visions on developing their sectoral policies in line with EU standards. Of particular relevance can be analysis of the environmental framework of Ukraine that like Azerbaijan has traditionally been an important industrial country with strong agricultural practices.

I conclude this dissertation by a firm belief in the importance of initiating similar research endeavors in many adjacent fields of scientific knowledge in Azerbaijan as a transition economy that would help build and develop the analytical capacity and enrich the scientific community in my country. Once again, I am grateful to the University of Vienna for this opportunity.

9. BIBLIOGRAPHY

1. Adger, W.N et al. (2004) 'Governance for Sustainability: towards a « Thick » Understanding of Environmental Decision Making', CSERGE Working Paper EDM 02-04
2. Allison, G. (1971) 'Essence of Decision', Little Brown, Boston
3. Bailey, D.J. (2007) 'Governance or the crisis of governmentality? Applying critical state theory at the European level', *Journal of European Public Policy*, 13 (1)
4. Baldwin, R., and Cave, M. (1999) (eds.), 'Understanding Regulation–Theory, Strategy and Practice', Oxford University Press, Oxford
5. Bang, H.P. (2007) 'Governing as governance – edited by Jan Kooiman', *Public Administration* 85 (1)
6. Barbé, E. and Johansson-Nogués, E. (2008) 'The EU as a Modest 'Force for Good': The European Neighborhood Policy', *International Affairs* 84 (1)
7. Betley, M., Bird, A., and Napodano, M. (2000) 'Evaluation of the EC TACIS Country Strategy: Azerbaijan 1996-1999': http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/tacis/951538_en.pdf
8. Blair, M. and Roe, M. (eds.), (1999) 'Employees and Corporate Governance', Brookings Institution Press
9. Bojő, J. and Reddy, R.C. (2003) 'Status and Evolution of Environmental Priorities in the Poverty Reduction Strategies: An Assessment of Fifty Poverty Reduction Strategy Papers', *Environmental Economics Series Paper No 93*
10. Borra's, S. and Jacobsson, K. (2004) 'The open method of co-ordination and new governance patterns in the EU', *Journal of European Public Policy* 11 (2)
11. Bromley, D. W. (1991) 'Environment and Economy: Property Rights and Public Policy', Blackwell, Oxford
12. Buitter, W.H., (2004), 'Challenges for Europe', London: LSE Research Online
13. Bulkeley, H. and Moser S.C. (2007) 'Responding to Climate Change: Governance and Social Action Beyond Kyoto', *Global Environmental Politics* 7 (2)
14. Bulpitt, J.G. (1983) 'Territory and Power in the United Kingdom', Manchester University Press, Manchester
15. Bursens, P., and Geeraerts, K. (2006) 'EU Environmental Policy-Making in Belgium: Who keeps the Gate?', *European Integration* 28 (2)
16. Buscaneanu, S. (2006) 'How far is the European Neighbourhood Policy a substantial offer for Moldova?', Leeds
17. Busch, P.O. and Jörgens, H. (2007) 'The International Sources of Policy Convergence: Explaining the Spread of Environmental Policy Innovations', *Journal of European Public Policy* 12 (5)
18. Cerny, P.G. (1993) 'Plurilateralism: Structural Differentiation and Functional Conflict in the Post-Cold War World Order', *Millennium: Journal of International Studies* No 22
19. Dean, M. (1999) 'Governability: Power and Rule in Modern Society', Sage Publications, London
20. Denzin, N. K. and Lincoln, Y.S. (2000) ed. 'The Handbook of Qualitative Research', 2nd edition, SAGE Publications, Thousand Oaks, USA

21. Dunleavy, P. (1990) 'Reinterpreting the Westland Affair: Theories of the State and Core Executive Decision Making', *Public Administration* No 68
22. Duran, R., Chun, Y., Kim, B. and Lee, S. (2004) 'Toward a new governance paradigm for environmental and natural resources management in the 21st century', *Administration and Society* 35 (6)
23. Durant, R., O'Leary, R. and Fiorino, D. (2001) 'A new governance paradigm', *PA Times* 24 (7)
24. Eberlein, B. and Kerwer, D. (2004) 'New Governance in the European Union: A Theoretical Perspective', *Journal of Common Market Studies* 42 (1)
25. Emerson, M. (2004) 'European Neighborhood Policy: Strategy or Placebo?', CEPS Working Document, No 215
26. Emerson, M., Noutcheva, G., and Popescu, N. (2007) 'European Neighborhood Policy Two Years on: Time indeed for an 'ENP plus'', CEPS Policy Brief, No 126
27. Eyyubov, E. (2009) 'Azerbaijan – EU: Partnership in Progress', *Azerbaijan in the World, Biweekly Newsletter* 2 (13), Azerbaijan Diplomatic Academy
28. Esty, D.C. and Ivanova, M. (2004) 'Globalization and Environmental Protection: A Global Governance Perspective', Yale Center for Environmental Law & Policy, Working Paper Series No 0402
29. Ferrera, M., Matsaganis, M. and Sacchi, S. (2002) 'Open coordination against poverty: the new EU 'social inclusion process'', *Journal of European Social Policy* 12 (3)
30. Gant, K.S., Kline, K.L., Ferguson, T.D. and Lapsa, M.V. (2000) 'Energy and Environmental Issues in Eastern Europe and Central Asia: An Annotated Guide to Information Resources', Oak Ridge National Laboratory, ORNL/TM-2000/299
31. Geertz, C. (1973) 'The Interpretation of Cultures', Basic Books, New York
32. Gemmill, B. and Bamidele-Izu, A. (2002) 'The role of NGOs and Civil Society in Global Environmental Governance', Esty, D.C. & Ivanova, M.H. (eds.) Yale School of Forestry & Environmental Studies
33. Gerlak, A.K. (2004) 'The Global Environment Facility and Transboundary Water Resource Management: New Institutional Arrangements in the Danube River and Black Sea Region', *Journal of Environment & Development* No 13
34. Hall P. (1993), 'Policy paradigms, social learning and the state: the case of economic policy-making in Britain', *Comparative Politics* 25 (3)
35. Heritier, A. (1999) 'Policy-Making and Diversity in Europe: Escape from Deadlock', Cambridge University Press, Cambridge
36. Heritier, A. (ed.) (2002) 'Common Goods. Reinventing European and International Governance', Rowman and Littlefield, Lanham and New York
37. Hey, C., Jänicke, M. and Jörgens, H. (2003) 'Environmental Governance in the European Union', Paper prepared for the Second ECPR Conference, Marburg, 18-21 September
38. Hirst, P. (2000) 'Democracy and Governance' in J.Pierre (ed.) 'Debating Governance: Authority, Steering and Democracy', Oxford University Press, Oxford
39. Holzinger, K., Knill, C. and Schäfer, A. (2002) 'European Environmental Governance in Transition?' Preprints of the Max-Planck-Projektgruppe Recht der Gemeinschaftsgüter, Bonn
40. Hooghe, L. and Marks, G. (2001) 'Multi-level Governance and European Integration', Rowman & Littlefield, Oxford

41. Horak, M., (2001) 'Environmental policy reform in the post-communist Czech Republic: the case of air pollution', *Europe-Asia studies* 53 (2)
42. Jessop, B. (2002) 'The Future of the Capitalist State', Polity Press, Cambridge
43. Jordan, A.J., (1999) 'The implementation of EC environmental policy: a policy problem without a political solution?', *Environment and Planning C: Government and Policy* 17 (1)
44. Jordan, A. (2003) 'The Europeanization of British Environmental Policy: From Policy "Taking" to Policy "Shaping" ', in University of Sheffield, Department of Politics, ESRC/UACES Series of Seminars on EBPP
45. Jordan, A., Wurzel, R. and Zito, A. (2005) 'The rise of „new“ policy instruments in comparative perspective: has governance eclipsed government?', *Political Studies* 53 (3)
46. Kassim, H. (1994) 'Policy Networks and European Union Policy-Making: A Sceptical View', *West European Politics* 17(4)
47. Kelemen, D. (2000) 'Regulatory Federalism: EU Environmental Regulation in Comparative Perspective', *Journal of Public Policy* 20 (3)
48. Keller, B. (2003) 'Social dialogues – the state of the art a decade after Maastricht', *Industrial Relations Journal* 34 (5)
49. Kellow, A. and Zito, A., (2002) 'Steering through Complexity: EU Environmental Regulation in the International Context', *Political Studies*, 50 (1)
50. Kooiman, J. (2003) "Governing as Governance", Sage Publications
51. Kuntze, U., Meyer-Krahmer, F. and Walz, R. (1998) 'Innovation and sustainable development: lessons for innovation policies? Introduction and Overview' in F.Meyer-Krahmer (ed.) "Innovation and sustainable development: lessons for innovation policy", Physica-Verlag, Heidelberg
52. Lemieux, V. (2000) 'Government Roles in Governance Processes', Canadian Centre for Management Development
53. Lobjakas, A. (2008) 'EU: Poland, Sweden Breathe New Life Into Eastern Neighborhood', URL: <http://www.rferl.org/content/article/1144495.html>
54. Lord, C. (2004) 'A Democratic Audit of the European Union', Palgrave Macmillan, London
55. Lynn, L. Jr., Heinrich, C. and Hill, C. (2000) 'Studying Governance and Public Management: Challenges and Prospects', *Journal of Public Administration Research and Theory* 10 (2)
56. Magnette, P. (2003) 'The Convention and the Problem of Democratic Legitimacy in the EU', Paper presented at the conference: "The European Convention, A Midterm Review" Harvard Center for European Studies (Cambridge, MA, Jan. 31)
57. Mann, M. (1997) 'Has Globalization ended the Rise of the Nation-State?', *Review of International Political Economy* 4 (3)
58. Marks, G., Hooghe, L. and Black, K. (1996) 'European Integration from the 1980s: State Centric v Multi-level Governance', *Journal of Common Market Studies*, 34 (3)
59. Marsh, D. (1998) 'The Development of the Policy Network Approach' in D. Marsh (ed.), 'Comparing Policy Networks', Open University Press, Buckingham
60. Mayntz, R. (2004) 'Governance Theory als fortentwickelte Steuerungstheorie?' Working paper 04/1, Max-Planck-Institut für Gesellschaftsforschung

61. Mathiasen, D. (1996) 'The New Public Management and its Critics', Paper presented at the Conference on The New Public Management in International Perspective, St. Gallen, Switzerland, July 11-13
62. Mead, L. (1996) 'Welfare Policy: the Administrative Frontier', *Journal of Policy Analysis and Management*, 15 (4)
63. Merrien, F-X. (1998) 'Governance and Modern Welfare States', *International Social Science Journal*, 5 (1)
64. Metcalfe, L. (2001) 'More Green than Blue: Positioning the Governance White Paper', *EUSA review* 14 (4)
65. Midden, C.J.H., Kaiser, F.G. and McCalley, L.T. (2007) 'Technology's Four Roles in Understanding Individuals' Conservation of Natural Resources', *Journal of Social Issues* 63 (1)
66. Miles, B.M. and Huberman, A.M. (1994) 'Qualitative Data Analysis: An Expanded Sourcebook', 2nd edition, SAGE Publications, Thousand Oaks, USA
67. Mosher, J. (2000) 'Open Method of Coordination: Functional and Political Origins', *ECSA Review* 13(3)
68. North, D. (1990) 'Institutions, Institutional Change and Economic Performance', Cambridge University Press, Cambridge
69. Nugent, N. (2006) 'The Government and Politics of the European Union', Palgrave Macmillan
70. Papadopoulos, Y. (2005) 'Taking Stock of Multi-level Governance', *European Political Science* No 4
71. Parker, R. (2007) 'Networked Governance or Just Networks? Local Governance of the Knowledge Economy in Limerick (Ireland) and Karlskrona (Sweden)', *Political Studies* 55(1)
72. Peterson, J. (1995) 'Policy Network and European Union Policy-Making: A Reply to Kassim', *West European Politics* 18 (2)
73. Pierre, J. (2000) 'Debating Governance: Authority, Steering and Democracy', Oxford University Press, Oxford
74. Pierre, J. and Peters, B.G. (1999) 'Governance, Politics and the State: Rethinking Old Models', Macmillan, London
75. Peters, B.G. (2000) 'Governance and Comparative Politics' in J.Pierre (ed.) 'Debating Governance: Authority, Steering and Democracy', Oxford University Press, Oxford
76. Plater, Z. (2002), 'Environmental Law in the Political Ecosystem: Coping with the Reality of Politics', Eighth Annual Lloyd K. Garrison Lecture, *Pace Environmental Law Review* 19 (2)
77. Plater, Z. (2006) 'Law, Media & Environmental Policy: A Fundamental Linkage in Sustainable Democratic Governance', *Environmental Affairs* No 33
78. Poviliunas, A. (2006) 'South Caucasus in the context of European Neighbourhood Policy', *Lithuanian Foreign Policy Review*, No 17
79. Rhodes, R.A.W. (1997) 'Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability' Open University Press, Buckingham
80. Rhodes, R.A.W. (2000) 'Governance and Public Administration' in J.Pierre (ed.) 'Debating Governance: Authority, Steering and Democracy', Oxford University Press, Oxford

81. Richardson, J. (1996) 'Policy-making in the EU: Interests, Ideas and Garbage Cans for Primeval Soup', in J. Richardson (ed.), *European Union: Power and Policy-Making*, Routledge, London
82. Rosamond, B. (2000) 'Theories of European Integration', Palgrave Macmillan, London
83. Rosenau, J. and Czempiel, E.-O. (eds.) (1992) 'Governance without Government', Cambridge University Press, Cambridge
84. Rosenau, J.N. (1992) 'Governance, Order and Change in World Politics' in J.N. Rosenau and E.-O. Czempiel (eds.) 'Governance without Government: Order and Change in World Politics', Cambridge University Press, Cambridge
85. Rosenbaum, A. and Shepherd, A. (2000), 'IASIA Symposium on governance, responsibility and social enhancement: governance, good government and poverty reduction', *International Review of Administrative Sciences* 66(2)
86. Sabatier, P. (1998), 'The advocacy coalition framework: revisions and relevance for Europe', *Journal of European Public Policy*, 5 (1)
87. Sbragia, A. (1997) 'Governance, Credibility and Federalism: The European Union in Comparative Perspective' (paper presented at ECPR-APSA Workshop on Regional Integration and Multi-Level Governance, Bern, Switzerland, 27 February – 4 March)
88. Scharpf, F. (1988) 'The Joint Decision Trap: Lessons from German Federalism and European Integration', *Public Administration* No 66
89. Scharpf, F.W. (1994) 'Optionen des Föderalismus in Deutschland und Europa' (Frankfurt, New York: Campus)
90. Scharpf, F.W. (2001) 'European Governance: Common Concerns vs. the Challenge of Diversity' in Joerges, C., Meny, Y. and Weiler, J.H.H. (eds.)
91. Schneider, V. and Kenis, P. (1996) 'Verteilte Kontrolle: Institutionelle Steuerung in modernen Gesellschaften' in P. Kenis and V. Schneider (eds.), *Organisation und Netzwerk: Institutionelle Steuerung in Wirtschaft und Politik*, Frankfurt am Main
92. Siebenhüner, B. (2003) 'The Changing Role of Nation States in International Environmental Assessments', *Global Governance Working Paper* No 7
93. Skjaerseth, J.B. and Wettstad, J. (2006) 'EU Enlargement and Environmental Policy: The Bright Side', *The Fridtjof Nansen Institute Report* No 14
94. Sørensen, E. and Torfing, J. (2005) 'The Democratic Anchorage of Governance Networks', *Scandinavian Political Studies* 28 (3)
95. Steier, A. (1996) 'Ten Principles of the New Environmentalism', *Finance & Development*
96. Stoker, G. (1998) 'Governance as Theory: Five Propositions', in *International Social Science Journal* 55 (155)
97. Tagizadeh, T. (2009) 'The European Union's Eastern Partnership: what does it offer Azerbaijan', *Azerbaijan in the World, Biweekly Newsletter* 2 (13), Azerbaijan Diplomatic Academy
98. Torfing, J. (2005), 'Governance network theory: towards a second generation', *European Political Science* 4 (3)
99. Thelen K. and Steinmo S., (1992) 'Historical institutionalism in comparative politics', in Steinmo S., Thelen K. and F. Longstreth (eds) *Structuring Politics: historical institutionalism in comparative analysis*, Cambridge University Press, Cambridge

100. Trieb, O., Bähr, H. and Falkner, G. (2005) 'Modes of Governance: Towards a Conceptual Clarification', European Governance Papers, No. N-05-02, URL: <http://www.connex-network.org/eurogov/pdf/egp-newgov-N-05-02.pdf>, accessed on January 15, 2006
101. Van Kersbergen, K. and Van Waarden, F. (2004) "'Governance" as a bridge between disciplines: cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy', European Journal of Political Research 43 (2)
102. Vigar, G. and Healey, P. (2002) 'Developing Environmentally Respectful Policy Programmes: Five Key Principles', Journal of Environmental Planning and Management 45 (4)
103. Vlek, C. and Steg, L. (2007) 'Human Behavior and Environmental Sustainability: Problems, Driving Forces, and Research Topics', Journal of Social Issues 63 (1)
104. Weale, A. (1992) 'The New Politics of Pollution', Manchester University Press, Manchester
105. Woods, N. (2000) 'The challenge of good governance for the IMF and the World Bank themselves', World Development 28 (5)
106. Young, O.R., (1994) 'International Governance: Protecting the Environment in a Stateless Society', Cornell University Press, Ithaca
107. Zielonka, J. (2007) 'Plurilateral Governance in the Enlarged European Union', Journal of Common Market Studies 45 (1)

OFFICIAL DOCUMENTS:

EU documents

1. Single European Act, 1986
2. 5th Environment Action Program, 1993
3. White Paper on Governance, 2000
4. 6th Environment Action Program, 2002
5. Treaty Establishing the European Community (the EC Treaty), 2002
6. Treaty on European Union (the Maastricht Treaty), 1992
7. Amsterdam Treaty, 1997
8. Lisbon Treaty, 2007
9. European Security Strategy, 'A Secure Europe in a Better World', Brussels, 12 December 2003
10. Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and the Republic of Azerbaijan, of the other, OJ L 246, 17.09.1999
11. EU-Azerbaijan Action Plan, 2006: http://ec.europa.eu/world/enp/pdf/action_plans/azerbaijan_enp_ap_final_en.pdf
12. Memorandum of Understanding on a strategic partnership between the European Union and the Republic of Azerbaijan in the field of energy, 2007
13. European Neighborhood and Partnership Instrument, Azerbaijan, Country Strategy Paper, 2007-2013

14. European Neighborhood and Partnership Instrument, Azerbaijan, National Indicative Program, 2007-2010
15. Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, OJ L 327, 22.12.2000: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0060:EN:NOT>
16. Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption, OJ L 330, 5.12.1998: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31998L0083:EN:NOT>
17. Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment, OJ L 135, 30.5.1991: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31998L0015:EN:NOT>
18. Commission Directive 98/15/EC of 27 February 1998 amending Council Directive 91/271/EEC OJ L 67, 7.3.1998: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31998L0015:EN:NOT>
19. Directive 2003/4/EC of the European Parliament and of the Council of 28 January 2003 on public access to environmental information and repealing Council Directive 90/313/EEC, OJ L 41, 14.02.2003: http://eur-lex.europa.eu/LexUriServ/site/en/oj/2003/l_041/l_04120030214en00260032.pdf
20. Council Directive 96/62/EC of 27 September 1996 on ambient air quality assessment and management, OJ L 296, 21.11.1996: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:1996L0062:20080611:EN:PDF>
21. Council Directive 1999/30/EC of 22 April 1999 relating to limit values for sulphur dioxide, nitrogen dioxide and oxides of nitrogen, particulate matter and lead in ambient air, OJ L 163, 29.06.1999: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31999L0030:EN:HTML>
22. Council Directive 84/360/EEC of 28 June 1984 on the combating of air pollution from industrial plants, OJ L 188, 16.07.1984: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31984L0360:EN:HTML>
23. Council Directive 70/157/EEC of 6 February 1970 on the approximation of the laws of the Member States relating to the permissible sound level and the exhaust system of motor vehicles OJ L 42, 23.2.1970: <http://eur-lex.europa.eu/en/legis/latest/chap15102040.htm>
24. Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise, OJ L 189, 18.07.2002: <http://www.anotecc.com/documents/2002-49-EC.pdf>
25. Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, OJ L 327, 22.12.2000: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0060:EN:HTML>
26. Council Directive 75/440/EEC concerning the quality required of surface water intended for the abstraction of drinking water in the Member States, OJ L 194, 25.07.1975: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31975L0440:EN:HTML>

- lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31975L0440:EN:HTML
27. Council Directive 91/689/EEC of 12 December 1991 on hazardous waste, OJ L 377, 31.12.1991: <http://eur-lex.europa.eu/LexUriServ/site/en/consleg/1991/L/01991L0689-20060224-en.pdf>
 28. Directive 2000/76/EC of the European Parliament and of the Council of 4 December 2000 on the incineration of waste, OJ L 332, 28.12.2000: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0076:EN:HTML>
 29. Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste, Official Journal L 182, 16/07/1999: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31999L0031:EN:HTML>
 30. Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, OJ L 206, 22.7.1992: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31992L0043:EN:NOT>
 31. European Parliament Resolution ‘On Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours’, OJC 87 E, 07.04.2004
 32. European Parliament Resolution ‘On European Neighborhood Policy’, 2004/2166 (INI), 19.01.2006
 33. European Parliament Resolution ‘On Strengthening the European Neighbourhood Policy’ (2007/2088(INI)), 15.11.2007
 34. European Parliament Resolution ‘On the Commission's 2007 Enlargement Strategy Paper’, (2007/2271(INI)), 10.07.2008
 35. European Parliament Resolution with a European Parliament Recommendation to the Council ‘EU policy towards the South Caucasus’, 2003/2225 (INI)
 36. Communication from the Commission to the Council and the European Parliament ‘Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours’, COM (2003) 104 final, 11.03.2003
 37. Communication from the Commission to the Council and the European Parliament ‘Black Sea Synergy – A New Regional Cooperation Initiative’, COM (2007)0160, 11.04.2007
 38. Communication from the Commission to the Council and the European Parliament ‘Eastern Partnership’, COM(2008)0823, 03.12.2008
 39. Communication from the Commission to the Council and the European Parliament ‘Strengthening the European Neighbourhood Policy’, COM (2006) 726 final, 04.12.2006
 40. Non-Paper expanding on the Proposals contained in the Commission to the European Parliament and the Council on ‘Strengthening the ENP’, COM (2006) 726 final, 04.12.2006
 41. Communication from the Commission ‘A strong European Neighbourhood Policy’, COM (2007) 774 final, 05.12.2007
 42. Communication from the Commission ‘European Neighbourhood Policy Strategy Paper’, COM (2004) 373 final, Brussels, 12.05.2004

43. Communication from the Commission to the Council and to the European Parliament 'On the general approach to enable ENP partner countries to participate in Community agencies and Community programmes', COM (2006) 724 final
44. Regulation EC No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighborhood and Partnership Instrument, Official Journal of the European Union, OJ L 310, 09.11.2006
45. Court of Auditors, Review of TACIS CBC Programme, OJ C329, 23.11.2001
46. Evaluation of Council Regulation 99/2000 (Takis) and Its Implementation, European Commission/Evaluation Unit/EuropeAid, January 2006: http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/2006/728_vol1_en.pdf
47. Special Eurobarometer 'The EU's relations with its neighbours: a survey of attitudes in the European Union', No 285, September 2007
48. 'Working together: the European Neighborhood Policy', European Commission, Luxembourg, 2007
49. European Neighborhood and Partnership Instrument, Eastern Regional Programme, Strategy Paper, 2007-2013
50. European Neighborhood and Partnership Instrument, Cross-Border Cooperation, Strategy Paper, 2007-2013
51. General Affairs and External Relations Council, Council Conclusions 'Strengthening the European Neighbourhood Policy', No 11016/07, 18-19 June 2007
52. General Affairs and External Relations Council, Presidency Progress Report 'Strengthening the European Neighborhood Policy, 18-19 June 2007
53. Brussels European Council, Presidency Conclusions, No 11018/08, 20 June 2008
54. Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May, 2009
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf

Azerbaijani documents

1. Azərbaycan Respublikasının Konstitusiyası, 2002
2. Azərbaycan Respublikasının İnzibati Xətlər Məcəlləsi, 2000
3. Azərbaycan Respublikasının Cinayət Məcəlləsi, 2000
4. Azərbaycan Respublikasının Torpaq Məcəlləsi, 1999
5. Azərbaycan Respublikasının Su Məcəlləsi, 1997
6. Azərbaycan Respublikasının Meşə Məcəlləsi, 1997
7. Law on Protection of the Environment, 1999
8. Law on Environmental Safety, 1999
9. Law on Mandatory Environmental Insurance, 2002
10. Law on Hydrometeorology, 1998
11. Law on Radiation Safety of the Population, 1997
12. Law on Fisheries, 1998
13. Law on Atmosphere Air, 2001

14. Law on the State Land Cadastre, Soil Monitoring and Land Management, 1998
15. Law on Industrial and Municipal Waste, 1998
16. Law on Fauna, 1999
17. Law on Specially Protected Areas and Objects of Nature, 2000
18. Law on Pesticides and Agrochemicals, 1997
19. Law on Sanitary-Epidemiological Services, 1992
20. Law on Access to Environmental Information, 2002
21. Law on Amelioration and Irrigation, 1996
22. Law on Water Supply and Waste Water, 1999
23. Law on Plant Protection, 1996
24. Law on Plant Quarantine, 1996
25. Law on Environmental Education and Public Awareness, 2002
26. Law on Conservation of Soil Fertility, 1999
27. Law on Ecologically Friendly Agriculture, 2008
28. Regulations on Procedures for Consideration of Citizen's Appeals, 1999
29. National Program on Rehabilitation of Forests and Afforestation, 2002
30. National Program on Environmentally Sustainable Socio-Economic Development, 2002
31. State Program on Socio-Economic Development of the Regions of Azerbaijan, 2004
32. State Program on Poverty Reduction and Economic Development (subsequent title "State Program on Poverty Reduction and Sustainable Development), 2003, 2005 & 2008
33. State Program on Development of Alternative and Renewable Energy Sources, 2004
34. State Program on Food Security of the Population, 2008
35. State Program on Efficient Use of Summer-Winter Pastures, Grasslands and Prevention of Desertification, 2004
36. State Strategy on Management of Hazardous Waste, 2005
37. National Environmental Action Plan, 1995-1998
38. Action Plan on Improvement of Ecological Situation in Azerbaijan, 2006
39. National Caspian Action Plan, 2005
40. National Strategy and Action Plan on Conservation and Sustainable Use of Biodiversity, 2006
41. "Doing business in Azerbaijan 2007/2008", Baku, 2008

Speeches & statements

1. Speech of E. Landaburu, DG External Relations, 'From Neighborhood to integration policy: are there concrete alternatives to enlargement?', the CEPS Conference 'Revitalizing Europe', Brussels, 23 January 2006
2. Speech of G.Kirkilas, Prime Minister of Lithuania, 'The challenges facing the European Union: Perspectives from a new Member State', at the National Forum on Europe, Ireland, 9 October, 2007
3. Speech of B.Ferrero-Waldner, Commissioner for External Relations and European Neighbourhood Policy, at the Swedish Institute for International Affairs and the European Commission Representation in Sweden, Stockholm, 7 March 2006

4. Speech of B.Ferrero-Waldner, Commissioner for External Relations and European Neighborhood Policy, at the Parliamentary conference on the "European Neighbourhood Policy East", Brussels, 5 June 2008
5. Statement of M.Mammad-Guliyev, Deputy Foreign Minister of Azerbaijan, at the 9th meeting of the EU-Azerbaijan Cooperation Committee, 20 June, 2008

WEB RESOURCES:

Government agencies:

Ministry of Ecology and Natural Resources www.eco.gov.az

Ministry of Foreign Affairs www.mfa.gov.az

Ministry of Economic Development www.economy.gov.az

State Statistics Committee www.azstat.org

State Oil Company of Azerbaijan: www.socar.az

Legal Information Database of Azerbaijan: www.e-qanun.az

EU-related websites:

European Commission <http://ec.europa.eu>

Europa House Azerbaijan www.europahouse-az.org

Delegation of European Commission to Azerbaijan www.delaze.ec.europa.eu

Program Administration Office www.twinning.az

International organizations:

United Nations Economic Commission for Europe: www.unece.org

United Nations Industrial Development Organization: www.unido.org

United Nations Development Programme: www.undp.org

United Nations Environment Programme : www.unep.org

Global Environment Facility: www.gef.org

Caspian Environment Program: www.cep.org

World Bank: www.worldbank.org

European Bank for Reconstruction and Development: www.ebrd.org

European Investment Bank: www.eib.org

Organization for Economic Cooperation and Development: www.oecd.org

Organization for Security and Cooperation in Europe: www.osce.org

Asian Development Bank: www.adb.org

Media sources:

www.azertag.gov.az

www.day.az

www.trend.az

www.lnews.az

www.euronews.net

10. APPENDICES

APPENDIX 1

INTERNATIONAL LEGAL INSTRUMENTS IN THE AREA OF ENVIRONMENT RATIFIED BY THE REPUBLIC OF AZERBAIJAN

1. United Nations Framework Convention on Climate Change, 1972
2. Kyoto Protocol to the United Nation Framework Convention on Climate Change, 1997
3. Vienna Convention for the Protection of the Ozone Layer, 1985
4. Montreal Protocol on Substances that Deplete the Ozone Layer, 1987
5. Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects, 1994
6. Convention of the World Meteorological Organisation, 1947
7. UNESCO Convention on the Protection of World Cultural and Natural Heritage (Paris), 1994
8. UN Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, particularly in Africa, 1994
9. Convention on the International Trade in Endangered Species of Wild Fauna and Flora (CITES), 1973
10. Convention on Environmental Impact Assessment in a Trans-boundary Context (Espoo), 1991
11. Protocol on Strategic Environmental Assessment, 1997
12. Convention on the Conservation of European Wildlife and Natural Habitats (Bern), 1979
13. Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Århus), 1998
14. Convention on Biological Diversity, 1992
15. Cartagena Protocol on Biosafety, 2000
16. Convention on the Protection and Use of Trans-boundary Watercourses and International Lakes (Helsinki), 1992
17. Protocol on Water and Health, 1999
18. International Plant Protection Convention (Rome), 1951
19. UNESCO Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar), 1971
20. European Agreement Concerning the International Carriage of Dangerous Goods by Road (ADR), (Geneva), 1957
21. Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal (Basel), 1989
22. Convention on Protection of Migratory Species of Wild Animals (Bonn), 1979
23. Convention on Long-range Trans-boundary Air Pollution (Geneva), 1979
24. Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (London), 1972
25. Convention on Persistent Organic Pollutants (Stockholm), 2001
26. Convention on the Trans-boundary Effects of Industrial Accidents (Helsinki), 1992
27. International Convention for the Prevention of Pollution from Ships, 1973, Marpol-73/78 (London), 5 annexes

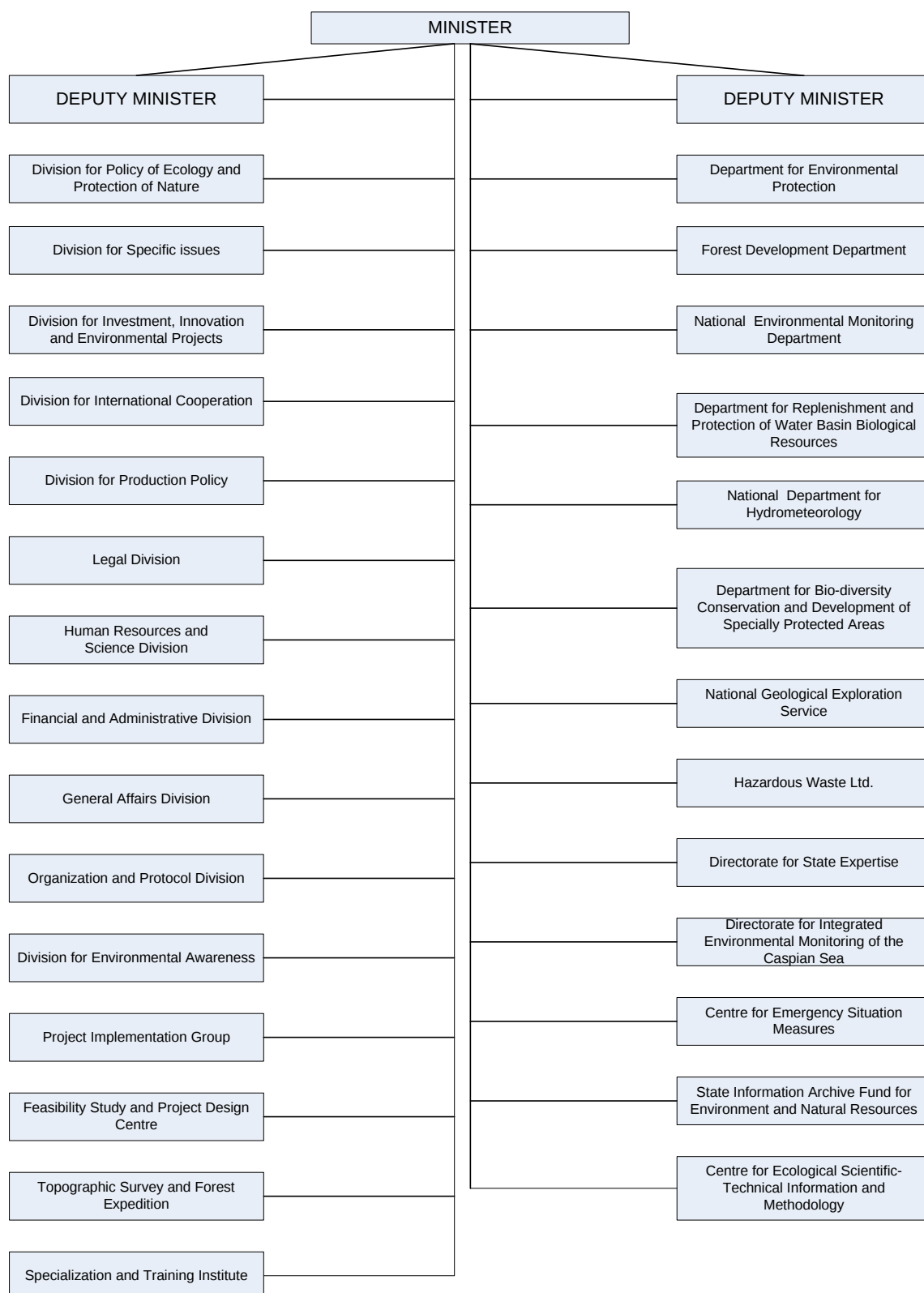
28. International Convention on Oil Pollution Preparedness, Response and Cooperation, 1990
29. International Convention on Civil Liability for Oil Pollution Damage (Brussels), 1969
30. Framework Convention for the Protection of the Marine Environment of the Caspian Sea, 2003

**CAPITAL INVESTMENTS FOR RATIONAL USE OF NATURAL RESOURCES AND
PROTECTION OF ENVIRONMENT
(THSD. MANAT)**

	2000	2001	2002	2003	2004	2005	2006	2007
Total	1722.7	1271.1	2404.9	2965.1	1911.3	2912.3	8879.4	55504.6
of which:								
capital investments for protection of water resources and their rational use	603.6	765.3	944.7	1949.8	1706.5	1309.8	6838.1	18762.8
capital investments for air protection	825.9	177.1	1426.1	879.1	204.8	1503.9	1601.9	1091.8
capital investments for land protection and their rational use	293.2	328.7	34.1	136.2	-	98.6	439.4	35650

Source: www.azstat.org

ORGANIZATIONAL STRUCTURE OF THE MINISTRY OF ECOLOGY AND NATURAL RESOURCES

Source: www.eco.gov.az

LABORATORY CONTROL OF AIR POLLUTION LEVEL IN 2007

	Number of surveyed units	of which	as percent to total number of surveyed units
		incompliant with standards	
Total	5972	144	2.4
of which:			
dust	1103	98	8.9
sulphide gas	746	15	2
carbon oxide	640	6	0.9
fluorine and its compounds	178	8	4.5
chlorine and its compounds	598	12	2
nitric oxide	612	-	-
soot	48	2	4.2
hydrogen sulphide	480	-	-
aromatic hydrocarbons	628	3	0.5

Source: www.azstat.org

APPENDIX 5

**MAIN INDICATORS OF WATER USE
BY TYPE OF ECONOMIC ACTIVITY IN 2007
(MILLION M³)**

	Water abstraction from natural resources	Fresh water consumption	Treated and consequently used water	Water losses during transportation	Discharge of sewage waters to surface reservoirs	of which purified
Total	12269,7	8370,9	2078,1	3898,9	5236,6	176,5
including:						
Agriculture, hunting and forestry	11020,2	5801	-	3774,8	3979,4	0,02
Extractive industry	51,5	64,1	515,7	2,5	16,9	2,7
Manufacturing industry	58,7	104,8	240	0,2	57,1	0,6
Production and distribution of electricity, gas and water	1097,2	2271,6	1290,7	121,2	814,5	33,7
Transport, storage and communication	33,7	89,3	31,7	-	35,3	2,5
Other	8,4	40,1	-	0,2	333,4	137

Source: www.azstat.org

CURRICULUM VITAE

Nargiz Gurbanova

PERSONAL DATA

Date and place of birth:	28 June 1975, Baku, Azerbaijan
Postal address	Dominikanergasse 1/22 Vienna 1060
Phone:	(+99412) 596 90 76
Mobile:	(+99450) 222 00 28
E-mail:	nargiz_gurbanova@yahoo.com

ACADEMIC BACKGROUND

October 2005 – present	PhD studies Faculty of Political Science University of Vienna, Austria
June 1999, Master's Degree	International management Faculty of Business Administration (EU TACIS- TEMPUS program) Western University, Azerbaijan
July 1997, Combined Bachelor's & Master's Degree (Honours Diploma)	International relations Faculty of International Relations and International Law Baku State University, Azerbaijan
August 1999 - June 2000, (Certificate)	International business Jönköping International Business School, Sweden
Feb. – May 1997	Political and international law studies Exchange program University of Nice, France

PROFESSIONAL EXPERIENCE

December 2008 – present	Head Division for cooperation with EU Department for economic cooperation and development, Ministry of Foreign Affairs
January – December 2008	First Secretary Division for cooperation with EU

Department for economic cooperation and development, Ministry of Foreign Affairs

January 2004 – January 2008

Second Secretary

Embassy of Azerbaijan to Austria, Slovakia and Slovenia and Permanent Mission of Azerbaijan to OSCE, United Nations, IAEA, CTBTO and other international organizations in Vienna

April 2001 – January 2003

Third Secretary (before: Attaché)

Division of regional economic cooperation with EU, OSCE and UNECE
Department for Economic Cooperation and Development, Ministry of Foreign Affairs

July 1996 – Jan. 1998

General Manager Assistant

Hofmann Management Central Asia Ltd.
(Swiss company), Baku

LANGUAGES

Azerbaijani

Mother tongue

Russian

Fluent

English

Fluent

Turkish

Conversational

French

Intermediate