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HIGH REPRESENTATIVE
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Cooperation Implementation Report on Azerbaijan

1. Introduction and summary

In line with the **revised European Neighbourhood Policy**, this report outlines key reforms and developments in Azerbaijan's relations with the European Union (EU) since the publication of the previous implementation report on 16 December 2020¹. The report focuses on the priority areas set out in the **EU-Azerbaijan Partnership Priorities**², which include: i) strengthening institutions and good governance; ii) economic development and market opportunities; iii) connectivity, energy efficiency, environment and climate action; and iv) mobility and people-to-people contacts. The 17th EU-Azerbaijan Cooperation Council meeting was held in Brussels on 18 December 2020 to review the implementation of the jointly agreed EU-Azerbaijan Partnership Priorities and Azerbaijan's reform agenda³. The next Cooperation Council, planned for 19 July 2022, will take place against the background of Russia's unprovoked and unjustified military aggression against Ukraine.

On 22 December 2021, through an exchange of notes, the validity of the Partnership Priorities was extended until 2024⁴. With this extension, a reference to public health has been included in the relevant act of the EU-Azerbaijan Cooperation Council.

In the second half of 2021, discussions resumed on the negotiations of the **new comprehensive EU-Azerbaijan agreement**. On 3 July 2021, Azerbaijan submitted its revised position on the trade part of the agreement. Following exchanges among the negotiating teams, the EU transmitted a consolidated set of documents to Azerbaijan on 3 February 2022. Exchanges at technical level between the negotiating teams continue, based on the respective negotiating positions.

No progress has been made in the negotiations of the **EU-Azerbaijan Common Aviation Area Agreement**.

Over the reporting period, the EU and Azerbaijan continued their regular dialogue. Several high-level visits took place. On 26 July 2021, Foreign Ministers from Austria (Alexander Schallenberg), Romania (Bogdan Aurescu) and Lithuania (Gabrielius Landsbergis) visited Azerbaijan as part of a three-day visit to the Southern Caucasus on behalf of the High Representative/Vice President (HR/VP) Josep Borrell. They conveyed a message of European solidarity and engagement, as well as the EU's commitment to the security, stability and prosperity of all three Southern Caucasus countries. This visit clearly demonstrated the EU's readiness to be more actively involved in settling the region's protracted conflicts. On 8 July 2021, the European Commissioner for Neighbourhood and Enlargement Olivér Várhelyi visited Azerbaijan and announced the Economic and Investment Plan, which had been published on 2 July⁵. European Council President Charles Michel visited Azerbaijan on 18 July 2021 and met President Aliyev to discuss bilateral and regional cooperation and expectations for the Eastern Partnership Summit. DG NEAR's Acting Director-General Maciej Popowski visited Azerbaijan in November 2021. On 4 February 2022, Commissioner Várhelyi and Commissioner Simson attended the 8th Advisory Council of the Southern Gas Corridor in Baku. On 17 March 2022, EEAS Deputy Secretary-General Enrique Mora co-

¹ SWD(2020) 365 final:

https://eeas.europa.eu/sites/default/files/azerbaijan_cooperation_implementation_report_2020.pdf

² https://eeas.europa.eu/headquarters/headquarters-homepage/48244/partnership-priorities-between-eu-and-azerbaijan-reinforce-bilateral-agenda_en

³ <https://www.consilium.europa.eu/en/meetings/international-ministerial-meetings/2020/12/18/>

⁴ Recommendations for the EU-Azerbaijan Cooperation Council adopted by the Council on 9 November 2021, doc. ST13432/21.

⁵ SWD(2021) 186 final.

chaired the 3rd EU-Azerbaijan high-level dialogue on security with the foreign policy adviser to President Aliyev, Hikmet Hajiyev.

Cooperation on connectivity has continued to play an important role in EU-Azerbaijan relations. Azerbaijan remains a strategic energy partner for the EU. The reporting period was marked by the completion of the **Southern Gas Corridor** (SGC) between Azerbaijan and Europe and the first dispatch of gas in December 2020. The SGC is proving to be a key supply of natural gas at the current critical energy juncture, on track to deliver at full capacity 10.5 billion cubic meters of gas to the EU in 2022. During the reporting period, two Advisory Council meetings on the SGC were organised in 2021 and 2022. In addition, a high-level technical workshop with Azerbaijan took place in February 2021 on the role of Azerbaijani natural gas in the energy transition in the Western Balkans as well as a meeting on the EU-Azerbaijan Energy Memorandum of Understanding took place on 13 May 2022.

Azerbaijan's **economy** has continued to recover from the impact of the **COVID-19 pandemic**, in the context of rising global energy prices. The EU remains Azerbaijan's largest **trade** partner, accounting for 44.8% of Azerbaijan's total trade in 2021. The EU is Azerbaijan's biggest export and import market with a 58.8% share of Azerbaijan's exports and a 18.3% share of its imports. Azerbaijan's exports to the EU remain dominated by fossil fuels. The EU is also one of Azerbaijan's largest foreign investors, in both the oil and non-oil sectors.

The EU supports Azerbaijan's economic diversification and promotes reforms to improve the business climate in the country, including through assistance for agriculture and rural development, and vocational education and training. The EU also continues to be the largest foreign donor supporting civil society in Azerbaijan.

As a result of a major wave of the **COVID-19 pandemic**, the government imposed strict lockdown measures in December 2020 and January 2021, which have since been gradually eased. Some COVID-related restrictions remain in place to control the spread of the virus while the vaccination is being rolled out. The country made a significant effort to vaccinate its population against the COVID-19 virus, reaching over 60% of the adult population by March 2022, mainly using Chinese-made vaccines (approx. 86%). Azerbaijan has also received around two million COVID-19 vaccines through COVAX facility. The EU, as part of the Team Europe approach, is the leading contributor to this facility. Azerbaijan has begun regulatory and technical preparations to join the EU Digital COVID-19 certificate system. Since the start of the pandemic, the EU has redirected EUR 31.6 million for **COVID-19 related assistance to Azerbaijan**.

2. Foreign and security policy

Azerbaijan continues to pursue a foreign and security policy based on a multi-vector approach, maintaining close relations with its neighbours Turkey, Russia, Iran and Georgia, and with countries in Asia (China, India, Pakistan, etc.).

Azerbaijan's relations with **Turkey** have further been strengthened following President Aliyev and President Erdogan signing the Shusha Declaration on Allied Relations between Azerbaijan and Turkey in June 2022, which entered into force in February 2022.

Azerbaijan signed a Declaration on Allied Interaction with Russia on 22 February 2022. It did not participate in the votes condemning Russian aggression against Ukraine in the UN General Assembly or the Council of Europe.

On 14 January 2022, Azerbaijan had also signed Joint Declaration on Deepening Strategic Partnership with Ukraine. After the Russian invasion of Ukraine, Azerbaijan offered to help

organise talks between the parties. Azerbaijan is providing humanitarian assistance to Ukraine and the first delivery of medicines, medical equipment and food products reached Ukraine already on 27 and 28 February. The State Oil Company of Azerbaijan Republic (SOCAR) has provided free fuel for ambulances and emergency services vehicles in Ukraine. Azerbaijan also provided humanitarian aid to Moldova to help people fleeing the Russian war against Ukraine.

Azerbaijan's relations with **Iran** have been developing, as shown by the bilateral dialogue and the signing of a Memorandum of Understanding on the development of railway infrastructure in June 2021 and the Memorandum of Understanding on the establishment of new communication links in March 2022. During the summer of 2021, however, large-scale military exercises along the Azerbaijani-Iranian border generated some tension in their bilateral relations.

In June 2021, the President Aliyev and **Chinese** President Xi Jinping underlined the need to promote the establishment of transport corridors in Europe and Central Asia.

On the **10 November 2020** the President of Azerbaijan, the Prime Minister of Armenia and the President of Russia signed a trilateral statement on ceasefire following 44 day war.

During the reporting period, the EU continued to call on all parties to strictly respect and implement the ceasefire arrangement, respect international humanitarian law, release all detainees and share all information that could prevent further loss of life. The EU emphasises that any war crimes that may have been committed must be investigated. The EU has urged all parties to refrain from any actions or rhetoric that could jeopardise the ceasefire. Armed confrontation between Armenian and Azerbaijani security actors along the un-delimited and un-demarcated Azerbaijan-Armenia border, particularly in May, October and November 2021 and in January and March 2022, demonstrated a fragile situation and highlighted the need for renewed efforts for a negotiated, comprehensive and sustainable settlement.

The **EU has been actively engaged** in promoting peace talks between the sides, through the direct involvement of the President of the European Council and the continued efforts by the HR/VP, as well as through the engagement and support provided by the EU Special Representative for the South Caucasus and the crisis in Georgia, Toivo Klaar, who made several visits to the region. President Michel hosted the third trilateral meeting with the leaders of Azerbaijan and Armenia on 22 May 2022⁶, following trilateral meetings on 6 April 2022 and on 14 December 2021 in the margins of the Eastern Partnership Summit⁷. Jointly with French President Emmanuel Macron, President Michel also held a virtual meeting with the two leaders on 4 February 2022⁸. These meetings contributed to the restoration of dialogue between the sides. During the 22 May trilateral meeting in Brussels, the sides reviewed the entire set of issues on the agenda, including connectivity, border demarcation and delimitation, and humanitarian issues, as well as work towards a future peace treaty. This meeting resulted in some tangible progress and outcomes, in particular agreement on the organisation of the first joint meeting of the Border Commissions, that took place on the inter-state border on 24 May, and agreement on the principles governing transit between western

⁶ <https://www.consilium.europa.eu/en/press/press-releases/2022/05/23/press-statement-by-president-michel-of-the-european-council-following-a-trilateral-meeting-with-president-aliyev-of-azerbaijan-and-prime-minister-pashinyan-of-armenia/>

⁷ <https://www.consilium.europa.eu/de/press/press-releases/2021/12/14/statement-of-president-charles-michel-following-the-trilateral-meeting-with-president-ilham-aliyev-and-prime-minister-nikol-pashinyan/>

⁸ <https://www.consilium.europa.eu/de/press/press-releases/2022/02/04/statement-of-european-council-president-charles-michel-and-french-president-emmanuel-macron-following-the-meeting-with-president-of-azerbaijan-ilham-aliyev-and-prime-minister-of-armenia-nikol-pashinyan/>

Azerbaijan and Nakhchivan and between different parts of Armenia via Azerbaijan territory, as well as on international transit transport through both countries. The Foreign Ministers were tasked with taking forward the process on the future peace treaty between Armenia and Azerbaijan. President Michel underlined to both leaders that the rights and security of the ethnic Armenian population in Karabakh need to be addressed.

The EU has provided **humanitarian assistance**, of more than EUR 17 million, to address the immediate needs of the civilian populations affected by the hostilities in Azerbaijan and Armenia. The EU has provided funding in the areas of **demining** and **mine risk education**, and is the leading donor on mine action in Azerbaijan. The EU has emphasised the importance of guaranteeing **humanitarian access** and the best possible conditions for the voluntary, safe, dignified and sustainable **return of the displaced populations**. It has also underlined the importance of preserving and restoring **cultural and religious heritage** in the conflict-affected areas and the need to involve international expertise, such as UNESCO.

The EU is ready to strengthen its support for conflict transformation and recovery in the South Caucasus. This includes support for recovery and socio-economic development of conflict-affected regions and, when conditions allow, heritage preservation, connectivity and broader peacebuilding and reconciliation work. The EU has also offered support on **border delimitation and demarcation**. In March 2022, the EU, the UN, and the World Bank in close cooperation with the Azerbaijani Government, carried out a joint scoping mission to identify a methodology that could help to address the specificities of recovery needs and support the development of the regained districts of Aghdam, Fuzuli and Jabrayil.

3. Strengthening institutions and good governance

3.1. Good governance, democracy, rule of law and human rights

The main **public administration reforms** focus on the implementation of the 2019-2025 civil service development strategy. In June 2021, the Council of Europe prepared a report on **decentralisation** following the third monitoring visit to Azerbaijan since the country ratified the European Charter of Local Self-Government and noted that major concerns remain as to the number of factors that impair the development of local self-government⁹.

No elections were held during the reporting period. The **electoral legal framework** still needs to be revised to align it with international standards and obligations, guarantee constitutionally protected rights and freedoms, eliminate gaps and ambiguities as well as address pending recommendations by ODIHR and the Venice Commission.

The 2017 **legislation on non-governmental organisations** was not amended during the reporting period, maintaining the strict 'single window' procedure for registering grant agreements. In May 2021, the Cabinet of Ministers adopted amendments providing for the electronic registration of grants, service contracts and donations¹⁰. The **grant registration procedure** remains long and challenging for most civil society organisations (CSOs), hindering EU support for civil society in Azerbaijan and the country in general.

The EU continues to **support civil society**. Funding under thematic programmes continued to be channelled through international organisations, while direct grants to CSOs are being provided under bilateral sectoral programmes in education and rural development. As part of the EU's response to the COVID-19 pandemic in Azerbaijan, the Rapid Response Mechanism of the Civil Society Facility funded three projects through small grants to CSOs.

⁹ <https://rm.coe.int/0900001680a2bb54>

¹⁰ <https://csometer.info/updates/azerbaijan-allow-electronic-submission-ngo-documents>

There are more than 4 500 registered CSOs in Azerbaijan, a relatively small number compared to other Eastern Partnership countries. The implementation of the **2020-2022 national action plan on the promotion of an open government**, approved by the President in February 2020, has progressed slowly and has so far not improved the operating space for CSOs or increased public control and participation. In April 2021, the **Agency for State Support to NGOs** was created by presidential decree, replacing the Council of the same name. The Agency is a public legal entity with broader competences compared to the Council¹¹.

In May 2021, the **European Court of Human Rights** (ECtHR) declared the refusal to register 25 NGOs to be in breach of the applicants' right to **freedom of association** under Article 11 of the European Convention on Human Rights¹². In October 2021, the ECtHR issued a decision condemning Azerbaijan '*for impeding the work of an NGO*'¹³. Similarly, in December, the Court ruled on a further violation of Article 11§1 (Freedom of assembly and association) of the ECtHR¹⁴.

Deficiencies in ensuring the protection of **human rights and fundamental freedoms**, notably **restrictions on freedom of assembly, association and expression**, including online, including under the pretext of safety measures against the COVID-19 pandemic, continue in fact to be of concern.

Several criminal cases are ongoing **against bloggers and editors of independent websites**¹⁵. Websites and social media pages belonging to opposition representatives and bloggers remain blocked¹⁶. Several journalists and bloggers continue to face **travel bans**¹⁷. Reportedly, at least three Azerbaijani journalists were exposed to surveillance through the Pegasus spyware¹⁸. **Defamation** remains a criminal offence that can lead to imprisonment, despite calls to decriminalise it¹⁹.

According to the **2021 World Press Freedom Index**²⁰, Azerbaijan was ranked 167 out of 180 countries (168 in 2020 and 166 in 2019). The **2021 freedom on the net report** again classified the internet in Azerbaijan as 'not free'²¹.

On 8 February 2022, President Aliyev enacted the **new Media Law**, adopted by the Parliament of Azerbaijan on 30 December on the basis of a draft prepared by the Azerbaijan Media Development Agency at the request of President Aliyev. The bill has been completed

¹¹ It can, *inter alia*, receive funds from sources other than the state budget, set-up branches and representations, and develop cooperation mechanisms between the state, the private sector and NGOs. The Agency's Advisory Board comprises eight NGO representatives and three public officials with a four-year tenure.

¹² *Mehman Aliyev and others v Azerbaijan* (Applications No 46930/10) and *Abdullayev and others v Azerbaijan* No 69466/14. In all cases, the applicants applied to the Ministry of Justice for registration of the NGOs they had set up, but the Ministry refused to register the NGO, each time finding various shortcomings in the submitted documents. The ECtHR also determined compensation for each of the applicants.

¹³ <https://www.ouest-france.fr/europe/azerbaidjan/l-azerbaidjan-condamne-par-la-cedh-pour-avoir-paralyse-le-travail-d-une-ong-e873f226-2cd4-11ec-9285-f388b2ea32b0>

¹⁴ *Election Monitoring Centre and Others v Azerbaijan* (Application No [64733/09](https://www.turan.az/ext/news/2021/3/free/Social/en/1852.htm/001)).

¹⁵ <https://www.turan.az/ext/news/2021/3/free/Social/en/1852.htm/001>

¹⁶ <https://rsf.org/en/azerbaijan>

¹⁷ <https://www.hrw.org/world-report/2021/country-chapters/azerbaijan>

¹⁸ <https://fom.coe.int/alerte/detail/104274511>

¹⁹ <https://www.coe.int/en/web/commissioner/-/commissioner-mijatovic-urges-the-azerbaijani-authorities-to-respect-freedom-of-expression-improve-access-to-lawyers-and-uphold-the-rights-of-internall>

²⁰ <https://rsf.org/en/azerbaijan>

²¹ https://freedomhouse.org/sites/default/files/2021-09/FOTN_2021_Complete_Booklet_09162021_FINAL_UPDATED.pdf

without prior consultation with relevant international organisations. According to the opinion of the Council of Europe Venice Commission issued on 20 June 2022²², the law has “*a problematic focus on restricting the activities of the media rather than creating the necessary conditions enabling the media to do fulfil their ‘public watchdog’ role*”.

Public assemblies organised by opposition groups continues to be denied authorisation and, when held, they are often dispersed by the police. On 3 December, the Committee of Ministers of the Council of Europe (CM) adopted an [Interim Resolution](#)²³ in relation to the *Gafgaz Mammadov group v Azerbaijan* case, calling on Azerbaijan to take measures to ensure that national legislation on **freedom of assembly** complies with the ECtHR. The CM noted with deep concern that the authorities have not yet presented the long-awaited plans for the implementation of the ECtHR decisions in the Gafgaz Mammadov group of cases.

Repression of political opposition activists through intimidation, arrests, detentions and court cases continue²⁴. The ILO also draw attention to political penalties, involving compulsory labour²⁵. In the aftermath of the unauthorised rally organised on 1 December 2021 in the centre of Baku to protest against the detention of opposition activist Saleh Rustamov, Musavat party member Tofiq Yagublu and other participants have reportedly been beaten by the police²⁶ but the investigation launched by the General Prosecution Office did not find sufficient evidence to open a criminal case.

Reported cases of **political prisoners** in Azerbaijan remain of concern²⁷. The Azerbaijani authorities still need to fully implement the relevant, binding judgments of the ECtHR²⁸. In this respect, the Committee of Ministers of the Council of Europe (“the CM”) issued a decision urging the authorities to make tangible progress in the individual and general measures required in *Mammadli group v Azerbaijan*²⁹. The CM adopted a similar decision in relation to the *Mahmudov and Agazade v Azerbaijan*³⁰ group of cases.

On 19 November 2021, **the Plenum of the Supreme Court**, in light of the judgment by the ECtHR (*Rashad Hasanov and Others - Mammadli group of cases*), examined the cases of NIDA movement members Rashad Hasanov, Zaur Gurbanli, Uzeyir Mammadli and Rashadat Akhundov. Having regard to the ECtHR’s conclusions in this judgment, it **quashed the applicants’ convictions**, discontinued criminal proceedings against them and awarded them compensation for non-pecuniary damage sustained **as a result of unlawful arrest and imprisonment**. During its examination of this group of cases, the CM has repeatedly underlined that the principle of “*restitutio in integrum*” (restoration to original condition) in each case in this group could only be achieved through the quashing of all the applicants’ convictions, the erasure of these convictions from their criminal records and the elimination of all other negative consequences of the criminal charges brought against them, including by

²² <https://www.coe.int/en/web/portal/-/azerbaijan-media-law-overregulation-in-an-already-restrictive-environment>

²³ <https://rm.coe.int/table-1419-eng/1680a45196>

²⁴ <http://www.turan.az/ext/news/2021/4/free/Social/en/2769.htm>

<http://www.turan.az/ext/news/2021/4/free/Social/en/3569.htm>

<https://www.turan.az/ext/news/2021/5/free/Social/en/3825.htm>

<http://www.turan.az/ext/news/2021/10/free/Social/en/8412.htm/001Video>

²⁵ https://ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_846963.pdf

²⁶ <https://www.hrw.org/news/2021/12/03/azerbaijan-opposition-leader-beaten-custody>

²⁷ <https://pace.coe.int/en/files/28584/html>

²⁸ <https://assembly.coe.int/LifeRay/JUR/Pdf/DocsAndDecs/2021/AS-JUR-2021-13-EN.pdf>

²⁹ https://search.coe.int/cm/Pages/result_details.aspx?ObjectID=0900001680a2b227; an Interim Resolution on the same subject had been adopted in March: CM/ResDH(2021)41.

³⁰ https://search.coe.int/cm/pages/result_details.aspx?objectid=0900001680a2b222

fully restoring their civil and political rights³¹. In relation to the *Mammadli* group of cases, in September the CM decided to close the examination over the implementation of the ECtHR verdict in the case of Natig Jafarli, a member of the political council from the Republican Alternative party (REAL)³²

In March 2021, President Aliyev signed a decree pardoning 625 people, including political party members, activists and a journalist. In May 2022, another decree allowed the release of 213 detainees, among which around 20 prisoners held on political charges. In March 2021, a reporter from the online news portal Anews.az was released and his prison sentence of 3 years and 6 months was commuted with a 2-year restrictive order³³. In July 2021, prison sentence for opposition member Tofiq Yagublu of 4 years and 3 months was commuted into probation of 2 and a half years³⁴. In September 2021, the Supreme Court reduced the prison terms of four convicts in the Ganja case. On 5 November, the Parliament approved the **Amnesty Act** to mark ‘Victory Day’ celebrated on 8 November.

Torture and other forms of physical ill-treatment against detainees by the police and other law enforcement agencies were reported in relation to a number of previous and ongoing cases³⁵. Cases of torture and ill-treatment were identified in the investigation of the ‘**Terter case**’³⁶.

On 19 November 2021, **Azerbaijan signed Protocol No 16 to the ECtHR**, allowing the highest courts and tribunals of any party to the ECtHR to request an advisory opinion from the ECtHR on questions of principle relating to the interpretation or application of the rights and freedoms defined in the Convention or the protocols thereto.

Although Azerbaijani multiculturalism welcomes expressions of cultural identity, restrictions on democracy and an absence of comprehensive legislation and consultative mechanisms prevent **national minorities** fully exercise their rights according to the Council of Europe Advisory Committee on the Framework Convention for the Protection of National Minorities³⁷. The protection and promotion of native languages of ethnic minorities is not encouraged or supported by local authorities, except for Russian and Georgian.

The rights of communities such as lesbian, gay, bisexual, transgender, intersex and queer (**LGBTIQ**) people are not fully recognised. The creation of ‘Equality Platform Azerbaijan’ is considered a positive step³⁸. On **gender equality**, the State Committee for Family, Women and Children's Affairs developed a package of amendments to improve the regulatory-legal framework on preventing domestic violence. A new hotline started to operate in December 2020 to provide information, reference and support to victims of **domestic violence**. Azerbaijan has a robust legal framework protecting women’s rights in general, including the

³¹ The applicants were all subject to arrest and detention in 2013-2016, which the ECtHR found to constitute a misuse of criminal law, intended to punish and silence them. The ECtHR found several violations concerning Article 5 (Right to liberty and security), Article 8 (Right to respect for private and family life) and Article 18 (Limitation on use of restrictions on rights).

³² Taking into account the payment of compensation by the government and the absence of other negative consequences on Jafarli after the termination of his criminal case in 2017, the Committee of Ministers considered the question closed.

³³ He was arrested in October 2020.

³⁴ He was detained in March 2020 and transferred to house arrest in September 2020.

³⁵ During meetings with several interlocutors, the EUD received information about cases of torture and ill-treatment by the police and law enforcement bodies.

³⁶ In 2017, 25 members of the Azerbaijani army and a number of civilians were sentenced to terms of imprisonment on charges of high treason for spying for the Armenian special services.

³⁷ <https://www.coe.int/en/web/baku/-/national-minorities-in-azerbaijan-new-report-published>

³⁸ <https://assembly.coe.int/LifeRay/EGA/Pdf/TextesProvisoires/2021/20211202-CaucasusLGBTI-EN.pdf>

rights of working women³⁹. Azerbaijan has not signed the **Council of Europe Istanbul Convention** on preventing and combating violence against women and domestic violence.

There are no major developments to report regarding **children's rights**.

On 26 and 27 April 2021 the 9th EU-Azerbaijan Subcommittee on Justice, Freedom, Security and Human Rights and Democracy took place in Brussels/Baku via video-conference. It provided the opportunity to express concerns, discuss, share updates and exchange views on the above-mentioned issues, as well as on issues related to justice and home affairs as presented in the following chapter.

3.2. Justice, freedom and security

The situation of the **independence** of the judiciary is of concern and challenges related to its **impartiality and effectiveness** remain.

Azerbaijan took further steps to implement the 2019 Presidential Decree on strengthening reforms in the **judicial system** and the 2020 open government action plan. The Ministry of Justice introduced digital tools and provided public e-services, which were particularly relevant during the pandemic. The situation of prominent lawyers and the independence of the judiciary remains of concern.

The **enforcement of court judgments** has continued to improve and specific performance indicators were developed to support broader monitoring and control over all requirements of the enforcement system. The Ministry of Justice, together with the EU and Council of Europe experts, have developed recommendations on setting up a system of enforcement timeframes and recovery rates as indicators of the efficiency of the enforcement system and to evaluate bailiffs' performance. The Supreme Court launched an electronic system for tracking decisions on its website⁴⁰.

The **mediation** law came into force in July 2021. There are more than 250 active mediators in the country, receiving around 200 cases per day. The Academy of Justice began to offer mediation training. Specialised training has been organised on family mediation.

In the area of **access to justice**, the construction of courts in Sumgayit city and Masalli region have been completed, including commercial and administrative courts and the Court of Appeal.

The Bar Association has played a central role in disciplinary proceedings against lawyers or disbarments on other grounds that have failed to meet international standards. Despite considerable national and international attention paid to cases of attacks on lawyers, there has been little progress with regard to the institutional independence of the Bar Association. Disciplinary procedures reportedly continue to be used as a means to put pressure on lawyers and no independent lawyers with experience in politically sensitive human rights cases were admitted to the Bar Association in 2021. While in May 2021, the Presidium of the Bar Association reinstated human rights lawyers Shahla Humbatova and Irada Javadova, who had been disbarred in March 2021 and in 2018, respectively, Azerbaijan has not yet enforced the two ECtHR judgments issued in 2020 in the cases of disbarred lawyers Elchin Namazov and Khalid Bagirov.

The 2021 **Corruption Perception Index from Transparency International** ranked Azerbaijan 128th out of 180 countries, a slight improvement compared to 2020 when

³⁹ <http://unazerbaijan.org/wp-content/uploads/2019/01/Women-in-the-private-sector-in-Azerbaijan.pdf>

⁴⁰ <https://sc.supremecourt.gov.az/decision/>

Azerbaijan was ranked 129th⁴¹. In the Addendum [to the Second Compliance Report on the Fourth Evaluation Round](#) focusing on preventing **corruption** in respect of members of parliament, judges and prosecutors, published in May 2021, **GRECO** acknowledges some progress in implementing the recommendations addressed to Azerbaijan in the Fourth Evaluation Phase. However, some outstanding issues remain unaddressed, including the lack of an effective system of asset disclosure for members of parliament, judges and prosecutors, and the need to strengthen the role of the judiciary within the Judicial Legal Council and eliminate the executive's undue influence over the Prosecutor's Office⁴².

Shortcomings continue in relation to **trafficking in human beings**, including on proactive identification efforts, continued insufficient inter-agency cooperation and a government moratorium on scheduled and unannounced labour inspections in 2021⁴³.

According to the State Commission on Combating **Drug Abuse and Illicit Drug Trafficking**, 6.5 tonnes of drugs and other psychotropic substances were seized in the first 11 months of 2021.

The Special Department on Coordination of Confiscation Issues at the Prosecutor's General Office has, for the first time, initiated the **recovery of assets** based in foreign countries. To date, the Special Department has confiscated 101 properties.

According to the **2020 Global Cybersecurity Index report**, Azerbaijan ranked 40th out of 194, rising 15 places since the previous report in 2018⁴⁴.

4. Economic development and market opportunities

4.1. Economic development

While in 2020 the Azerbaijani economy shrank by 4.3%, in 2021, **GDP** grew by 5.6%, which is the highest increase in the last 8 years. For the first time, nominal GDP exceeded AZN 90 billion, an increase of AZN 11 billion compared to the pre-COVID 2019. The economy of Azerbaijan expanded by 7.2% year-on-year in the first four months of 2022, led by 0.2% and 11.4% growth in the hydrocarbon and the non-oil and gas sectors respectively.

In 2021, **industrial production** grew by 5.6%. Non-oil and gas industrial production grew by 18.9% (11.9% in 2020), while industrial production in the oil and gas sector grew by 2.6%, following a decline of 6.9% a year earlier. Despite the significant growth in non-oil and gas industrial production, its share of total industrial production in 2021 remains low at 28.4%.

The favourable oil and gas markets' prices have led to a current account surplus of the **balance of payments**. The current account surplus amounted to USD 8.3 billion (15.2% of GDP) in 2021, compared with a deficit of USD 0.2 billion (0.5% of GDP) in the previous year.

A number of **state-owned companies** and enterprises and business entities with a share of state capital (Azerbaijan Airlines, Azerbaijan Railways, Baku Metro, BakuBus, State Insurance Commerce Company, Tamiz Shahar OJ SC, Azer-Turk Bank OJ SC, and

⁴¹ <https://www.transparency.org/en/cpi/2021>

⁴² <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/1680a28742>

⁴³ <https://www.state.gov/reports/2021-trafficking-in-persons-report/>

⁴⁴ <https://www.itu.int/epublications/publication/D-STR-GCI.01-2021-HTM-E>

International Bank of Azerbaijan OJ SC)⁴⁵ were transferred to the management of the Azerbaijan Investment Holding (AIH).

The Central Bank of Azerbaijan tightened monetary policy in the course of 2021 and in early 2022. The **investment climate**, although remaining generally stable, continues to be affected by challenges related to transparency of public procurement, access to finance and the rule of law. Competition in the banking sector needs to be improved.

In February 2021, Azerbaijan adopted five new **national priorities for socio-economic development until 2030**⁴⁶, mostly convergent with those of the 2020 Joint Communication. In July 2021, President Aliyev signed a decree **reorganising the economic regions of the country**⁴⁷.

In the area of **public finance management**, the EU continued to provide support for building capacity at the Ministry of Finances and other pilot Ministries in relation to the medium-term expenditure framework and for the Tax Service in the Ministry of Economy on tax dispute resolution.

On **employment**, steps were taken to implement the 2020-2025 action plan on implementing the 2019-2030 employment strategy⁴⁸, including by amending the relevant legislation. In 2021, around 16 232 people (of which 3 317 conflict veterans and family members of those who died in the armed conflict) have been provided with assets and training to set up small enterprises and farms as part of the self-employment programme implemented by the State Employment Agency. The Ministry of Labour continued the **digitalisation** of its systems, creating an e-system for all work applications. The registration of unemployed people and job seekers and the development of individual employment programmes have also been digitalised.

In 2021, the average **monthly nominal wage of employees increased by 3.4%**, to AZN 732 (EUR 360). The highest wages were in the mining, financial and insurance, science, information and communications, and transport and logistics sectors.

The average monthly **pension** increased by 9%, to AZN 331. In 2021, pension expenditure amounted to AZN 4.6 billion, which is AZN 118 million more than in 2020. In 2021, over AZN 1 billion was spent on **social benefits and social welfare allowances**, which is 28% more than in 2020.

In 2021, 56 000 people took part in the paid social work programme implemented by the State Employment Service. In addition to employment, the programme provides an opportunity for people to acquire skills by working in different fields of activity.

Tourism continued to decline in 2021 due to the COVID-19 pandemic, registering with a 25% decrease in the number of tourists compared to 2020 and a 79% decrease compared to 2019. During the reporting period, the number of tourists arriving from the EU decreased by around 75%.

Following the outbreak of the COVID-19 pandemic, in terms of **medical infrastructure**, the Azerbaijani authorities made substantial financial allocations to improve the country's

⁴⁵ <https://president.az/articles/53170>; <https://president.az/articles/53169>; <https://president.az/articles/53171>; <https://report.az/en/infrastructure/azerbaijan-airlines-azerbaijan-railways-baku-metro-transferred-to-azerbaijan-investment-holding-order/>

⁴⁶ <https://president.az/en/articles/view/50474>

⁴⁷ <https://president.az/articles/52389>

⁴⁸ <https://president.az/articles/35787>

existing medical capacity. The Government allocated EUR 1 billion to COVID-19 support measures.

Driven by increased overall state support and a bundle of COVID-19 specific measures, the **agriculture and food sector** continued to perform well during the reporting period, with an 8% year-on-year increase in agricultural output for January-December 2021⁴⁹. **Agricultural exports** increased by 15%⁵⁰. The re-organisation and consolidation of the agricultural administration continued. Following the presidential decree on measures to improve the **veterinary services** adopted in April 2020, the Agrarian Services Agency (AXA) progressed with the privatisation of veterinary services. Based on the 2019-2025 **food safety** programme, aiming to bring Azerbaijan's food safety system in line with international food safety standards, the number of food business operators registered during the reporting period rose from 18 000 to around 20 560, out of an estimated 50 000 requiring registration.

The EU supported **regional development** in Azerbaijan, including **rural development, agriculture and food safety**, through the **EU4Lankaran programme** focused on the fruit and vegetable sector and the green economy in the Lankaran region. In the planned annual bilateral programme for 2021, the EU has allocated additional funding to support regional and rural developments in the target areas of Barda, Tartar and Aghdam. This includes support for increased competitiveness and development of selected value chains, social and environmental sustainability, innovative and market-oriented rural development and agricultural production, and improving community infrastructure to promote new employment and the social inclusion of women and young people.

4.2. Trade and trade-related matters

The **trade surplus** in 2021 amounted to USD 10.5 billion (an increase of 348.9% compared to same period in 2020) or 19.3% of GDP, with exports of USD 22.2 billion (40.8% of GDP) and imports of USD 11.7 billion (21.5% of GDP). The oil and gas sector accounted for 86.9% (versus 87.3% a year earlier) of exports of goods. Export of non-oil products increased by 47.2% and reached its highest historical figure in 2021. In 2021, the volume of **trade turnover of Azerbaijan with the EU** countries amounted to USD 15.2 billion, which is 71.2% more than in the same period in 2020, according to the State Statistical Committee.

In December 2021, Azerbaijan's **foreign exchange reserves** of the central bank increased to USD 7.6 billion, compared with USD 7.2 billion in the previous month, whereas the reserves of the sovereign wealth fund (SOFAZ) amount to some USD 45 billion. The growth of reserves is due to positive trends, including in the oil and gas market. In 2021, Azerbaijan exported oil at an average price of USD 65.88 per barrel.

The EU continued to support the Government of Azerbaijan in **improving competitiveness and expanding export opportunities** through the development of non- exports that will also help mitigate the negative economic impacts of COVID-19.

Despite COVID-19 pandemic challenges, technical progress has been registered in the World Trade Organization (WTO) accession of Azerbaijan. In April 2022, the Government attended technical sessions at the WTO in Geneva. The EU has provided technical assistance since 2018. The Deputy Prime Minister has been appointed the chairman of the state commission on Azerbaijan's membership if the WTO.

⁴⁹ Source: State Statistics Committee.

⁵⁰ Source: State Customs Committee.

5. Connectivity, energy efficiency, environment and climate action

In Azerbaijan, administrative changes were introduced by the Presidential order of 11 October 2021 renaming the Ministry of Transport, Communications and High Technologies into the Ministry of Digital Development and Transport. The State Maritime and Port Agency, the Agency for Information and Communication Technologies, the Agency for Innovation and Digital Development, and the Land Transport Agency were established under the Ministry of Digital Development and Transport.

The negotiations on the **EU-Azerbaijan Common Aviation Area Agreement** have been stalled since 2017. The Azerbaijani Airlines – **AZAL** - continued to renew its fleet. **Fuzuli Airport** has received international status and the first test flight was carried out in September 2021.

Azerbaijan, Georgia and Turkey signed a **trilateral protocol** on the **Baku-Tbilisi-Kars railway** at a ministerial meeting in October. The protocol aims to reduce transport time for transit goods by rail and increase overall efficiency. The signatories to the protocol assessed the project's effectiveness, and stressed the importance of reducing time spent on transporting transit goods by rail and increasing the efficiency of the Baku-Tbilisi-Kars project as a whole.

Azerbaijan is a strategic **energy** partner for the EU, currently supplying around **4.3% of the EU's oil imports** and playing a pivotal role in bringing gas from the Caspian Sea to European markets through the SGC. In 2021, over 8 billion cubic metres of Azerbaijan gas has been shipped to Europe through the SGC. Azerbaijan's remaining commercial liquid reserves (crude and condensate) are indicated to be 7.0 billion barrels.

In January 2021, the Foreign Ministers of Azerbaijan and **Turkmenistan** signed a provisional agreement on the joint exploration and development of the once-disputed 'Dostlug' hydrocarbons field in the middle of the Caspian Sea. Discussions on a possible extension of the SGC to the Western Balkans are ongoing; a high-level technical workshop with Azerbaijan took place in February 2021 on the role of Azerbaijani natural gas in the energy transition in the Western Balkans.

Control over the **domestic energy sector** strategy remains fully in state hands with distribution and transmission networks that are operated almost exclusively by large state-owned enterprises. Azerbaijan's long-term energy strategy for 2021-2050 has been prepared by the Ministry of Energy, with EU support.

On **energy efficiency**, in August 2021, President Aliyev signed a decree on the application of the Law on the Efficient Use of Energy Resources and Energy Efficiency. It includes a requirement to develop a five-year national energy efficiency action plan. The Ministry of Energy requested technical assistance in drafting the secondary legislation and building capacity in the Ministry. The first steering committee of the Eastern Europe Energy Efficiency and Environment Partnership (E5P) for Azerbaijan was held in October 2021.

As regards the **environment**, the Presidential order of 2 February 2021 'Azerbaijan 2030: national priorities for socio-economic development' calls for a high quality ecological environment and highlights the importance of using clean energy sources, waste recycling and rehabilitating contaminated areas. This document also recognises a 'sustainably growing competitive economy', a 'clean environment' and a 'country of green growth' among the five national priorities.

The latest figures showed that 17% of the total energy capacity in Azerbaijan is provided by **renewables**. Only 5.5% of the energy produced by the country's power plants originated from renewables (including hydro-power plants), while 94.5% came from natural gas. Azerbaijan

has shown a growing interest in increasing the share of renewables in the country's energy mix, however a specific energy strategy on renewables or an action plan to achieve this objective has yet to be developed.

In terms of **climate action**, Azerbaijan has not yet submitted its updated Nationally Determined Contribution (NDC) for 2021-2030 neither a Long Term Low Emission Development Strategy to the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC), although this is required under the Paris Agreement framework. Azerbaijan's first NDC of 2017 expressed the country's commitment to a target of reducing its greenhouse gas emissions by at least 35% and striving towards a 40% reduction in greenhouse gas emissions compared to 1990 levels.

Currently, Azerbaijan does not have a **national hydrogen strategy** and there is no domestic production of blue or green hydrogen or use of H₂ in fuel cell vehicles. Azerbaijan is not a Global Methane Pledge member, and SOCAR has not joined the Oil and Gas Methane Partnership, of which other SGC companies are already members.

6. Mobility and people-to-people contacts

On 5 April 2022, the 8th Azerbaijan-EU Partnership and Cooperation Agreement Subcommittee meeting – People-to-people 'Employment and social affairs, public health, training, education and youth, culture, information society, audio-visual, and science and technology' took place.

During the reporting period, the pandemic caused a significant reduction in **visas** issued to Azerbaijani citizens for travelling to the EU Member States. Despite the fact that 2020 and 2021 were challenging years for travelling, around 12,000 (in 2020) and 14,000 (in 2021) applications were lodged at Member States' consulates in Azerbaijan. The number of visa issued in Azerbaijan, as well as the percentage of those entitling to multiple entries, has been increasing in 2020 and 2021.

Overall, the cooperation on **readmission** with Azerbaijani authorities, both in Baku and in the diplomatic missions, remained satisfactory. COVID-19 related restrictions continued to impact the cooperation on readmission to a certain extent, as regards the possibility for forced returns via charter flights. In 2021, Member States issued 935 return decisions to nationals of Azerbaijan, and 365 persons were returned to the country⁵¹. Since the entry into force of the EU-Azerbaijan Readmission Agreement in 2014, six Joint Readmission Committees (JRC) have taken place. The 7th JRC took place on 22 June 2022 in Brussels, back-to-back with the Joint Visa Facilitation Committee. No **implementing protocol**, as provided for under Article 20 of the EU-Azerbaijan Readmission Agreement, has been finalised yet.

Azerbaijan has gradually **lifted covid-related restrictions to non-essential travel** to the country for citizens and permanent residents of EU Member States and a number of third countries.

Azerbaijan has begun regulatory and technical preparations to join the EU Digital COVID-19 certificate system, however no further steps have been taken to align with the EU system. Azerbaijan has received the mutual recognition of digital certificates. In practice, Azerbaijan had already recognised the EU Digital COVID-19 certificate presented by EU citizens travelling to Azerbaijan.

⁵¹ Based on consolidated ESTAT quarterly data 2021 Q1-Q4 as it stood in June 2022 on third country nationals ordered to leave and third country nationals returned following an order to leave.

The EU continued to support the implementation of the Mobility Partnership in Azerbaijan through **MOBILAZE 2 project**. The project started in June 2021 and aims to help develop migration policy, improve institutional capacity building, improve labour migration governance, provide information and raise awareness on the regulation of migration processes in Azerbaijan.

In July 2021, the **Education Development Fund** was established under the Ministry of Education, with the status of a public legal entity. The Fund will finance programmes and projects to develop the education system and assist the rehabilitation/modernisation of public educational institutions. In 2021, 94 researchers were granted scholarships to pursue doctoral studies abroad under the state programme. Overall 127 doctoral students are studying in 62 universities in 20 countries in six priority specialties within the state programme. Within the framework of intergovernmental **scholarship programmes** in the 2021-2022 academic year, **200 Azerbaijan students** studied in various specialties in 41 higher educational institutions in six different countries.

Azerbaijan expressed interest to reinforce its bilateral cooperation with the European Union in the field of **research and innovation**. Azerbaijan participated as a third country in the EU framework programs for research and innovation, Horizon 2020, and signed 16 grant agreements for an overall EU direct contribution of EUR 601.489 Euro in the area of inclusive, innovative and reflective societies, food and sustainable agriculture.

In 2021, the Government continued to support the reform of **vocational education and training** (VET) by modernising infrastructure and strengthening the technical base for vocational education institutions across the country. Online student admission processes took place in 66 vocational schools in 120 specialties. The number of applicants increased by 26% and the number of students admitted increased by 12.5%, compared to the previous year⁵². The EU continued to support the VET sector in Azerbaijan through a flagship project aimed at developing a coherent national VET system, focusing on institution building, system development and system delivery issues.

In the field of **health**, the EU has been actively supporting Azerbaijan in mitigating the impact of the COVID-19 pandemic on the people and the country's health system. In partnership with the World Health Organisation, the EU has launched two regional programmes to respond to emergency needs and deliver medical supplies, as well as to strengthen preparedness and local readiness for safe and effective vaccination of the population. The latter EU-funded support included training of health managers and medical staff involved in the vaccination campaign, key logistical support for the delivery and handling of the vaccines and supplies, vaccination data and safety monitoring. The EU continues to strengthen the resilience and governance of the health system through the annual bilateral programme of 2021.

In May 2021, further amendments to the **health insurance law** were adopted, whereby a 50% discount (up to the AZN 8 000 salary threshold) will be applied to medical insurance premiums paid by employers and employees working in the non-governmental and non-oil and gas sector until 1 January 2022⁵³.

7. EU financial assistance

The EU has continued to support Azerbaijan in the **implementation of the Partnership Priorities** and is providing bilateral assistance in a wide range of sectors, including

⁵² Data from the State Agency on Vocational Education.

⁵³ <http://e-qanun.az/framework/47865>

agriculture and rural development, and education. Azerbaijan continued to use **Twinning and TAIEX**. More specifically, TAIEX assistance helped the public administration to adapt to the new challenges posed by the COVID-19 pandemic, and focused on areas such as higher education, food safety and the rule of law. In addition, the Twinning instrument continued to provide support for standardisation, business statistics, higher education, agriculture, customs and the fight against domestic violence.

Azerbaijan benefited from a number of the **EU regional programmes**, including EU4Business, EU4Energy, EU4GenderEquality, TOPCOP, EU4Integrity, EaP Asset Recovery, EU4Monitoring Drugs, EU4Environment, EU4Climate, EU4Youth, EU4Digital, EU4Dialogue, Statistics through Eastern Partnership (STEP), Council of Europe Partnership for Good Governance and CyberEast project. EU assistance at local level took place under the Covenant of Mayors for Climate and Energy and the Mayors for Economic Growth (M4EG). Azerbaijan also benefited from EU programmes such as ERASMUS+ and HORIZON 2020.

To follow up on the Joint Communication “Eastern Partnership Policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all” (March 2020)⁵⁴ and on the Council Conclusions of May 2020⁵⁵, on 2 July 2021, Commission and EEAS presented the joint staff working document ‘Recovery, resilience and reform: post 2020 Eastern Partnership priorities’⁵⁶ that puts forward the renewed Eastern Partnership agenda structured around two main pillars on governance and investments. Investments are supported by the **Economic and Investment Plan** and this area of work aims to boost socio-economic recovery and strengthen the partners’ resilience by using specific EU tools, including blending and guarantees, to foster sustainable development and leverage public and private investment. The Plan includes **five flagship initiatives for Azerbaijan**: (i) support for green connectivity (ii) support for digital connectivity; (iii) support for Small and Medium sized Enterprises; (iv) innovative rural development; and (v) smarter and greener cities. In view of the Economic and Investment Plan, the EU has been actively engaging with the European international financial institutions and the government of Azerbaijan to unleash the full potential of investments and bring tangible benefits to people. Altogether, the Plan could mobilise around EUR 2 billion in public and private investments for Azerbaijan. In addition, the 2021-2027 Multiannual Indicative Programme for Azerbaijan was adopted on 31 January 2022.

8. Conclusion and outlook

During the reporting period, the Azerbaijan authorities continued to pursue **reform processes** aiming to further diversify and modernise the economy and expand trade opportunities. The EU will continue to support the economic diversification and recovery of Azerbaijan and promote reforms – including of the judiciary – to improve the business climate in the country and benefit the people.

Two parallel negotiations are still ongoing. Negotiations on the new **EU-Azerbaijan agreement** remain a priority for EU-Azerbaijan relations. Exchanges between the two sides have resumed after a two-year standstill since July 2019. There has been no progress on negotiations on the **EU-Azerbaijan Common Aviation Area Agreement**.

The **Eastern Partnership Summit** reaffirmed the EU’s strong commitment to advance its relations with the partner countries. The renewed Eastern Partnership policy will be structured around pillars of governance and investments, which are closely interlinked, to strengthen

⁵⁴ JOIN(2020) 7 final

⁵⁵ Council Conclusions on Eastern Partnership policy beyond 2020, 11 May 2020, 7510/1/20.

⁵⁶ SWD(2021) 186 final.

recovery, resilience and reforms. The **Economic and Investment Plan**, including the flagship initiatives for Azerbaijan announced in 2021, will remain a key element for fostering public and private investments, boosting the post-pandemic socio-economic recovery and creating decent jobs, as well as stimulating innovation and fast-tracking the green and digital transition.

The EU will follow up on the implementation of the joint Partnership Priorities with particular attention to **human rights and fundamental freedoms**, which represent a key element in EU's relations with Azerbaijan. The EU will continue to address ongoing issues related to the protection of human rights, democracy and fundamental freedoms, including via regular dialogue with Azerbaijan.

Finally, the EU will continue to facilitate dialogue and support confidence-building measures between Armenia and Azerbaijan, including through providing assistance to conflict-affected populations, with the overarching goal of promoting a Southern Caucasus that is secure, stable, peaceful and prosperous, for the benefit of all people living in the region.