

Azerbaijan Country Report

Review of UN Country Team engagement in National Development Strategies/Poverty Reduction Strategy Processes

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Executive Summary

This Azerbaijan country study is one of seven reviewing the effectiveness of UN agency engagement, collectively and individually, in national development strategies and poverty reduction strategy processes. Each country study is based upon desk review of literature and a country visit of about a week.

This report is based on review of country documentation, much of it provided in advance of the country visit by UNDP, and an intensive series of meetings with UN agencies, government officials, civil society representatives and Development Partners, mainly in the capital, Baku, in May 2007.

The transformation of the Azerbaijan economy into a middle income country with a promising economic future is reflected in official poverty figures which show a fall from 46.7% headcount poverty in 2002 to 20% in 2005. Azerbaijan has itself started to provide international assistance.

The development challenges for Azerbaijan remain substantial. Despite the health and education standards inherited from the Soviet-era, the familiar "new poverty" problems of restructuring, inclusiveness and women's and children's welfare remain pressing. There is little leverage for Development Partners (DPs) and the promotion of the human development agenda is very much dependent on genuine champions within government.

Azerbaijan has had one PRSP called the State Programme for Poverty Reduction and Economic Development, a three year programme for 2003-2005. A PRSP Secretariat was established in the Ministry of Economic Development. In 2005 work on a new programme, a 10 year National Development Strategy, was authorised and led by this Secretariat. This new programme was known as the State Programme for Poverty Reduction and Sustainable Development and runs to 2015.

The organisation of the Sector Working Groups for preparation of the National Development Strategy was the government's approach to the development of the programme and the UNCT worked with these groups in a coordinated way. The UNCT prepared Vision Papers for each of the MDGs, including a ninth MDG on good governance. These dovetailed with the Sector Working Groups well and the Vision Papers were a major resource. Different UN lead agencies undertook the responsibility to prepare the papers and to participate in the Sector Working Groups on behalf of the UNCT. The papers were prepared with multi-agency inputs and a real effort was made in the texts of these papers to produce a UNCT convergence on analysis, understanding and policy emphases.

The UNCT have engaged with the SPPRED and SPPRED in a very intense way and within their approach, through some of their chosen emphases, have strengthened the human development focus within the national plans. The work of the UNCT Poverty Theme group and the detailed sector work were central to this outcome. The RC Reports also underline the importance of three areas which are cross-cutting - communications, gender and statistics. These are areas where the UNCT has made very significant efforts to strengthen national development programmes. They are important because they reflect, in line with UNDAF principles, an understanding of how best the UNCT could contribute to capacity building in support of

effectively implementing the national development strategy and the international agreements signed by the Government of Azerbaijan.

The CCA, led by UNICEF, and the UNDAF processes in Azerbaijan were regarded as best practice. This was evident through the close alignment with the PRSP and then the NDS, and these domestically produced national plans, rather than the UNDAF, being the core focus in UN deliberations.

Humanitarian activities, during and following the conflict over Nagorno-Karabakh, provided a vehicle for promoting the wider human development agenda, and the goodwill they generated was of enormous benefit not just to the agencies earning that goodwill but to the whole of the UN family.

The UNCT has positioned itself well through its support to key government agencies and through strategically, analytically and materially supporting production of a localised version of the MDGs. This was important to a government that is sensitive to and suspect of externally-driven agendas. "Localisation" has had the added advantage that some of the "contradictions" between agency mandates, and concerns over a narrow focus on international MDGs, have been sidestepped as the UNCT has promoted a broad human development agenda yet still managed to use the language of the MDGs.

To cite the RC's most recent report, "The UNCT's unified response positioned the UN as the Government's primary and trusted partner. It also ensured that the Government received the very best combined advice that the UN has to offer on achieving the MDGs, as this input was carefully grounded in a cohesive UN assessment of Azerbaijan's specific context."

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Review of UN Country Team Engagement in National Development Strategies/Poverty Reduction Strategy Processes

Azerbaijan Country Report

Introduction

Study Context

1. This Azerbaijan country study is one of seven reviewing the effectiveness of UN agency engagement, collectively and individually, in national development strategies and poverty reduction strategy processes. Each country study is based upon desk review of literature and a country visit of about a week. The purpose of the review is to assess and suggest ways in which UN agencies at country level can reposition themselves to maximise their comparative advantages to assist effectively and strategically the national development process. The research from the country studies is being brought together in a synthesis report with lessons learnt and recommendations.

2. This report is based on review of country documentation, much of it provided in advance of the visit by UNDP, and a week of meetings with UN agencies, government officials, civil society representatives and Development Partners, mainly in the capital, Baku, in May 2007.

Country context

3. Azerbaijan's population of over 8 million has come through a very challenging period in the country's history since independence from the Soviet Union was officially declared in 1991. Full-scale war with Armenia over Nagorno Karabakh ended with a truce and 20% of Azerbaijan occupied by Armenian forces in 1994; the occupation continues and a settlement has proved elusive. There were up to a million refugees and internally displaced people in Azerbaijan at the end of hostilities and their welfare has been a constant concern for the new state. The economy had regressed substantially compared to pre-independence economic and welfare conditions and became dependent on support from the IMF. Whilst the economy began to recover from 1996, fuelled by investment in the energy sector, it proved difficult to translate this initial recovery into broad-based growth and unemployment remained high throughout the late 90s. It was under these circumstances that the first Poverty Reduction Strategy Paper (PRSP) was launched in 2003 following a Presidential Decree in March 2001 and an Interim PRSP presented to the Boards of the IMF and World Bank in June 2001.

4. The last decade has seen the development of oil and gas fields and construction of pipelines to Turkey¹ giving improved access to global energy markets. The state's energy revenues are estimated to aggregate to some \$250 billion over the near to medium future and Azerbaijan's economic outlook has massively changed; it is apparently not widely recognised that Azerbaijan has been the world's fastest growing economy over the last three years as a consequence of these natural resource revenues. The transformation of the economy into a middle income country with a promising economic future is reflected in official poverty figures which show a fall from 46.7% headcount poverty in 2002 to 20% in 2005. Azerbaijan has itself started to provide international assistance.

5. The development challenges for Azerbaijan remain substantial. Despite the apparently good health and education standards inherited from the Soviet-era the familiar "new poverty" problems of restructuring, inclusiveness and women's and children's welfare remain pressing.

¹The Baku-Tbilisi-Ceyhan oil pipeline finished in 2005 and the Baku-Tbilisi-Erzurum gas pipeline finished in 2006.

There is little leverage for Development Partners (DPs) and the promotion of the human development agenda is very much dependent on genuine champions within government. Democracy is fragile and the Parliament, in existence since 1995, is weak. The modernising president, elected in 2003 with a 76% majority, has dealt firmly with opposition and the press. Presidential elections are due in 2008.

6. Prudent management of the energy wealth is fundamental to sustainable growth and opinions are sharply divided on how well this is being done as inflation has moved into double digits and the budget deficit has massively grown in recent years. Beyond macro economic management, governance issues affecting the sectoral investment climate remain serious with Soviet-era mentalities and systems still evident. Issues of state monopoly and corruption get frequent comment. There is a major public investment drive on human capital development and on physical infrastructure to encourage private investment. Migration links with Russia have been substantial historically but increasingly the trade links of the open economy with the west are being mirrored by more engagement with Western Europe at a popular level. This was the complex context for the National Development Strategy (rather than PRSP-2) planning for which was formally started by Presidential Decree in 2005.

7. The following sections of this paper explore the role of the United Nations Country Team (UNCT) in these PRSP/NDS activities structured around Process, Content and Outcomes. The Azerbaijan experience of UNCT engagement in the PRSP/NDS is a compelling one demonstrating substantial achievements in promoting a human development perspective and in developing the engagement of civil society. As the momentum around the PRSP evolved the Millennium Development Goals (MDGs) agenda became a driving force behind the work of the PRSP Secretariat and the UN agencies became the government's main partners in developing their national development strategy. The Government of Azerbaijan, in its presentation to the 2005 World Summit, noted that it was the first country in the world to produce an annual integrated report on its poverty-reduction programme and the MDGs. The context in which this happened was of course quite unique but there are nevertheless useful insights from this experience for the future engagement of the UN agencies in national development strategies.

8. The UNCT in Azerbaijan has been practising the one UN mandate substantively and effectively. The complex politics of the policy process in Baku mean that the achievements in partnership with government can be undone but the principles of participatory processes and commitment to a human development agenda have now become more widely rooted in government's relations with civil society. In this sense the UNCT has had a decisive role in promoting a development vision based on national ownership of a human development and poverty reduction agenda.

Overview: The State Programme for Poverty Reduction and Economic Development (2003-2005) and The State Programme for Poverty Reduction and Sustainable Development (2006-2015)

9. Azerbaijan has had one PRSP called the State Programme for Poverty Reduction and Economic Development, a three year programme for 2003-2005. A SPPRED secretariat, sometimes known as the PRSP Secretariat, was established in the Ministry of Economic Development. In 2005 work on a new programme, a 10 year National Development Strategy, was authorised and led by this Secretariat. This new programme was known as the State Programme for Poverty Reduction and Sustainable Development and runs to 2015.

10. The first PRSP (the SPPRED) was developed in circumstances similar to many other PRSPs in the early days of this instrument. Driven by the need to provide urgent debt relief and

public funds there was an Interim-PRSP prepared rapidly followed by a more careful approach to the elaboration of the full PRSP (SPPRED) which took another two years before local approval in February 2003. The PRSP process was new, authorisation and organisation to undertake the process inevitably took time but the government did engage and UNDP helped them in coordinating donor support.

11. In 2003 there was a decision made to link adoption of the MDGs in Azerbaijan to the SPPRED. This outcome was reflected in two major SPPRED progress reports. In line with the Presidential Decree, of June 2005 establishing the State Commission on the SPPRS, another outcome was a planning process for the new 10 year National Development Strategy (the SPPRS). This was to be based on the MDGs, with Vision Papers prepared by the UNCT which contributed to (partially overlapping) SPPRS sector working groups. The draft SPPRS document was finalised in 2006 and was at the final stages of budgetary approval at the time of the country visit in May 2007. There were strong internal debates on budget issues and the Ministry of Finance had issues that took time to resolve. The delay (silence) earlier this year on the SPPRS draft from the Secretariat left some DPs believing the programme was dormant but this is not expected to be the case.

Process

12. The Interim PRSP of 2001 was prepared rather rapidly to facilitate access to essential credits (specifically the IMF's Poverty Reduction and Growth Facility). It was prepared by a special Task Force under the Ministry of Economic Development. The standard PRSP requirements to have a participative process were acknowledged and acted upon through a series of seminars that allowed a modest role for donors and NGOs in formulating the poverty reduction strategy.

13. The document recognised the need for a stronger process of consultation in the preparation of the first full PRSP and it was at this stage that the UNDP became an important actor in the process. It worked with the Secretariat to produce a Participation Action Plan that involved Regional consultations and led to the holding of "Town Hall" meetings to engage civil society in the deliberations around the poverty reduction strategy. Several donors, including the UNCT supported this initiative. UNDP were very active and there were important contributions from others including UNIFEM, UNICEF and UNHCR. Organised with the assistance of local NGOs and involving relevant government officials locally and from Baku, these meetings were designed for five main tasks (SPPRED, 2006): awareness (activities done), feedback (impact of the planned activities), enlightenment (effective dialogue), participation (joint responsibility) and democratisation (joint decisions).

14. During the country visit UNDP arranged for a follow up meeting in Sumgait with civil society representatives, almost all men, and the opportunity for this researcher to ask about the process. The process had been welcomed as an opportunity to voice local concerns. However, it is not clear that the meetings provided a coherent and sustainable basis for engagement; the meetings were not based on a broader strategic vision for civil society engagement in the policy process. Rather they served a more fundamental purpose in establishing the concept of more open governance and the acknowledgement by the state of the legitimacy of direct citizen consultation processes. Indeed, the follow up meeting during the country visit was taken by participants as a chance to further engage on policy priorities of the government rather than reflect on the quality of the process itself.

15. Through this meeting, a less positive account of the reality of poverty reduction emerged than the headline figures reflected; poverty, it was argued, was reduced much less than claimed

and fixed income receivers were suffering. Local issues, and issue around decentralisation were other distractions in the ensuing discussions about the process and there was a good -and contested- discussion on perceptions of the state and on what citizens needed to do themselves to address poverty e.g. through re-skilling.

16. The "Town Hall" meetings represent new ways of engagement and inevitably the perceived benefits of more participatory planning and monitoring were mixed. The quality of participation is not easy to define and measure but, in common with other CIS countries, it is a profound challenge to established ways of doing things. The continuity of commitment to participatory methods over several years by the SPPRED Secretariat, with UNDP support, is very positive. Sustained support over several years by UNDP to the Secretariat was rewarded through the establishment of strong domestic ownership of this approach. It is not clear yet how these processes will continue in the new programme (the SPPRSD) but there is a commitment to promotion of public awareness about activities within the programme and for improvement of the public monitoring mechanism.

17. A review, with field work in Baku in the autumn of 2002, commissioned by the UNDP's Evaluation Office identified four areas in which UNDP's contribution in preparing the PRSP was particularly effective. First, it proposed an adjustment of the IMF-set timetable to allow for a stronger participatory process. Second, it provided technical assistance to the PRSP Secretariat in the Ministry of Economic Development. Thirdly, it played a key supporting role with the PRSP Secretariat in coordinating the participation process. Fourthly, UNDP financed three PRSP Roundtables. (UNDP, 2003).

18. The development of UNCT engagement in the first PRSP and onwards through to the SPPRSD, the 10 year National Development Strategy is summarised in the following box.

Extract from the UNCT Regional Coordinators Report 2006 p4

Chronology of UN Strategic Engagement

2002

PRSP: State Programme for Poverty Reduction and Economic Development` (SPPRED) 2003-2005

2004

SPPRED First Annual Report, aligned with MDGs

2005

SPPRED Second Annual Report, which included a proposed MDG 9 on Good Governance

UNDAF 2005-2009. UNDAF based on the SPPRED (PRSP)

2015 Development Strategy

Presidential Decree in June 2005 to prepare 10-year SPPRSD, aligned to MDGs

Government requests UN Vision Papers on localized MDGs, including MDG 9 on "Good Governance," as input to SPPRSD

Government requests UN participation in SPPRSD Sector Working Groups (SWGs).

Following "one UN" approach,
UNCT appoints lead agency to each SWG

Government requests UN comments on first draft of SPPRSD Priorities and Targets; UN provides consolidated response

2006

Government requests UN review of final draft SPPRSD. UNCT's consolidated response on all chapters, includes comprehensive review of all gender-related sections of the strategy, undertaken collectively by the new UN Gender Theme group

2007 (anticipated)

o UNDAF realignment (possible).

Following official adoption of the SPPRSD, UNCT will leverage the mid-term UNDAF review to ensure appropriate harmonization and updating

19. Within the government, the establishment of the SPPRED (PRSP) Secretariat in the Ministry of Economic Development and the vitality of that unit were important in creating a domestic constituency for the development of the SPPRSD. Whilst several donors supported the formulation of the SPPRED and some of the earlier activities, this was not always sustained. Both GTZ and ADB withdrew because of differences over policy and implementation. Donors were struggling to adjust their commitments and posture to the newly acquired wealth, hence autonomy, of the state. The UNCT remained very active with the Secretariat and became the main partner in the development of the 10 year national development programme, the SPPRSD.

20. Both the SPPRED and the SPPRSD were developed in accordance with the MTEF and the annual budgeting process. This broke down somewhat with the SPPRSD in that the MTEF itself became marginalised as the government expanded its expenditure in the wake of the revenue surpluses from the energy resource. However, the Ministry of Economic Development still of course had to justify its proposals with the Ministry of Finance and the delay in SPPRSD approval has been because of differences over some of these proposals. An alternative view is that the differences really reflect a concern that the whole SPPRED/SPPRSD initiative was a donor-driven agenda and that the new autonomy of the government meant that these processes were marginalised. No doubt there is some truth in this but the UNCT has been successful in supporting a constituency within government that is committed to the human development agenda and this has allowed the SPPRSD to remain an integral element of the policy process.

Content

21. The SPPRSD is comprehensive in its Action Plan so covers macro economic policy, investment and employment policies and public sector expenditure management. There are very detailed social development expenditure plans for Social Protection, Refugees and IDPs, Health, Education, Gender, Culture, Youth and Child, Environment, and a long list of actions under Institutional Policy and Good Governance. These budgeted expenditure plans were developed through the Sector Working Groups. In discussions with key line ministries and agencies -IDPs, Social Protection, Health and Education, the State Committee for Family, Women and Children's Affairs- the importance of the SPPRSD to sector development was underlined. The SPPRED Secretariat had effectively acted as a facilitator in the development of these sector strategies. It supported key ministries in their negotiations on budget with the finance ministry. Only one of the key line ministries, Environment, said their budget was anyway wholly approved through other state programmes, including those items identified under the SPPRSD, and that there was no additionality.

22. The organisation of the Sector Working Groups for preparation of the National Development Strategy was the government's approach to the development of the programme and the UNCT worked with these groups in a coordinated way. The UNCT prepared Vision Papers for each of the MDGs, including a ninth MDG on good governance. These dovetailed with the Sector Working Groups well and the Vision Papers were a major resource in several Groups. A lead agency undertook the responsibility to prepare the papers and to participate in the Sector Working Groups on behalf of the UNCT. The papers were prepared with multi-agency inputs and a real effort was made to produce a convergence reflected in the texts of these papers. These papers were carefully prepared, and judging from the Minutes of three meetings in July and August 2005 when they were discussed by the UNCT there was a very inclusive and pretty rigorous process behind them. They certainly read well, relating global (MDG) concerns to the local context and identifying relevant targets and indicators.

MDG Lead Responsibility among UN Agencies

1. Poverty and Hunger UNDP and WFP
2. Education UNICEF
3. Gender Equality UNFPA
4. Child Mortality UNICEF
5. Maternal Mortality UNFPA
6. HIV/AIDS, Malaria, and TB UNICEF
7. Environmental Sustainability UNDP
8. Global Partnership Office of UNRC
9. Good Governance UNDP

23. One particular way, emphasised in several discussions with the ministries, in which the UNCT, primarily through the Vision Papers, had been especially valuable partners was assisting in the elaboration of the localised MDGs. A key point about the MDGs was sensitivity in developing them for local context. As has happened elsewhere in the CIS there were concerns about the specific applicability of some of them; e.g. universal primary education where achievements -without regard to quality- were already high. Likewise, there were concerns, as elsewhere, with too narrow a focus on tightly defined targets in the context of widespread urgent needs for human development. The government has in fact adopted multiple and quite demanding standards and has chosen to use 2001-02 as the baseline since reliable data across all indicators, still problematic, was simply not there earlier for some key indicators. The conventional 1990 start date also made little sense since that was one of the crisis years prior to independence. In fact what emerged from the SPPRS planning process was a wide range of indicators which were reflective of local priorities and conditions.

24. This was an important process for the government since adjustments were needed for example in education where the commitment was to universal basic secondary education, given the high levels of primary enrolment. This also meant that UN agencies which had mandates beyond the focus of the global MDGs were equally ready and willing to support the MDG process since their broader agendas were more easily addressed. For other agencies, the UNDP support project provided a vehicle for relatively small inputs to be more effective by being part of the bigger UNCT effort. This was emphasised in some of the meetings in country by UN staff.

Outcomes

25. The UNCT have engaged with the SPPRED and SPPRED in a very intense way and within their approach, through some of their chosen emphases, have strengthened the human development focus within the national plans. The work of the UNCT Poverty Theme group and the detailed sector work were central to this outcome. The RC Reports also underline the importance of three areas which are cross-cutting - communications, gender and statistics. These are areas where the UNCT has made very significant efforts to strengthen national development programmes. They are important because they reflect, in line with UNDAF principles, an understanding of how best the UNCT could contribute to capacity building in support of effectively implementing the national development strategy and the international agreements signed by the Government of Azerbaijan.

UNCT Communication Strategy

26. Advocacy on the MDGs has been a very active part of the UNCT presence. This has been anchored through the DPI leading the development of a UNCT Communications Strategy focused on the MDGs. A major part of this, as described in the box below for 2004, was a focus on awareness creation in civil society and in government. In 2005, the DPI convened a UNCT Communications Retreat focused on the development of an MDG Advocacy Campaign. Budgets were modest but the strategy was energetic and took advantage of opportunities such as those provided by the Town Hall meetings for the SPPRED/SPPRS. The engagement with the media, with youth, with photographers, with schools and the effective use of promotional materials were no doubt important in strengthening local understanding and commitment to the MDGs. These events, beyond the development of the campaign itself -and not all the ideas could be turned into activities for want of funds- were valuable in clarifying agency interests and their positioning around the MDGs in relation to a broader human development and rights agenda.

27. The DPI team in Baku also noted that having larger budgets for communications under the Regional Coordinator would have helped and would be smoother than pooling of funds, which did occur. There was also an issue with respect to global funds, in this case expenditure on advocacy work relating to HIV/AIDS, where coordination failed. The DPI team were also clearly confident and keen on working in an opportunistic but focused way in close partnership with the various programmes.

Communications and Advocacy

The joint MDG advocacy, communications, and campaigning activities of the UNCT agencies reached a wide range of target groups, including policy makers, researchers, the media, and youth. The MDG component of the UN-Azerbaijan website was regularly updated in both Azerbaijani and English. An MDG photo competition, held in collaboration with civil society partners, led to an MDG photo exhibition and the establishment of a photo library on the UN website. Government and UN staff shared knowledge and information through a SPPRED-MDG e-mail distribution system. Activities to recognize the International Day for Eradication of Poverty and UN Day reached youth and the general public through a youth forum and the display of MDG banners in central areas of Baku.

Covering letter for the RC's Report (2004).

The UNCT Theme Group on Gender Equality and Empowerment of Women

28. Gender mainstreaming was a strong element of the UNCT engagement in the PRSP and NDS of Azerbaijan. The gender theme group included UNIFEM, UNFPA, WFP, ILO, UNHCR, UNDP, WFP, IOM and UNICEF. The group was effective in its coordination and very active in an environment where, despite the non-discrimination legislation that had been passed, women were suffering discrimination, as reflected in many statistics that the group helped to compile and marshal in support of gender-sensitive targets. The law passed on domestic violence was an example of the type of issue where female MPs were unsupportive saying that legislation was unnecessary given constitutional provision; this reflected their wider unease with overt criticism of social values that encompassed traditional patterns of discrimination.

29. Agencies organised pre-Town Hall meeting focus group discussions on gender issues and MDGs as part of the SPPRED/SPPRS D process and sought to engage Sector Working Groups on gender issues. This was not always easy with a government sometimes seemingly indifferent but nevertheless sensitive to unfavourable statistics. This was reflected in a poor quality government report on CEDAW and resulted in the production of an "alternative" CEDAW report (for a country reporting meeting on CEDAW in New York). The group was also robust in its comments on the draft SPPRS D where much of the concern was over awareness and attitudes and making systems work in non-discriminatory ways. The group is engaged actively in relation to a wide set of gender-related issues including statistics, health, education, early marriage, domestic violence, trafficking, the labour market, commercial sex workers, peace building and conflict resolution and good governance. Several agencies also worked on gender issues in humanitarian contexts with the IDPs and Refugees. UNFPA, with important inputs from UNIFEM, worked closely, as lead agency, with the State Committee for Family, Women and Children Affairs (SCFWC). The work of the Gender theme group was highly regarded by the SCFWC in effectively bringing gender issues into focus in the SPPRS D. It is a good example of the UNCT effectively using a comparative advantage -on gender analysis and advocacy- in a country context where need was significant. The cooperation between agencies on gender was a further strength and was a significant feature of the UNCT engagement in the SPPRED/SPPRS D process. The breadth of vision was of great value to the SCFWC in preparing their plans and was a consequence of the ability of the UNCT to dovetail the specialised contributions of the different UN agencies in the theme group. A key outcome was that significant provision for gender awareness and related activities is included in the budget of the SPPRS D.

Statistics

30. The gender theme group made a number of proposals on gender-disaggregated statistics, beyond the Gender Empowerment Measure (GEM) and Gender Development Index (GDI) especially in relation to health and education. This was an important part of a much broader set of initiatives to strengthen the data base on poverty monitoring human development. A difficulty faced by some members of the UNCT had been local criticism of their use of statistics which were not officially sanctioned and which were inconsistent with official estimates. Beyond sensitivity on some aspects of monitoring human development, a key issue -e.g. in relation to neo-natal mortality, was a difference between Soviet era protocols still in place and international standards on measurement. This was just one example of a number, not all contentious, where the UNCT efforts on monitoring have been useful in advocating, and implementing, appropriate socio-economic data collection and reporting standards.

31. Through the PRSP project a major element was support to the Poverty Monitoring Unit within the SPPRED Secretariat which helped a number of initiatives including a survey on

living conditions. The UNDP also worked, together with the World Bank, on assisting the State Statistical Committee (SSC) improve their Household Budget survey with the provision of technical assistance. The SSC has retained control over collection and publication, rightly, but this has also involved some element of secrecy e.g. in the detail of calculation behind the latest poverty estimates. Despite this, there is little doubt that the UNCT efforts are appreciated and have been effective. Agencies have linked well together, e.g. on HIV/AIDS data collection, and during the country visit there was discussion in most meetings with UN agencies on aspects of this work. The impressive level of commitment is clearly reflected also in the detail provided in the RC reports. This is a role that UN agencies have a comparative advantage, even when, as reported, some of their tools like DevInfo, are not always well regarded...for the types of reason mentioned above. Support in this area was noted by the government heads of the Sector working Groups, e.g. Social Protection, in providing an empirical base for budget plans on addressing the needs of different vulnerable groups.

The CCA and the UNDAF

32. The last CCA was completed in 2003 and took the first PRSP as its point of departure. Since the SPPRED had been prepared, with considerable support from UNDP but also from other UN agencies including especially UNICEF, it was correct, and consistent with the new CCA/UNDAF Guidelines, to adopt the SPPRED as the basis for UN planning. Also, when approving the SPPRED, the President of Azerbaijan had reaffirmed the commitment to the millennium summit declaration including the MDGs. This approach to the CCA also represented a strong affirmation of the essential content of this PRSP which was strategically good for the Ministry responsible and for the SPPRED Secretariat. The UNDAF followed, completed in 2004, and was also based upon the SPPRED. The national priorities and UNDAF outcomes established -see Table One below- and the detailed programme outcomes were built upon the SPPRED as well as other national programmes such as the State Programme for Socio-Economic Development of the Regions. The UNDAF is to be reviewed once the new National Development Strategy is approved as this is anticipated to lend momentum to that process. The CCA, led by UNICEF, and the UNDAF processes in Azerbaijan were regarded as best practice. This was evident through the close alignment with the PRSP and then the NDS, and these domestically produced national plans, rather than the UNDAF, being the core focus in UN deliberations.

Table 1: National Priorities and UNDAF Outcomes

<u>NATIONAL PRIORITY 1</u> The system of governance ensures an enabling environment for development, poverty reduction, and respect for rights and freedoms		<u>NATIONAL PRIORITY 2</u> Basic needs for health and education are met for all people	
<u>UNDAF OUTCOME 1</u> The effective and transparent management of oil resources leads to increased decent	<u>UNDAF OUTCOME 2</u> The state improves its delivery of services and its protection of rights—with the involvement	<u>UNDAF OUTCOME 3</u> Health and nutrition improve, particularly among women, children, and vulnerable groups	<u>UNDAF OUTCOME 4</u> The quality of education is improved

employment in the non-oil sectors (black gold is converted into human gold)	of civil society and in compliance with its international commitments		
<p><u>CROSS-CUTTING OBJECTIVES</u> Gender equality and empowerment of women, civil society development, and respect for human rights</p>			

Azerbaijan UNDAF, 2005-2009, p4

Economic Engagement: Converting Black Gold into Human Gold

33. There was a complete transformation in the economic options available to Azerbaijan following the development of off-shore oil and gas fields and construction of export pipelines to Turkey, notably the Baku-Tbilisi-Ceyhan pipeline for oil. For the last two years Azerbaijan has been the fastest growing economy in the world with growth rates of over 20%.

34. A major focus of UNDP has been on the opportunities to translate the growth of the energy sector into broad-based and pro-poor growth through the effective use of public revenues to promote human capital and the incentives to private investment. A critique, voiced elsewhere, has been that the UN, and UNDP more particularly, has not had the expertise available in sufficient quantity to really engage with issues such as this pertaining to the macro economy. This is certainly not the case in Azerbaijan where, from 2002 at least there was use of the phrase "converting black gold into human gold" as a dictum for the development of the economy with its new fund wealth. This was the title of a report prepared by UNDP which provided an accessible analysis of the issue using comparison with five other countries with substantial natural resource rents and facing similar revenue management issues. The State Oil Fund had been established in 1999 to help ensure prudent management of the revenues and the UNDP report made a strong case for human resource development as one of the priorities for use of its funds. Several of the proposals there are now part of the public investment programme. This approach, which whilst warning of Dutch disease - and indeed, identifying early signs- took a rather more positive view of the opportunities the energy revenues represented than some other commentators (BWIs) who were more risk-sensitive in their economic analysis rather than sharing the human development perspective that the UNDP brought. Such differences in style and emphasis were quite marked and evidence of differences in priorities and in ways of doing business that are recognised clearly locally.

Development Partners

35. The Bretton Woods Institutions were heavily engaged in the first PRSP (the SPPRED); indeed some UN agencies described it as largely a UNDP/WB affair. They were also committed to the development of its successor the State Programme on Poverty Reduction and Sustainable Development (the SPPRSD) and signed agreements with the government to that effect in May 2005. However, following the transformation of the revenue base that resulted from increased oil exports, specifically the opening of the Baku-Tbilisi-Ceyhan pipeline, the government of Azerbaijan was exercising more policy autonomy.

36. One specific outcome was that the influence of the IMF was restricted amidst a divergence of views as the government chose to spend rather more of its oil revenues than

proposed. This was driven, understandably, by a political concern, as detailed in the box below, for energy revenues to make a visible difference.

The Executive Director for Azerbaijan: commentary on the 2007 Article Four Consultation Report

The population of Azerbaijan clearly expects the growing oil revenues to alleviate their most pressing economic problems; particularly, they expect a significant reduction in poverty and noticeable improvements in education and in the provision of stable energy and water supply. The authorities therefore consider it imperative that they use the financial opportunity presented by the oil boom to address the most pressing infrastructure and development needs without delay. Capital expenditure has thus been substantially increased to finance critical projects in the social sector (schools, hospitals, housing for the large number of refugees) and to improve basic infrastructure (electricity supply, roads, irrigation). In addition, pensions and public sector wages, which are at a modest level, are being increased, while at the same time staffing reductions are being considered.

37. Benefits in the form of increased salaries and social protection measures as well as infrastructure improvements were realised but resulted in growing budget deficits and increasing inflation. The IMF were anxious to promote greater expenditure discipline, and, especially in the absence of that, tighter monetary policy. According to the IMF's 2007 Article four report, "The non-oil primary fiscal deficit is projected to jump to 40 percent of non oil GDP from 33 percent in 2006 and 13 percent in 2005.". The anxiety was that a Nigerian type incidence of Dutch disease was inevitable. The IMF warning of an unsustainable fiscal deficit and Dutch disease is based on a perception that the increases in public capital expenditure is being too much driven by political expediency which damages fiscally responsible policy mandates. Despite these differences there is mutual respect. Senior Ministry of Finance officials in the Government of Azerbaijan acknowledged the key role of the IMF in the 1990s. The IMF in turn acknowledged the sound macro economic policy models of key government institutions including the State Oil Fund, the National Bank and the Ministries of Finance and of Economic Development. However, in the absence of a conditional PRSP process and with substantial foreign account surpluses the government does not need to embrace the policy advice the IMF offers. Economic analysts within the Ministry, and indeed the preferred way of doing business for senior officials there, may be close to IMF perspectives but the decisions are ultimately taken elsewhere.

38. Similarly, the World Bank, the major donor partner in the first PRSP, with substantial IDA funds, has disengaged from the second, the SPPRSD. Future World Bank investments are with IBRD not IDA funds and the link to PRSPs is not required. The World Bank focus on economic growth remains and there is a project portfolio in support of that. The government, though not needing IBRD loans, continues to approve them where there is coherence with their domestic agenda and additional benefits through the accompanying technical assistance.

39. These changes in the relationship with the World Bank and the IMF were perhaps inevitable once the financial dependence was removed. They enjoyed a decade of strong influence and their role has now changed and diminished in importance as sovereignty of national policy is exercised. The Ministry of Finance officials interviewed emphasised the shift from the first to the second poverty reduction programme in terms of domestic resource commitment. A second type of change was the shift from a PRSP-cycle linked to Bretton Woods mandates to a 10 year national development perspective adopting the MDG year of 2015.

40. Another perspective on the consequences of oil wealth is that the focal point of engagement shifted from the PRSP -and related conditions imposed on a recipient- to the challenges of managing the oil wealth productively for long-term growth. Obviously, for the government, the effective management of the resource rents are pivotal and creating the conditions to attract private investment is paramount. However, addressing the human development agenda is a part of that resource management process and there is also recognition that international expectations require an inclusive approach which incorporates the commitments made to development targets. Azerbaijan has a global stature deriving from its energy resource but, because of the conflict with Armenia, and because of the perceived fragile state of governance and human rights agendas domestically, it is sensitive to these expectations and wishes to project a modernising and responsible approach.

Serendipity

41. The rapidly changed fiscal conditions in Azerbaijan led to a major change in relationships with Development Partners. This was very significant and is well illustrated through the changing roles of DPs in the preparation of first the SPPRED and then the SPPRSD. For the former, the first PRSP, the World Bank was a dominant force and the SPPRED Secretariat was supported by them, by UNDP and by US AID, GTZ and the ADB. The UNDP played a coordinating role as well as supporting activities such as the new Poverty Monitoring Unit within the Secretariat. The IMF, at least, were doubtful of the level of commitment of the government beyond their need to have a PRSP for funding to flow from the Bretton Woods Institutions and this view may have been reinforced by their, probably flawed, perception that the new programme, the SPPRSD, was running into terminal obstacles. This perception was surely also influenced by the reality of the government exercising full control over their budgetary and planning processes as their fiscal problems evaporated.

42. Donors expecting influence, through money, were disappointed. For those donors still engaging with a country that now had middle income status the focus became more firmly on obstacles and issues relating to private sector growth-governance, infrastructure, industrial and trade policy- with some limited inputs on rights and democracy; the core human development agenda was not a focus, (though the World Bank still has social sector projects continuing). But the UNCT had a different relationship with the Ministry of Economic Development and within it, the SPPRED Secretariat. They, as discussed below, had a reservoir of goodwill because of their work with IDPs and Refugees since 1994 and had tried as well to constructively support capacity to engage with the human development agenda. Their experts, generally, were reported as being knowledgeable of the country context and current conditions. They usually had more flexibility, with less coercion from HQ mandates than some DPs, to pursue a locally appropriate strategy. They also made effective use of local expertise, in house and as consultants. Government ministries reported that the staff of UN agencies had a better understanding of local context than some other partners.. In effect, they were trusted, based on the track record, and their known commitment to the MDGs to support the development of the SPPRSD. They organised effectively to do this. In so doing, they became the only substantial partner on the development of the SPPRSD. This may have been serendipitous but even if so, was just recognition that, even without substantial financial resources, the UNCT had a significant contribution to make.

Assessment

43. The RC's reports, since 2003, are themselves solid evidence on the progress that has been made on UN Coordination Objectives. Joint programming is specifically recognised in

several reports including a list of some 20 examples in the Regional Coordinator's report for 2006. In 2005, the UNCT received the only joint Board member visit (to any country) from the UNDP, UNICEF, UNFPA and WFP Boards. The Gender group also drew attention to the visit of the head of UNIFEM. These were positive signals and further reinforced the perspective shared by some UN staff that they were "ahead of the curve" in taking forward the one UN agenda. The RC had been remarkably successful in developing agency buy-in to the one UN agenda as described in the box below.

"With One Voice"

Good Practice in Coordination

What was achieved? With one voice, the UNCT in Azerbaijan leveraged its collective expertise to support the Government's formulation of its 10-year sustainable development strategy, aligned to the MDGs. In 2005, the Government made two particularly demanding requests. The first was for nine UN Vision Papers on priorities and targets for the eight localized MDGs, plus a ninth MDG on Good Governance. The second was for UN participation in some 8 Sector Working Groups (SWGs) and 11 SWG sub-groups. In both cases, the UN responded with one voice. The UN Vision Papers were drafted by designated Lead Agencies, often with inputs from other Agencies. The drafts were then debated and revised by the UNCT so that they were truly UN Vision Papers. With respect to the SWGs, a Lead Agency was appointed to each group, and tasked with representing a common UN position (rather than an Agency position). The UNCT's unified response positioned the UN as the Government's primary and trusted partner. It also ensured that the Government received the very best combined advice that the UN has to offer on achieving the MDGs, as this input was carefully grounded in a cohesive UN assessment of Azerbaijan's specific context.

Extract from the Regional Coordinators Report, 2006 (Annex A)

44. The UNCT have invested time and resources to work well together and thereby improve their effectiveness collectively in engagement with government and others. The sense of success of achievement around this very fundamental goal was reflected in the style of engagement in this mission. The week in country (May, 2007) was planned carefully by the UNCT. Meetings were arranged with many of the heads of the SPPRS Sector Working Groups who would best placed to assess the UN agencies role in the NDS process and their impact on content. Additionally, there were meetings with the UN agencies, with DPs, with NGOs and also a meeting with participants in a Town Hall meeting which had been part of the NDS development process. The programme was very full and fine-tuned during the visit to accommodate requests. The professionalism, attention to detail on logistics, and efficiency was impressive and the mission was completed with a valuable feedback session in which some key issues were reviewed. This was good to experience of course and reflected an office which was also confident.

45. This paper has provided a very positive account of the UNCT in Azerbaijan. It is really only a summary and certainly does not do justice to the breadth of activities supported both through the UNDP project for the SPPRED and other UN inputs as is evident both from the detailed briefings given and the extensive documentation provided. In other ways, e.g. e-governance, the UNDP in particular has been actively working with partners in government to develop the capacity for and commitment to open and accountable government.

46. Part of the achievement of the UNCT is due to their demonstrated capacity to work effectively with local partners in government committed to the human development agenda. In

turn, the positive attitude of these local partners was assisted by the wider recognition of UN humanitarian activities for over a decade in Azerbaijan. UN provision of Humanitarian Assistance to address the needs of refugees and internally displaced people since the war with Armenia, and the Armenian military occupation of Nagorno Karabakh and seven adjacent districts has created a large reservoir of good will towards the UN family. As noted above, according to government figures some 1 million people and an area of about 20% of the country are affected by the occupation and, despite several hopeful signs, no resolution has been achieved since the end of hostilities in 1994. UN resolutions calling for Armenian withdrawal have not resulted in progress but the fact of the resolutions creates a positive view of the UN. The President of Azerbaijan awarded a high national honour to the WFP country director in that period and even though WFP is now in the process of abating its programme, and is scheduled to phase out humanitarian operations in 2008, the goodwill remains.

47. These humanitarian activities, which also provided a vehicle for promoting the wider human development agenda, were of enormous benefit not just to the agencies involved but to the whole of the UN family. Some beneficiaries of government goodwill, no doubt earned, within the UN family questioned the risks to that goodwill if they were acting on behalf of "UNCT" and therefore other UN agencies where the history was not so good. This seemed a somewhat far fetched concern in Baku, since many agencies were recipients of that goodwill, though there had been occasions when government looked unfavourably on specific activities or stances of UN agencies. But, as a more general issue this is one which will inevitably resurface time and again when individual agencies have a history of strong partnership which is then used to leverage UNCT influence.

Civil Society Support

48. A feature of the PRSP/NDS processes in Azerbaijan has been the commitment of the UN family, and other donors, to create opportunities for civil society engagement in these processes. This perspective, shared by several UN agencies, was in contrast to the views provided by NGOs who were less comfortable with the UNCT position. NGOs felt that they had been effectively involved in the development of the SPPRED but were hugely frustrated by their inability to engage effectively in the monitoring of implementation despite their attempts. They perceived the UNCT as an ally in their attempts to promote their advocacy, watchdog and monitoring roles but felt somewhat let down at the level of support they received. This was exemplified through the umbrella organisation, the NGO Forum, which had been promoted with UN support initially but this support was then withdrawn. The reason given for the withdrawal was to see whether the investment in the capacity development of the organisation had resulted in them being able to "go it alone". What happened in practice was that they ran into a funding crisis and, at the time of the mission, were contemplating taking government support for their activities. This was of course controversial and was not then decided upon finally but did serve to underline the limited scope yet enjoyed for an independent NGO presence. These NGOs themselves reported that civil society representation was weak, that social polarisation was a threat and that "government-friendly" NGOs were more of a reality than effective NGO watchdog functions. This was reflected, they felt, in the absence of their involvement in reviewing the draft SPPRS.

49. Discussion of this perspective at the end of mission debriefing provided the opportunity for agencies to illustrate the (many) ways in which they were working with NGOs. Nevertheless, it is an area where the UNCT has seemingly been less successful in making the whole greater than the sum of the parts and where more strategic engagement, and more resources, are probably needed.

50. This observation should not detract however from the evidence of overall cohesion that the UNCT were able to bring to the PRSP/NDS processes. The perceived weakness on cohesion

around the civil society engagement is perhaps also a reflection on the difficult politics of poverty reduction in Baku. The government is aware of its weaknesses on aspects of the human development agenda and is seeking to use the oil revenues to improve popular perceptions of its commitment to addressing felt needs. It is also battling on a governance reform agenda where issues of monopoly and corruption are rampant. It is sensitive to criticism and the UNCT has had to be wary. The UNCT has focused on working with partners within government and developing their capacity to bring forward detailed, budgeted strategies to address both felt needs and governance issues. There has not been a coherent assessment of the role of civil society e.g. through a drivers of change analysis. There is no buy-in from government yet to specific roles of the NGO representatives of civil society in relation to advocacy, or monitoring or indeed direct engagement in provision of services. Perhaps it is a necessary first step that the UNCT establishes its credentials as a government partner in developing capacity on the human development agenda prior to more strategic civil society partnerships. Certainly, the UNCT has positioned itself well through its support to key government agencies and through consciously and actively supporting a localised version of the MDGs. This was important to a government that is sensitive to and suspect of externally-driven agendas. "Localisation" has had the added advantage that some of the contradictions between agency mandates, and concerns over a narrow focus on international MDGs, have been sidestepped as the UNCT has promoted a broad human development agenda yet still managed to use the language of the MDGs.

Appendix One
**Programme of the UNDG mission to Azerbaijan to review UNCT engagement in National
Development Strategies/Poverty Reduction Strategy Processes**
14 – 18, May 2007

Monday, 14 May

- 10:00 - 10:30 Security Briefing by UNDSS in UN Office
- 10:30 – 11:00 Office arrangements
- 11:00 - 12:00 Meeting with Mr. Bruno Pouezat, UN RC & David Eizenberg,
UNDP DRR
- 12:00 - 13:00 Meeting with Farid Babayev, Assistant Representative, UNFPA
- 13:00 - 14:00 Lunch
- 14:00 - 15:00 Meeting with Mr. Fuad Huseynov, WFP National Programme
Officer
- 15:00 - 16:00 Meeting with Ms. Amra Nuhbegovic, UNHCR Officer-in-
Charge
- 16:00 - 17:00 Meeting with Mr. Basil Zavoico, IMF Representative

Tuesday, 15 May 2007

- 10:00 - 11:00 Meeting with Ms. Gillian Wilcox, UNICEF, Officer-in-Charge
- 11:00 - 12:00 Meeting with Gregory Jedrzejczak, WB Country Manager
- 12:00 - 13:00 Meeting with Mr. Mehman Abbas, Director, Sustainable Development &
Regional Policy Department, Ministry of Economic Development
(Government House, 4th. Floor)
- 13:00 - 14:00 Lunch
- 14:00 - 15:30 Meeting with Donors & International NGOs active in the PRSP/NDS
processes (OXFAM, SOROS-OSI – Dr. Greeley’s Office)
- 15:30 - 16:30 Meeting with Mr. Vahab Mammadov, Representative of the Ministry
chairing of the SPPRSD Sector Working Group on Social Protection
(Ministry of Labour, 7th floor)
- 16:30 - 17:30 Meeting with Mr. Sahib Rahimov, First Deputy Chairman of the State
Committee on Refugees and IDPs and Chair of the Sector Working Group
on IDPs & Refugees (State Committee of Refugees & IDPs)
- 19:00 – 22:00 Dinner Meeting with Sheila Marnie, CTA to the UN
SPPRED/MDG project (Karavan Saray Restaurant)

Wednesday, 16 May 2007

- 10:00 - 11:00 Meeting with Mr. Bahram Khalilov, Chair of the Governance Sector Working Group (Civil Service Commission)
- 11:00 - 12:00 Meeting with Ramiz Rzayev, Head, Organizational Sector, Department of Protocol, Ministry of Ecology and Natural Resources, and Chair of the Sector Working Group on Environment (Ministry of Ecology & Natural Resources)
- 12:00 - 13:00 Meeting with Mr. Samir Veliyev, Head, Office of the Minister of Economic Development and Chair of the Sector Working Group on Economic Policy (Cabinet of Ministers)
- 13:00 - 14:00 Lunch
- 14:00 - 15:00 Meeting with Mr. Hamid Zeynalov, Economic Department and Mr. Farzali Gadirov, Strategy Planning & Analyzes Department, Ministry of Education (Ministry of Education)
- 15:30 - 16:30 Meeting with Mr. Senan Kerimov, Deputy Minister of Health, Chair of the Sector Working Group on Health (Ministry of Health)
- 16:30 – 17: 30 Meeting with Mr. Azay Guliyev, Member of Parliament, Standing Commission of Legal Policy and Institutional Building, President of National NGO Forum (Dr. Greeley’s Office)

Thursday, 17 May, 2007

- 10:00 - 11:30 Meeting with UN Gender Theme Group (UN Conference Room)
- 11:30 - 12:30 Meeting with UN Communications Group (UN Conference Room)
- 12:30 - 14:00 Lunch & leave to Sumgait
- 14:00 - 16:00 Meeting with some of the representatives of civil society, private sector & local government who participated in the Regional SPPRED/SPPRSRSD Workshop held in Sumgait on the Absheron Peninsular
- 18:00 – 19:00 Teleconference with Mr. Marco Borsotti, former RC/RR in Azerbaijan (2001-2006) and current RC/RR in the Russian Federation since February, 2007

Friday, 18 May 2007

- 10:00 – 11:00 Meeting with Mr. Shahin Panahov, Deputy Director, Sustainable Development & Regional Policy Department, Ministry of Economic Development & former Senior Adviser to the RC (Government House, 4th floor)

11:00 - 12:00	Meeting with Ms. Hijran Huseynova, Chair of the State Committee for Family, Women and Children (Government House)
12:00 – 13:00	Meeting with Mr. Philip Chang, Country Economist, Officer-in-Charge, ADB (ADB Office, Landmark Building)
13:00 – 14:00	Lunch
14:30 - 15:30	Meeting with Mr. Ilgar Fatizadeh, Deputy Minister of Finance (Ministry of Finance)
15:30 – 16:30	Meeting with UNCT (UN Conference Room)
16:30 – 17:30	Meeting with HIV/AIDS Theme Group (UN Conference Room)

Appendix Two

Key Documents Consulted

- International Monetary Fund and the International Development Association, (2004), **Poverty Reduction Strategy Paper Progress Report; Joint Staff Assessment**. Paper prepared by Staff of the International Development Association and the International Monetary Fund, August 12 2004. Azerbaijan Republic.
- International Monetary Fund, (2007) Republic Of Azerbaijan **Staff Report for the 2007 Article IV Consultation** Prepared by the Staff Representatives for the 2007 Consultation with the Republic of Azerbaijan April 19.
- Joint Declaration. (2005) **On Preparing a Long-term Poverty Reduction and Sustainable Development Strategy to Achieve the MDGs in Azerbaijan by 2015**. Document is a joint declaration on the part of the Government of Azerbaijan, and the resident representatives of the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, the United Nations Development Programme and the World Bank.
- Republic of Azerbaijan, (2001). **Poverty Reduction Strategy Paper**, (Interim Report) Baku, May.
- Republic of Azerbaijan, (2003) **State Programme on Poverty Reduction and Economic Development 2003-2005 (Final Draft)**. Baku 2003.
- Republic of Azerbaijan, (2005). **Azerbaijan Progresses toward the Achievement of the Millennium Development Goals**. SPPRED Progress Report – 2003/2004. Baku 2005.
- UNDP, (2006) **SPPRED Regional Workshops 2006, Annual Report**.
- UNDP, (2005) **SPPRED Regional Workshops 2005, Annual Report**.
- UNDP (2005). **Priority areas and targets determined for the “State Program on Poverty reduction and Sustainable Development for 2006-2015” – Sector: Environmental protection and development**.
- UNDP (2005) **Comments on the “State Programme on Poverty Reduction and Sustainable Development, 2006-2015” – Sector: Sustainable Management of Environment**.
- United Nations Country Team, **United Nations Development Assistance Framework, Azerbaijan 2005-2009**, Baku.
- United Nations Country Team, (2005). **MDG Vision Papers 1-9**, Baku.
- United Nations Resident Coordinator in Azerbaijan, **Resident Coordinator’s Annual Report, Azerbaijan 2005**, February 2006.
- United Nations Resident Coordinator in Azerbaijan, **Resident Coordinator’s Annual Report, Azerbaijan 2006**, January 2007.

UNDP (2003), **Evaluation of UNDP's Role in the PRSP Process, Volume I: Main Report, and Volume II: Country Reports**, (Azerbaijan Country Report pp 8-28,) September 2003.

UNDP (2005). **Decree of the President of Azerbaijan about "2006-2015 State Programme on Poverty Reduction and Sustainable Development in the Republic of Azerbaijan**. Baku 20th June 2005.

UNDP (2005). **Azerbaijan: Where East Meets West**. MDG Progress Report to the 2005 World Summit.

UNDP (2007), **Converting Black Gold Into Human Gold: Using oil revenues to achieve sustainable development**, Summary of Final Report, Baku.

UNICEF (2006), **Building a Brighter Future for the Young People of Azerbaijan**. Baku, February 6-7, 2006.

UNICEF (2005), **Concept Note on Priority Areas and Action Plans for Millennium Development Goals (MDG) Vis-À-vis Health Sector**. Paper prepared by Dr Ravi Venkataraman, UNICEF Consultant. December 2005.

Appendix Three

Terms of Reference

Review of UN Country Team engagement in national development strategies/Poverty Reduction Strategy Processes

January 2007

Objective

The purpose of this review is to assess how effective the involvement of UN agencies, collectively and individually, has been in the PRS processes. The review should identify lessons learned/constraints in integrating the UN development agenda, particularly the MDGs in the PRSs/NDSs.

Background

In 2005 the World Bank and IMF undertook a PRS review to assess progress, challenges, and good practice, with a view of enhancing the PRSP's effectiveness as a vehicle for attaining the MDGs. The review included consultations with staff from the UNDG agencies. The final report issued in September 2005 rarely mentioned the UN in the PRS process.

Involvement of UN country teams in the PRS processes started with the inception of the PRS approach in December 1999. The Executive Boards of the World Bank and the IMF approved a new policy instrument, the PRSP, designed to serve as a framework document for concessional lending. The declared objective of the PRSP is to promote poverty reduction strategies that are country driven, results oriented, comprehensive, prioritized, partnership based, and framed within a long-term perspective.

In November 2001, the UNDG issued a *Guidance Note to UNCTs on the PRSP* to support national efforts on PRSs and to pursue the UN's poverty focused goals. In May 2003, the Managing Director of the World Bank and the Chair of the UNDG sent a joint letter to UN Resident Coordinators and WB Country Directors emphasizing that the PRSs provide a key opportunity to mobilize national actors to achieve the MDGs.

An assessment of the role and experiences of UN agencies with the PRSPs was made in November 2003, providing the basis for an update of the guidance note to UNCTs in January 2004. The assessment focused on how the UN system could improve the effectiveness of its contribution, without assessing successes, weaknesses and problems faced by UN country teams.

The purpose of this review is to assess and suggests ways in which the UN agencies at country level can reposition themselves to maximize their comparative advantages to assist effectively and strategically the national development process. The importance of this exercise is underlined by the implications from the Summit Outcome Document and the request to "adopt, by 2006, and implement comprehensive national development strategies to achieve the internationally agreed development goals and objectives, including the Millennium Development Goals".

Currently, 49 countries have prepared national poverty reduction strategies. Of these, half of them are in sub-Saharan Africa, and a similar proportion corresponds to heavily indebted poor countries (HIPC).

UN country team participation in the PRS processes has increased. In 2005, 39 UNCTs provided support to and were involved in the preparation and implementation of the PRSPs². Engagement in the PRS processes has provided UN agencies with an opportunity to push for the inclusion of the MDGs and advance social, humanitarian and environmental strategies for poverty reduction.

Outputs

A comprehensive report that contains:

- ⊖ A review of the quality and effectiveness of UN Country Teams' involvement in the formulation/implementation of national development strategies/PRSs in terms of strategic positioning of the global UN development agenda and MDGs at country level in support of national priorities;
- ⊖ A set of recommendations and lessons learned to assist UN Country Teams in improving their effectiveness.

Methodology

- ⊖ Desk review of evaluation documents undertaken by the UNDG as well as individual UN agencies in their involvement in the PRS process;
- ⊖ Desk review and analysis of national development plans/PRSs in selected countries;
- ⊖ Interviews and consultations with key UN staff at country level, regional bureaus and HQs for structured discussions at appropriate stages in the review process.
- ⊖ Field visits to selected countries for closer examination and consultations with national partners.

Timeframe

The entire review should be undertaken within a three months period in order for the recommendations to be fed into the revision of the UNDG Programming Guidelines.

- ⊖ Desk reviews: February
- ⊖ Interviews and field visits: April/May
- ⊖ Report writing: June

Other Information

The consultants would report to the DGO Associate Director for Policy and Global Quality Standards and the chair of the UNDG Working Group on MD/MDGs and work in close cooperation with members of the Working Group on MD/MDGs, the WG on Programming Policy, the Country Programming Support Group and DGO staff.

² This information comes from the Annual RC Reports submitted to DGO