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**PROJECT DOCUMENT**

**Republic of Azerbaijan**

**Project Title:** Support to Sustainable Tourism Development in the Regions of Azerbaijan

**Project Number:** 00119230

**Implementing Partner:** State Tourism Agency of the Republic of Azerbaijan

**Start Date:** April, 2021 **End Date:** April, 2024 **PAC Meeting date:** 19 November 2019

**Brief Description**

The long-term objective of the project is to accelerate the development of sustainable tourism in Azerbaijan's regions for the purpose of stimulating economic growth and improving community development, while protecting its unique social, cultural and environmental heritage. The project seeks to address the underlying barriers hindering the development of Azerbaijan's regions as attractive tourism destinations in an integrated manner. It offers five inter-linked Solutions that are expected to trigger positive changes in the following performance areas: 1) management and organization of regional tourism institutions; 2) community engagement and empowerment; 3) improvement of tourism-related infrastructure and services, 4) awareness building and promotion to increase regional visitation, and 5) raising quality of vocational education in tourism-related occupations. The project's geographic scope covers two tourism corridors – Baku-Balakan and Baku-Gusar, and city of Mingachevir that hosts Mingachevir Tourism College.

<p><b>Contributing Outcome (UNDAF/CPD):</b></p> <p>CPD Outcome 1. By 2020, the Azerbaijan economy is more diversified and generates enhanced sustainable growth and decent work, particularly for youth, women, persons with disabilities and other vulnerable groups</p> <p><b>Indicative Output(s) with gender marker<sup>2</sup>:</b></p> <p><b>Output 1:</b> Management and organisation of regional tourism institutions are strengthened (GEN 1)</p> <p><b>Output 2:</b> Community members are enabled to engage in tourism sector through awareness raising, capacity building and quality standards (GEN 2)</p> <p><b>Output 3:</b> Tourism-related infrastructure and services are upgraded (GEN 1)</p> <p><b>Output 4:</b> Tourism sites and experiences communicated and promoted to industry and consumers (GEN 1)</p> <p><b>Output 5:</b> Management and standards of Mingachevir Tourism College are strengthened (GEN 1)</p>	<b>Total resources required:</b>	<b>US\$ 4,431,736</b>	
	<b>Total resources allocated:</b>	<b>UNDP TRAC:</b>	\$25,000
		<b>Donor:</b>	
		<b>Government:</b>	\$4,406,736
		<b>In-kind:</b>	
	<b>Unfunded:</b>	0	

Agreed by (signatures):

Government	UNDP	Implementing Partner
 Fuad Nagiyev Chairman of the State Tourism Agency of the Republic of Azerbaijan	 Alessandro Fracassetti UNDP Resident Representative in Azerbaijan	 Fuad Nagiyev Chairman of the State Tourism Agency of the Republic of Azerbaijan
Date: 15/04/2021	Date: 15 April 2021	Date: 15/04/2021

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## LIST OF COMMONLY USED ACRONYMS

ATB	Azerbaijan Tourism Board
CPD	Country Programme Document
DMO	Destination Management Organization
DMP	Destination Management Plan
EU	European Union
GDP	Gross Domestic Product
IDPs	Internally Displaced Persons
JICA	Japan International Cooperation Agency
MSMEs	Micro, Small and Medium Enterprises
MTC	Mingachevir Tourism College
NGOs	Non-governmental organizations
PB	Project Board
PMU	Project Management Unit
PPP	Public-Private Partnership
RMC	Reserve Management Centre
SBAA	Standard Basic Assistance Agreement
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
STA	State Tourism Agency
TIC	Tourist Information Centre
UNAPF	United Nations Azerbaijan Partnership Framework
UNDP	United Nations Development Programme
UNWTO	United Nations World Tourism Organization

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## I. DEVELOPMENT CHALLENGE

Tourism is one of the largest and most profitable industries in the world. This industrial sector has significant impact on the society, including job creation, economic growth, and infrastructural development. Tourism as the third highest world category in export earnings in 2015, represents 10% of world GDP, 30% of services exports and 1 out of every 10 jobs in the world<sup>1</sup>.

As one of the important sub-sectors of the tourism industry the rural tourism plays the role of a driving force in the economic growth and diversification, and development of rural destinations. The rural areas may frequently find themselves in situations of economic decline, as a consequence of the fall in agricultural production, the loss of a part of their human resources who emigrate to the cities, and the thin infrastructure endowment. The fostering of sustainable regional tourism can be a key mechanism that contributes to development. This permits not only protection of heritage and promotion of the cultural identity of the community, but also can lead to increases in income, living standards and productive employment opportunities for the population, ensures competitiveness of the private sector, enhances safety, and minimises emigration of populations from regional areas to cities while maintaining ecological balances, traditional patterns and cultural features. Development of rural tourism is one of the most appropriate ways of rescuing rural areas against social, economic, and environmental issues and problems and gaining equitable socio-economic and territorial development.

Azerbaijan has great potential to attract a large number of tourists and turn into a competitive tourism destination. Located between the Caspian Sea and Caucasus Mountains, the country is blessed with natural attractions, mild climate, historically rich cultural diversity, delicious local food and last but not the least, Azerbaijan is a safe place to visit. Having these ingredients in abundance is creating a case for Azerbaijan to develop its tourism industry more intensively.

The government of Azerbaijan prioritised development of the tourism sector as a part of its policy to diversify economy and reduce reliance on the hydrocarbons. In 2016, the President of Azerbaijan endorsed the Strategic Roadmap on the Development of Tourism Industry that identifies strategic objectives and priorities for the short-, mid- and long-term horizon. As part of the roadmap, the government initiated the institutional reform and created the State Tourism Agency with the purpose of development and implementation of the tourism policies. The government also made a number of important steps to boost the influx of tourists, such as liberalization of the visa regime, increased Azerbaijan's visibility on the international market and invested into infrastructural development, in particular, transportation and roads. In addition, double devaluation of local currency – Manat – in 2014 – 2015 and lowering of hotel prices made Azerbaijan a cheaper destination for international tourists<sup>2</sup>. Over the past five years (2014-2019) the share of tourism as GDP contributor has grown by 14.3%, and the country has seen 32.6% increase in the number of tourists<sup>3</sup>.

However, there is a disparity in the level of visitation between Baku and the rest of Azerbaijan. In 2018, Baku received almost twice as many tourists as all other parts of the country - 1.1 million against 600,000. Behind these figures are a number of significant challenges that hinder the development and positioning of Azerbaijan's regional areas as competitive tourism destinations. These challenges are summarized below:

Transition to new institutional framework at the regional level: Up until 2019, tourism functions in the regional areas were handled by the STA's tourist information centres (TICs) which had responsibility for providing and collecting tourism information and also advising on tourism planning and development, marketing, finance and administration. With the first Destination

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<sup>1</sup> <http://tourism4sdgs.org/tourism-for-sdgs/tourism-and-sdgs/>

<sup>2</sup> The Travel and Tourism Competitiveness Report 2017, World Economic Forum

<sup>3</sup> Source: State Statistics Committee of the Republic of Azerbaijan

Management Organizations (DMOs)<sup>4</sup>, in Azerbaijan being created in 2019, a new institutional framework for the management of tourism in the country's regional areas is being established. Presently, there are two well-established DMOs in Azerbaijan, one in the Sheki-Balakan region and one in the Guba-Gusar region and an additional two newly-established DMOs launched in late 2019 covering the Lankaran-Astara region and the Ganga-Qazakh region. With plans to establish a further two DMOs in 2021, a total of six DMOs will be providing services in Azerbaijan, covering all the regions of the country.

To be sustainable, further support is required to help formalise and institutionalise the DMOs and to establish a structure for regional tourism development in Azerbaijan, and to foster multi-stakeholder engagement that enables greater participation and benefits to the private sector and local communities. Within this context, priority should be given to the first two DMOs (Sheki-Balakan, Guba-Gusar), who may act as a model to the other newly-established and planned DMOs for Azerbaijan.

High tourism potential of regional areas: Azerbaijan's regional areas have the potential to be positioned as important destinations for nature, adventure, culture, health and wellness and special interest experiences. They offer a significant array of assets including mountains, national parks, historical and archaeological sites, thermal springs, cultural villages and colourful ethnic people. The vast majority of these natural, cultural and man-made resources are however undeveloped and their potential to become places of learning, leisure and recreation for the local community as well as visitors remains unrealised. Moreover, while developing attractions is important, experiences surrounding the attractions must be developed and relevant services and infrastructure developed. The opportunity exists to expand nature activities such as hiking, boating and cycling, develop cultural experiences such as festivals, cooking classes and handicraft products, expand on the range of wellness and health experiences such as hamams, spas and traditional herbal products, and increase specialist activities such as rock climbing, birdwatching and fishing.

Capacity building and training: While co-ordination, products and marketing are all critical factors in establishing competitive regional tourism destinations, if the human resources do not have the capacity then quality standards will be low and visitors will not have a satisfactory experience. STA has embarked on conducting a training needs analysis of the tourism industry in Azerbaijan's regional areas focusing primarily on accommodation, restaurants and wineries. This information should form the foundation of a strong, strategic and targeted capacity building and training programme. Technical skills such as front desk, customer service, housekeeping and food service need strengthening as well as business management skills such as marketing and accounting. Further to this, the programme will need to be expanded to include other sub-sectors such as handicrafts, local guides and transport. Communities need to be made aware of the opportunities and benefits of working in tourism, students should be encouraged to select hospitality and tourism for their further education and career path and quality of tourism education should be improved.

Tourism infrastructure: Building and restoration of more than 5000 kilometres of motor roads of national and local importance, construction of more than 100 bridges and tunnels, and the improvement of water, gas and electricity supply in regions, and the building and restoration of public facilities have paved the way to continuous and sustainable development of regional tourism. The establishment and operation of the "Shahdagh Tourism Center" has brought new tourism facilities and attractions in the North has considerably increased the tourism potential of the region and created favourable conditions for thousands of local and foreign visitors to

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<sup>4</sup> The United Nations World Tourism Organization (UNWTO) defines a Destination Management Organization (DMO) as: The leading organizational entity which may encompass the various authorities, stakeholders and professionals and facilitates tourism sector partnerships towards a collective destination vision. The governance structures of DMOs vary from a single public authority to a public/private partnership model with the key role of initiating, coordinating and managing certain activities such as implementation of tourism policies, strategic planning, product development, promotion and marketing and convention bureau activities (Download: <http://cf.cdn.unwto.org/sites/all/files/docpdf/terminologydm.pdf>).

benefit from the high quality services offered by this recreation center. In recent years many 4- and 5-star hotels have also been built in regional areas which provides a good indication of the favourable investment environment and broad potential that exists in Azerbaijan's regions.

Apart from successful implementation of public infrastructure projects in regions, there is a need to take into account the actual present-day challenges of the tourism industry in order to meet international tourism sector standards. A sustainable regional tourism industry can only be successfully established if it is supported by the implementation of sound infrastructure projects such as buildings, transportation, energy, water supply and waste management systems. At present there are ample possibilities to increase service facilities for visitors along the tourism corridors, in key rural tourism areas, and along priority hiking trails. Walking tracks, viewing points, camping or day use areas, waste management facilities, toilets or car parks should be developed and upgraded to meet the increasing needs of consumers. These upgrades will help make more positive experiences leading to increased satisfaction for visitors and the local community alike.

Limited awareness and promotion of regional tourism destinations: The Azerbaijan Tourism Board is making significant progress in building awareness amongst priority international markets of Azerbaijan as an attractive holiday destination in the region. Much of the attention of international marketing efforts and subsequent travel itineraries of visitors tends to focus on spending most time in Baku, and relatively limited time in the country's regional areas. Moreover, there is significant potential to bolster regional visitation by untapping the domestic market primarily based in Baku who are crying out for great quality places to see and experiences to enjoy outside the nation's capital.

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## II. STRATEGY

The project will serve the long-term objective of accelerating the development of sustainable tourism in Azerbaijan's regional areas for the purpose of stimulating economic growth and improving community welfare, while protecting its unique social, cultural and environmental heritage. The project supports the achievement of the national goals reflected in the Tourism Strategic Roadmap, in particular Strategic Goal 3 that prioritizes developing various types of rural tourism and development of tourism infrastructure, and Strategic Goal 4, related to the establishment of the national tourism quality system. The State Programme on the Socio-Economic Development of Regions of the Republic of Azerbaijan for 2019-2023 also emphasises the promotion of rural tourism as one of the priorities for regional development in terms of the rational use of the natural potential of the regions and the improvement of employment opportunities and livelihoods of rural people.

The project is also fully aligned with the UNDP CPD priorities and directly contributes to the UNAPF/CPD Outcome 1: "By 2020, the Azerbaijan economy is more diversified and generates enhanced sustainable growth and decent work, particularly for youth, women, persons with disabilities and other vulnerable groups". The project contributes to Sustainable Development Goals 1 No Poverty, SDG 4 Quality Education, SDG 10 Reduced Inequalities, SDG 11 Sustainable Cities and Communities.

The project's strategy was informed by a series of studies and reports that analyse the main challenges hindering the development of regional tourism and propose specific measures for improvement. These are:

- i) 2017 Final Report of the Data Collection Survey on Tourism Development in Azerbaijan, JICA;
- ii) The Travel and Tourism Competitiveness Report 2017, World Economic Forum;
- iii) Travel and Tourism Economic Impact 2018, Azerbaijan, World Travel and Tourism Council;
- iv) Assessment Report of the Tourism Information Centres and Regions, 2018, ATB;
- v) North-West Tourism Corridor Development Strategy, 2015, World Bank;
- vi) Azerbaijan's Economic Reforms Review, 2017, Centre for Analysis of Economic Reforms and Communication.

Building on these documents, the project's strategy seeks to achieve positive changes in four performance areas - Institutions, Communities, Infrastructure, and Communication & Promotion. It offers inter-linked *Solutions* for each performance area, with a geographical focus on two tourism corridors – Baku-Balakan and Baku-Gusar that can later serve as a model approach for other corridors:

### **Solution 1. Institutional strengthening**

Solution 1 will promote enhanced coordination and management of regional tourism institutions. This component will involve building an enabling framework for the local and regional private sector, public sector and local communities to have a voice in tourism planning, management and governance. The component will also enable the formulation of new policies supporting sustainable tourism in regional areas and the improved management of socio-cultural and environmental impacts on communities and the local environment. The interventions will benefit regional DMOs, Reserve Management Centre (including "Basqal" State Historical and Cultural Reserve, "Yukhari Bash" State Historical and Architectural Reserve, "Khinaliq" State Historical, Architectural and Ethnographic Reserve, "Lahij" State Historical and Cultural Reserve, "Kish" Historical and Architectural Reserve), local SMEs, local public authorities and communities.

The project will support the process of the institutional strengthening through the following pathway:

- Examining successful experiences, models and lessons learnt relating to the tourism governance structures;
- Assisting the government in conceptualizing and operationalizing of a modality for public-private partnership;
- Developing and implementing quality standards for hotels and accommodation in the regions;
- Strengthening institutional capacity to design, coordinate, implement and monitor strategic planning documents for the key tourism destinations;
- Exploring of funding mechanisms to support tourism development projects.

## **Solution 2. Community engagement and empowerment**

Solution 2 will focus on helping community members to better understand and benefit from the opportunities offered by the development of rural tourism. It is expected to result in local employment and entrepreneurship in the tourism sector (e.g. agro-tourism, handicrafts etc.); increased involvement of women in tourism start-ups; increased income and diversification of livelihoods; increased enrolments of regional community members in hospitality and tourism courses and improved tourism industry technical skills creating greater efficiencies, quality and customer satisfaction. The main target will be socially vulnerable groups including women, youth, ethnic minorities, refugees/IDPs as well as existing and potential entrepreneurs. With the view of ensuring sustainability, stakeholders from both the public and private sectors will arrange and hold joint events in such areas as awareness-raising, training and capacity building. They will work with state and non-state entities which are interested in this area and acting mainly at the regional level. Collaboration of internationally recognized vocational education and training experts with local experts for local capacity building and the creation of a pool of local trainers in tourism will make an additional contribution to ensuring sustainability. Members of the Tourism Volunteers' Public Union will also be involved in awareness-raising activities and trainings aimed at developing local capacity and the opportunity for their engagement in organizational matters of these events. Owing to joint activities of internationally recognized vocational education and training experts with local experts for local capacity building and creation of a pool of local trainers in tourism, sustainability will be ensured.

The project will support community participation in the tourism activities through the following pathway:

- Raising awareness on the social, economic and environmental benefits of the rural tourism development among community members including youth, women, ethnic groups, and potential entrepreneurs;
- Strengthening business development skills and supporting business start-ups;
- Supporting vertical value chain development;
- Creating a pool of experienced trainers for replication/scale-up of the awareness activities;
- Delivering high-impact regional tourism and hospitality training programme for owners of local tourism enterprises.

### **Solution 3. Infrastructural enhancement**

Solution 3 will centre around enhancement of the tourism superstructure that primarily serves the needs of the visiting tourists but will also benefit local populations. This Solution supports improvements of facilities and amenities in key rural tourism destinations that will lead to increased visitation to regional attractions and opportunities to operate viable tourism businesses as well as increased visitation to natural areas including to local villages along walking routes, creating new business development, employment and income generation opportunities. The activities will benefit tourists, local communities along the corridor, local SMEs, local public authorities. The Ministry of Ecology and Natural Resources, local executive authorities, municipalities and community members who play an important role in building, monitoring and maintenance of public infrastructure will act as the main partners in this component. Local community members, in particular regional members of the Tourism Volunteers' Public Union, will play an important role in infrastructure-related activities.

The project will support the infrastructural upgrades through the following pathway:

- Identifying infrastructural needs/gaps along nature tourism trails (hiking trails, ecotourism trails) and preparing development plans;
- Taking specific measures to reduce incidence of tourists facing emergency situations;
- Enhancing tidiness and supporting attraction of key tourism places;
- Implementing awareness/training programme for local authorities on management and maintenance of new infrastructure;
- Upgrading tourism infrastructure to improve facilities of regional tourism MSMEs.

### **Solution 4. Communication and Promotion**

Solution 4 will serve the purpose of increasing the level of awareness in domestic and international markets about touristic attractions and experiences offered by Azerbaijan's regional areas. The interventions are expected to lead to increased visitation to regions generating more employment and income (direct and indirect); increased awareness among domestic market of attractiveness of regional destinations for holidays; increased sales of package tours to regional areas; increased opportunities for rural communities to enjoy regional leisure entertainment events. The results will benefit local communities along the corridors, local SMEs, local public authorities, hospitality industry stakeholders and tour operators. All project activities will be covered using national and regional media, including TV, radio and social media influencers. Public sector, private sector and non-governmental organizations will act as partners in various communication and promotion activities. Members of the Tourism Volunteers' Public Union will play a special role in executing regional tourism festivals.

The project will support the marketing of regional areas through the following pathway:

- Implementing regional tourism festivals;
- Developing regional promotional material;
- Carrying out market study of special interest tourism.
- Organizing public awareness events in promoting destinations in the selected regions.



## **Solution 5. Vocational Education**

Solution 5 will serve the purpose of strengthening management and raising the quality of education in the tourism related occupations. The component will focus on developing capacity and facilities of the Mingachevir Tourism College (MTC) as a provider of skilled workforce to meet the needs of the tourism industry, especially in regions including the two target tourism corridors. The activities will benefit the administrative and academic staff of the MTC, students and young people interested in pursuing career in the tourism sector, and employers in the tourism sector. In the mid- to longer-term perspective, this intervention is expected to increase employability of the MTC graduates, raise the quality of service and increase customers' satisfaction level.

The pathway for improving quality of the tourism vocational education will be the following:

- Identifying labour force demand and MTC potential to supply qualified workforce;
- Supporting strategic planning process taking into account of employers' perspective;
- Strengthening administrative and academic capacities of the MTC staff members;
- Bringing MTC curriculum in compatibility with the curriculum of more advanced (Vocational Education and Training) VET schools;
- Upgrading teaching facilities and infrastructure.

## **Sustainable Development Goals (SDGs)**

The project contributes to the following SDGs:

**SDG 1. No Poverty:** The project will enhance livelihoods and increase income of the rural populations along the tourism corridors by supporting entrepreneurs and small businesses to enter the tourism value chain, and empowering less favoured groups, particularly youth and women, to benefit from the opportunities offered by the rural tourism (e.g. rural accommodation).

**SDG 4. Quality Education:** The project will seek to raise the tourism education quality by bringing the education standards up to the international level, upgrading the educational content and teaching facilities, raising academic performance and strengthening organizational potential of the Mingachevir Tourism College.

**SDG 8. Decent Work and Economic Growth:** The project will enable jobs creation in the tourism sector through increasing awareness on the existing job opportunities, improving skills and supporting business start-ups. The project also favours better diversification through tourism value chains that can enhance positive socio-economic impacts.

**SDG 10. Reduced Inequalities:** The project's attention is directed towards the development of tourism in regions of Azerbaijan as opposed to the capital. As such, it will contribute to reducing disparities between rural and urban populations thus giving people the opportunity to prosper in their place of origin.

**SDG 11. Sustainable Cities and Communities:** The project will advance infrastructural upgrades and accessibility of tourism sites, promote preservation of cultural and natural heritage and other assets on which tourism depends. These investments are expected to result in tidier towns, reduced pollution and safer environment for residents and tourists.

## Post-crisis revival

The COVID-19 pandemic has inflicted serious damage on the world economy. From an economic point of view the tourism sector is one of the areas that has suffered the most. A decline in visitor number due to restrictions put on international and inland travels is resulting in some businesses reducing their work force or closing down their business altogether.

The Project aims to support the government increase interest in tourism as well as revive the tourism industry in the regions and strengthen the economy after the crisis. From this point of view, the Project is in line with the State's internal economic policy. The indicators which could drive revival of work of tourism industry players in regions will include:

- The building of public-private partnership in regional tourism development will give a push to the development of tourism industry and at the same time will allow for the adoption of strategic decisions concerning the sustainable development of industry in the post-pandemic period;
- The Destination Management Plans (Regional tourism development plans) will include strategies to fight against the damage caused by the COVID-19 virus;
- Activities carried out jointly by the relevant entities to support entrepreneurship will help fill gaps in the improvement of tourism products in regions, support job creation, and increase the incomes of rural population;
- The implementation of awareness-raising and training programs will lead to the building of regional capacities in crisis management;
- The restoration of tourism routes and hiking trails will create new opportunities for local communities to develop small businesses and sell products and services to travellers in connection to the trails. The restoration of roads and trails is expected to increase the number of tourists visiting the regions;
- The successful implementation of the Project will lead to more rational distribution of investments directed to small enterprises;
- The support offered to organizing of festivals will facilitate an inflow of tourists to the regions and increase the incomes of small rural communities.

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### III. RESULTS AND PARTNERSHIPS

#### *Expected Results*

The project is expected to produce the following results:

#### **Expected Result 1: Management and organisation of regional tourism institutions are strengthened**

##### Indicative activities:

- 1.1 Develop a public-private partnership structure that can link tourism private sector Micro, Small and Medium Enterprises (MSMEs), local and regional government authorities, and NGOs at the regional and local level of Azerbaijan in compliance with the legislation of the Republic of Azerbaijan. The scope of work will include:**
  - 1.1.1 Conducting diagnostic analysis of governance and management of tourism sector in regional areas of Azerbaijan that includes a comprehensive assessment of the political, environmental, socio-cultural, economic and legal environment
  - 1.1.2 Conducting analysis of successful sector knowledge/public-private partnership (PPP) structures in Azerbaijan in order to identify critical success factors, existing potential and opportunities for operation of a PPP structure.
  - 1.1.3 Establishing conceptual framework of a PPP structure that operates at a national level with regional representation that creates a sound framework for organising and co-ordinating regional tourism MSMEs, and regional and local tourism related public sector organisations and NGOs in Azerbaijan.
  - 1.1.4 Examining relevant laws and regulations, conducting interviews with relevant stakeholder groups in order to identify legal institutional structure for PPP.
  - 1.1.5 Developing PPP structure options and gathering feedback from key stakeholders through meetings and workshops. Finalising PPP structure based upon feedback gathered from key stakeholders.
  - 1.1.6 Developing PPP structure Business Plan including (but not restricted to) aims, objectives and general vision, indicators and targets, organisational structure, duties, roles and functions, human resource management strategy, financial sustainability plan, etc.
  - 1.1.7 Assisting with start-up of PPP structure including operationalization of a working space for the Executive Office (including identifying and renting of office space, procuring furniture and equipment, establishing ICT network, etc), assisting develop corporate visibility and promotional material including launching of web portal and developing and printing of brochures, and conducting an awareness and membership drive/campaign.
- 1.2 Develop and implement regional accommodation quality label. The scope of work will include:**
  - 1.2.1 Analysing successful accommodation quality labels in order to identify critical success factors in other countries with a similar level of tourism development and governance systems to Azerbaijan.
  - 1.2.2 Conducting diagnostic analysis of "lower-level" regional accommodation that involves a comprehensive assessment of accommodation supply (e.g. number of relevant accommodation operators (including number of beds), location, internal and external challenges and issues affecting standards, etc.
  - 1.2.3 Developing Regional Accommodation Quality Label Operational Plan including mission, objectives, functions, organisational structure, human resources, financial sustainability, marketing, governance, benefits of membership, etc (link to 1.1) and implementing framework for operating the quality label at a national level with regional representation that creates a sound framework for the operationalization of the label (including the use of DMOs at regional and local level) (link to 1.1).

- 1.2.4 Working with STA/ATB to finalise quality standards and developing assessment criteria
  - 1.2.5 Training of quality label assessors/auditors
  - 1.2.6 Conducting awareness and membership drive for “lower level” regional accommodation sector prioritizing operators meeting quality standards already identified by STA/ATB ([link to 1.1](#))
  - 1.2.7 Implementing training of regional accommodation operators who do not achieve quality standards ([link to 3.4](#)) using the rural accommodation sector standards handbook as a foundation/guide to the development training
  - 1.2.8 Work with ATB Branding and Marketing to develop and produce brand, brochure and member visibility tools, e.g. logo, brochure, website/webpages, certificate, promotional flag, etc.
- 1.3 Develop three-year Destination Management Plans (DMP) for three DMO region. The scope of work will include:**
- 1.3.1 Conducting a diagnostic analysis that involves a comprehensive assessment of the destination market, attractions, products, etc., and a thorough assessment of tourism’s enabling environment and policies in each DMO region
  - 1.3.2 Establishing regional tourism stakeholder working groups in each DMO region who can provide input into the formulation of the DMPs ([link to Activity 1.1](#))
  - 1.3.3 Establishing goal, vision and objectives for the three-year period for development of destination in each DMO region in collaboration with the working groups and other key stakeholders such as STA/ATB
  - 1.3.4 Reviewing diagnostic analysis and creating strategies and actions for developing the destination that link to each defined objective including the provision of land use plans for recommended strategies and actions.
  - 1.3.5 Conducting validation workshop with tourism stakeholder working groups to review, refine and finalise DMP content.
  - 1.3.6 Presenting final DMP to key stakeholders in handover event with participation of media.

**Expected Result 2. Community members are enabled to engage in tourism sector through awareness raising, capacity building, and quality standards**

Indicative activities:

- 2.1 Implement regional tourism awareness raising programme for: (1) local communities, (2) potential tourism entrepreneurs, and (3) businesses that could diversify into tourism. The scope of work will include:**
- 2.1.1 Analysing and identifying with guidance of ATB the most critical tourism villages requiring tourism awareness raising needs and strongest opportunities to benefit from tourism including 10 villages for piloting awareness programme
- 2.1.2 Working with municipalities and local government at the local and rayon level as well as other relevant stakeholders to identify participants in each village for awareness raising.
- 2.1.3 Developing awareness raising programme paying close attention to integrating interactive/active learning principles and approaches as well as development of participant feedback form.
- 2.1.4 Implementing pilot awareness raising programme (2 hours each) in 1 village per corridor.
- 2.1.5 Collecting and analysing feedback from participants and trainers and finalise full awareness raising programme
- 2.1.6 Implementing awareness programme in 18 villages (9 per corridor).
- 2.1.7 Providing a final report that compiles all information relating to the delivery of the awareness raising programme as well as a critical analysis of the strengths and weaknesses of the programme and recommendations for follow-up.

- 2.2 Implement business start-up support programme for the local communities, with a focus on socially vulnerable groups (women, youth, people with disabilities). The scope of work will include:**
- 2.2.1 Consulting with local stakeholders identify training participants for the business-start-up programme
  - 2.2.2 Designing and delivering a training programme on business start-up and development including the preparation of business proposals
  - 2.2.3 Delivering a training programme on financial literacy and legal awareness
  - 2.2.4 Developing and disseminating a Call for Business Proposals defining eligibility and criteria for participants and businesses (e.g. types of business, amount of in-kind contribution etc.)
  - 2.2.5 Evaluating business proposals and selecting winners
  - 2.2.6 Procuring equipment and supplies, and implementing small infrastructural upgrades to support the winning business proposals
  - 2.2.7 Supporting owners of the small businesses to obtain legal employment status as individual entrepreneurs
  - 2.2.8 Supporting local craftsmen with marketing and sales of tourism products
  - 2.2.9 Continuously monitor and provide advisory services to the business owners to ensure business viability
- 2.3 Implement regional tourism and hospitality training programme for owners of tourism MSMEs focusing on improving income generation. The scope of work will include:**
- 2.3.1 Conducting meetings with STA/ATB and relevant tourism training providers to agree on approach to certification of training courses.
  - 2.3.2 Based on findings of STA Training Needs Analysis results as well as any further priorities of STA/ATB and suggestions of other relevant public and private sector stakeholders, finalise priority training course programmes (applying a partnership approach for delivery of programme where possible). There will be at least 4 occupation-based training courses in four locations per corridor (20 hours and not less than 15 hours per training event). The training should apply interactive/active learning principles and approaches, multimedia, and presentations from people in tourism who are a "success story". The training will also include a topic on the importance of registration for legal employment, benefits and procedures. A system/strategy for evaluating training effectiveness will also be developed.
  - 2.3.3 Developing a Tourism Master Trainers framework and implementing training of trainer programme to develop pool of trainers across Azerbaijan and aiming to link with PPP and DMO network as well as the proposed STA/ATB "Tourism Registry" (link to 1.1)
  - 2.3.4 Working with industry associations and other key stakeholder groups to identify/register participants in each city for training and implement pilot training programme in the two selected cities. Participants may be registered or unregistered however unregistered business operators will not be eligible to access any support related to upgrades, promotion, etc.
  - 2.3.5 Collecting and analysing feedback from participants and trainers and finalise full training programme
  - 2.3.6 Implementing full training programme that consists of 6 training events (20 hours and not less than 15 hours each) per corridor (i.e. total of 14 training events).
  - 2.3.7 Providing a final report that compiles all information relating to the delivery of the training programme as well as a critical analysis of the strengths and weaknesses of the programme and recommendations for follow-up.

### **Expected Result 3. Tourism-related infrastructure and services are upgraded**

#### Indicative activities:

- 3.1 Implement tourism infrastructure development plans for priority Azerbaijan nature trails. The scope of work will include:**
  - 3.1.1 Supporting STA/ATB to obtain all necessary permissions for implementing trail infrastructure improvements based upon existing STA/ATB trail plans
  - 3.1.2 Manufacturing the infrastructure (e.g. WC, benches, fencing, signs, viewing platform, etc.) according to STA/ATB's technical drawings
  - 3.1.3 Reviewing and improving infrastructure design based on feedback from STA/ATB
  - 3.1.4 Installing infrastructure along the nature trails according to STA/ATB trail plans
  - 3.1.5 Implementing awareness/training programme for local authorities on management and maintenance of new infrastructure (see Expected Result 2)
  
- 3.2 Install safety related tourism signage in priority tourism sites (outside STA Reserves). The scope of work will include:**
  - 3.2.1 Identifying priority tourism sites within each corridor and supporting STA/ATB to obtain necessary permissions to install safety signage infrastructure into proposed tourism sites
  - 3.2.2 Drafting content for safety related signs based upon analysis of safety issues in priority sites
  - 3.2.3 Developing construction and statutory/non-statutory graphical layout sheets for all safety related signs, as well as estimations on the cost of production and installation
  - 3.2.4 Reviewing and improving tourism site safety sign designs based on feedback from STA/ATB, site managers and any other relevant authorities
  - 3.2.5 Manufacturing the tourism site safety signs according to the graphical layout sheets
  - 3.2.6 Installing safety signs in the priority tourism sites
  
- 3.3 Implement tourism infrastructure to improve tidiness and beautify key tourism places in at least 10 sites along the two priority tourism corridors. The scope of work will include:**
  - 3.3.1 Supporting STA/ATB to obtain all necessary permissions for implementing the tidy town infrastructure improvements according to STA/ATB priority locations
  - 3.3.2 Manufacturing the infrastructure (e.g. WC, benches, fencing, signs, etc.) according to STA/ATB's technical drawings
  - 3.3.3 Reviewing and improving infrastructure design based on proposals from STA/ATB
  - 3.3.4 Installing infrastructure in the priority tourism sites
  - 3.3.5 Implementing awareness/training programme for local authorities on management and maintenance of new infrastructure (see Expected Result 3)
  
- 3.4 Implement tourism infrastructure to improve facilities of regional tourism MSME. The scope of work will include:**
  - 3.4.1 Working with STA/ATB to assess regional tourism MSMEs along priority tourism corridors who may be recipients of in-kind upgrades and identify specific upgrades that will be provided based upon available budget
  - 3.4.2 Working with STA/ATB to develop monitoring and sustainability plan for this kind of support (including contract/agreement between STA/ATB/Project and beneficiary)
  - 3.4.3 Installing upgrades (e.g. WCs, beds, kitchens, safety criteria, electrical, windows, roofing, etc.) for selected regional MSMEs
  - 3.4.4 Implementing monitoring and sustainability plan to ensure proper use of upgrades

#### **Expected Result 4. Tourism sites and experiences communicated and promoted to industry and consumers**

##### Indicative activities:

- 4.1 Establish or strengthen tourism festivals/events for promotion of regional and STA-subordinated Reserves. The scope of work for each festival/event will include:**
  - 4.1.1 Developing festival/event concept including objectives, programme, budget, partners, public-private partnership strategy, etc.
  - 4.1.2 Identifying and securing festival/event location, participants and sponsors
  - 4.1.3 Obtaining all necessary approvals/permissions from relevant public authorities
  - 4.1.4 Creating and implementing a festival/event brand and marketing plan
  - 4.1.5 Managing on-ground activities during the event/festival
  
- 4.2 Conduct national market study of special interest tourism potential in Azerbaijan in the priority tourism corridors. The scope of work will include:**
  - 4.2.1 Situation analysis of special interest tourism in Azerbaijan (including supply and demand aspects, PESTEL<sup>5</sup>, etc.)
  - 4.2.2 Consultations with relevant stakeholder groups using a close participatory approach at all levels
  - 4.2.3 Conducting market research surveys to support recommendations made in the analysis
  - 4.2.4 Developing Special Interest Tourism Market Study Report covering in detail the strongest/priority special interest tourism areas established from the initial analysis including (but not restricted to): Size and strength of market, Market segments, Consumer market demands and needs, Product gap analysis, Competitor destination analysis, Economic value and spending, Recommendations (for public and private sectors)
  - 4.2.5 Presentation of market analysis to STA/ATB and stakeholders at conclusion of activity

#### **Expected Result 5. Management and standards of Mingachevir Tourism College are strengthened.**

##### Indicative activities:

- 5.1 Undertake market and organizational research to better understand the labour market needs and the MTC's organizational gaps and resources. The scope of work will include:**
  - 5.1.1 Conducting an in-depth Needs Assessment of Mingachevir and close regions' tourism industries including review of recommendations/findings from STA national level training needs assessment report
  - 5.1.2 Conducting MTC internal organizational situational analysis in terms of administrative and academic staff theoretical and practical skills (e.g. languages, team work, communication, social and other skills, technical skills, etc.) as well as assessment of organisational potential for international partnership to offer dual degree study programme (with preference on Russia and Turkey).
  
- 5.2 Support the MTC in participatory strategic planning process. The scope of work will include:**
  - 5.2.1 Establishing a permanent PPP advisory board involving regional tourism industry, relevant government authorities and members of civil society who will provide input and monitor performance of MTC based upon its strategic plan.

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<sup>5</sup> Political, Economic, Social, Technological, Environmental and Legal factors

- 5.2.2 Preparing a four-year Strategic Plan for MTC based on situational analysis (covering such dimension as marketing, HR, finance, operation, organisational structure – including career and communication, international relations, quality management, exam and monitoring, etc.)
- 5.3 Support MTC's organizational development and upgrade of educational content, facilities and infrastructure. The scope of work will include:**
- 5.3.1 Preparing the Training Strategy and delivery of trainings to the MTC administrative staff members based on internal organizational situational analysis.
- 5.3.2 Developing curriculum for core tourism qualifications (including development of syllabus, training material, presentations, etc.) and ensuring 70 percent adaptation for a dual degree study programme
- 5.3.3 Developing and implementing TOT programme to strengthen the performance of MTC academic staff.
- 5.3.4 Diagnosing infrastructure and equipment needs (including ICT) for MTC, establishing practical laboratories based on qualifications offered by college, and upgrading of existing building facilities.

***Resources Required to Achieve the Expected Results***

Resources required to achieve the expected results include but are not limited to:

Project Management Staff:

- Project Manager
- 3 Project Officers (one per each tourist corridor, and one for the MTC-related component)
- 2 Project Assistants
- UNDP Programme Officer

National and International Consultants:

- Marketing consultants
- Communication and Promotion Consultants
- Trainers
- Industry analysts
- Strategic analysts
- Researchers
- Instruction specialists and pedagogical professionals

Goods/Supplies/Materials:

- Office supplies for project management
- Fuel
- Supplies, materials and sundries for meetings, trainings and workshops
- Hardware for project office, RTA and MTC
- Promotional materials
- Instructional/teaching materials, textbooks
- Equipment and Supplies for businesses and MTC

Operational facilities:

- Office space for project management staff
- Premises for meetings and networking events
- Premises for trainings

Other services



- Sub-contracts for civil works
- Sub-contracts for translation and printing
- Sub-contracts for awareness campaigns, organization of events, festivals, trips

### ***Partnerships***

The project will establish multiple partnerships with a diverse range of stakeholders including respective institutions that cover different areas (government entities, educational institutions, public organizations).

### ***Risks and Assumptions***

#### ***Risks***

The project may face the following risks:

- There is limited co-operation and lengthy approval/permission granting procedures by related institutions, stakeholders and/or residents in the tourism corridors.
- Some project activities, especially related to the infrastructure, are seasonal and may depend on weather conditions; and thus may not be completed on schedule.
- There a risk of insufficient maintenance of infrastructure in the target corridors, especially after project's completion.

Given that the project activities are mainly comprised of organization and coordination of events, trainings, workshops, meetings, conferences, preparation of reports, promotional and communication materials, capacity building and coordination, it does not pose any significant social or environmental risks.

#### ***Assumptions***

The success of the project is based on the following assumptions:

- There is a continued high-level political support to the development of tourism industry in Azerbaijan.
- There is genuine interest and commitment on the part of all partners and stakeholders (central government, regional authorities, tour operators, entrepreneurs, local communities) to cooperate for the achievement of the project's outputs.
- The environment is favourable to the changes and innovations that will be proposed by the project and at the same time there is more need to get out of the crisis related to the COVID-19 pandemic.
- The national legal framework allows entering into contracts for the delivery of public services by a private entity, and there is commitment to develop PPP specific legislation.
- Regulations, strategies and plans prepared by the project are officially approved by respective authorities.
- As a result of the project, there will be no significant policy changes that may negatively impact on the tourism development in the target regions.

## **Stakeholder Engagement**

The key target groups that will benefit from the project are the following:

*Local communities* including women, youth and ethnic minorities along the tourism corridors are direct project beneficiaries. They will receive the supplemental source of income generation and employment through regional tourism development, and benefit from infrastructural enhancements. Students of the MTC will benefit from gaining new theoretical and practical skills and increase their employability. *Local farmers, MSMEs owners and entrepreneurs* will benefit from improved tourism awareness, capacity building, and new opportunities to diversify their businesses into the tourism sector. *Private tour operators* will receive opportunity to diversify their tour packages and attract larger number of clients. *Domestic and international tourists* visiting the country will have access to wider spectrum of touristic experiences, safer environment, better services and products available in regional tourism destinations.

Stakeholders engagement will be ensured throughout the project life in the following ways:

- Information about the project, its objectives, results and activities will be disseminated to the public through various channels such as Project Launch Workshop, meetings with each stakeholder group at the central and local levels, media articles, STA and UNDP website;
- Consultations will be held with relevant stakeholder groups to ensure their participation in the process. Specifically, the project will seek stakeholders' inputs and feedback for finalizing training programme, identifying trainings participants, designing infrastructure development plans, conducting situation analysis etc.;
- Stakeholders will be invited to participate in the ongoing monitoring (e.g. inputs into satisfaction surveys, post-training evaluation) and final project evaluation (meetings, focus group discussions);
- The project will also report back to the stakeholders and wider audience on its results at the final conference upon project completion.

## **Knowledge**

The project will generate the following knowledge products:

- Needs assessments and analytical reports
- Market study reports
- Promotional materials for communities, entrepreneurs, students, tour operators
- New teaching material

Visibility of the project will be ensured through the following means:

- Press releases, media articles and success stories will be published to highlight project events, knowledge products and deliverables. For this purpose, the project will hire part-time Communication consultant;
- The project will organize Project Launch and Final Workshop to introduce the project and its results to the government, private sector, international organizations and other stakeholder groups;
- The products prepared under the Project will be posted on UNDP and STA websites and via social media;
- Media representatives will be invited to join project events such as regional festivals, awareness campaigns etc.;

- The project will produce a publication highlighting results of the project capturing the various approaches, models and schemes suitable for the replication and scale-up.

### ***Sustainability and Scaling Up***

Sustainability of the project results will be facilitated through the following actions:

- The STA acts as the implementing agency and donor of the project signaling full-fledged national leadership and ownership of the project on the part of the government of Azerbaijan
- Participatory approaches will be applied throughout the project implementation to ensure engagement and buy-in of all stakeholders including local communities and ethnic groups
- Good practices and lessons learnt from the project will be captured and analysed, including at the evaluation stage, and will be considered for replication in other tourism corridors of the country.
- The project will make special efforts to ensure sustainable capacity building through: i) preparing a team of master trainers that can continue to transfer knowledge and skills after project completion; ii) negotiating with educational institutions to incorporate key elements of the tourism awareness campaign for school leavers into their pre-admission communication and promotional campaigns; iii) including mentoring/coaching responsibilities into the Terms of Reference for international consultants to strengthen the pool of local specialists.
- Studies and researches, plans and strategies developed in the project will support sound evidence-based and well-informed decision making by the government and other institutions.
- Policy and procedural changes will be developed in close and continuous dialogue with relevant national and local actors to ensure their buy-in and integration of the new plans, models, procedures into the existing institutional structures. Key recommendations will be extracted, analysed and disseminated to the relevant government entities for follow-up by the STA Tourism Policy and Strategy Department.
- The project will make special efforts to ensure sustainability of the infrastructural upgrade through the following ways: i) reaching agreement with local authorities to take charge of/maintain the upgraded infrastructure; ii) establishing mechanisms for involvement of local communities and other stakeholder groups in the monitoring and maintenance of the infrastructure; iii) awareness/training programme for local authorities will ensure they have the capacity to manage and maintain the new infrastructure; iv) providing relevant authorities with a guide for the ongoing management and maintenance of the trail infrastructure by designing and communicating trail operational plans.
- The project will seek endorsement of the new MTC curriculum by the Ministry of Education.

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## IV. PROJECT MANAGEMENT

### *Cost Efficiency and Effectiveness*

The project's programmatic and operational effectiveness and cost-efficiency will be secured through the following means:

- The project is designed based on the international review of good practices and lessons learnt in countries in similar contexts;
- The project opts for a holistic approach consisting of well-integrated actions around four pillars (institutions, individuals, physical assets, communication) with a higher likelihood of producing synergetic effect as opposed to isolated interventions;
- The project will apply well - tested methodologies for community engagement and capacity building approaches;
- The project will make use of available assessments and studies to design its activities (e.g. Training Needs Assessment will provide basis for the design of the training programme);
- The project will gain cost-efficiency at the operational level by using UNDP's corporate long-term agreements with vendors for delivery of goods and services.

### *Project Management*

The Project Office will consist of 6 project staff (see details in the *Governance and Management Arrangements* Section) who will be based in rented premises in Baku but frequently travel to the regions located along the Baku – Balakan (including Shamakhi, Ismayilli, Gabala, Oghuz, Sheki, Zaqatala, Gakh, Balakan) and Baku – Gusar (Khizi, Khacmaz, Guba, Gusar) tourism corridors where most of the project activities will take place, and to Mingachevir.

The project will rely on the programmatic and organizational support from UNDP. Specifically, UNDP will provide direct country office support services in making procurement, managing human resources and project finances. The overall project oversight will be ensured by a UNDP Programme Officer to be assigned to the project. The cost of the Programme Officer will be provided through the Direct Project Costing arrangement. UNDP will also mobilize its expertise available in its Istanbul Regional Center and rosters and networks

All assets procured by the project will be transferred to the STA for use and maintenance upon project completion.

The project is subject to the audit in line with UNDP policies and procedures.

## V. RESULTS FRAMEWORK

<p><b>Intended Outcome as stated in the UNDAF/Country Programme Results and Resource Framework:</b> By 2021, the Azerbaijan economy is more diversified and generates enhanced sustainable growth and decent work, particularly for youth, women, persons with disabilities and other vulnerable groups</p>	
<p><b>Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:</b></p> <p><b>1. Indicator:</b> GDP annual average growth rate in non-oil sector  <b>Baseline:</b> 7%  <b>Target:</b> 7%</p> <p><b>2. Indicator:</b> Global Competitiveness Index  <b>Baseline:</b> 4.51  <b>Target:</b> 5</p> <p><b>3. Indicator:</b> Unemployment rate disaggregated by sex and age  <b>Baseline (2014):</b>  Population: 4.9%  Males: 4.0%  Females: 5.8%  Youth (15-29): 9.7 %</p> <p><b>Targets:</b>  Population: 4.9%  Males: 4 %  Females: 5.7%  Youth (15-29): 9.5%</p>	

**Applicable Output(s) from the UNDP Strategic Plan:** Advance poverty eradication in all its forms and dimensions

EXPECTED OUTPUTS		OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS	
				Value	Year	Year 1	Year 2	Year 3	Year 4	Year ...		FINAL
Output 1. Management and organisation of regional tourism	1.1 PPP structure, charter and operational plan for DMO regions are prepared (Y/N)	STA	None exist	2019				Yes	N/A	N/A	Yes	Desktop review
	1.2 Number of regional MSMEs operators who became members of the PPP structure	STA	0	2019	60			60	N/A	N/A	120 (of whom 60% are quality label certified accommodat	Registration logs, field visits



<p>Tourism sites and experiences communicated and promoted to industry and consumers</p>	<p>4.2 Special interest tourism market analysis developed</p>	<p>STA</p>	<p>No</p>	<p>2019</p>			<p>Yes</p>	<p>N/A</p>	<p>N/A</p>	<p>Yes</p>	<p>Desktop review</p>
	<p>5.1 Four-year Strategic Plan for MTC is prepared</p>	<p>STA</p>	<p>None exist</p>	<p>2019</p>	<p>Yes</p>		<p>N/A</p>	<p>N/A</p>	<p>Yes</p>	<p>Desktop review</p>	
	<p>5.2 Percentage of administrative and academic staff with improved knowledge and skills</p>		<p>0</p>	<p>2019</p>	<p>35%</p>	<p>35%</p>		<p>N/A</p>	<p>N/A</p>	<p>At least 70%</p>	<p>Training registration logs</p>
	<p>5.3 Permanent PPP advisory board, with at least 50% of private sector representation, is established</p>	<p>STA</p>	<p>None exist</p>	<p>2019</p>	<p>Yes</p>			<p>N/A</p>	<p>N/A</p>	<p>Yes</p>	<p>Registration log</p>
	<p>5.4 Number of practical laboratories established in the MTC</p>	<p>STA</p>	<p>0</p>	<p>2019</p>	<p>2</p>	<p>2</p>		<p>N/A</p>	<p>N/A</p>	<p>4</p>	<p>Field trips and spot checks</p>
<p>Output 5. Management and standards of Tourism College are strengthened</p>	<p>5.5 Curriculum for core tourism specializations adapted for dual-degree programme</p>	<p>STA</p>	<p>None</p>	<p>2019</p>	<p>At least 30% adapted</p>		<p>At least 40% adapted</p>	<p>N/A</p>	<p>N/A</p>	<p>At least 70% adapted</p>	<p>Desktop review</p>

## VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:

Monitoring Plan					
Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF (UNDAF/Country Programme Results and Resource Framework) will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	In the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		
Learn	Knowledge, good practices and lessons will be captured in project progress report, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.		
Project Report	A progress report will be presented to the Project Board and key stakeholders,	Upon completion of			



	consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Year 1, 2 and at the end of the project (final report)		
<b>Project Review (Project Board)</b>	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	At least annually	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	
<b>Visitors' satisfaction surveys</b>	The project will conduct surveys of trails, tourism sites and tidy town locations on visitor satisfaction and usage, etc to verify effectiveness of actions implemented	Upon completion of the project activities	The results of the survey will be taken into consideration in planning/designing future activities.	

**Evaluation Plan**

<b>Evaluation Title</b>	<b>Partners (if joint)</b>	<b>Related Strategic Plan Output</b>	<b>UNDAF/CPD Outcome</b>	<b>Planned Completion Date</b>	<b>Key Evaluation Stakeholders</b>	<b>Cost and Source of Funding</b>
Final Project Evaluation	STA, UNDP	Advance poverty eradication in all its forms and dimensions	Outcome 1	March 2024	Central and local authorities, local communities along target corridors, tour operators, MSMEs owners	25,000

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## VII. MULTI-YEAR WORK PLAN <sup>67</sup>

See the Multi – Year Work Plan attached in excel format.

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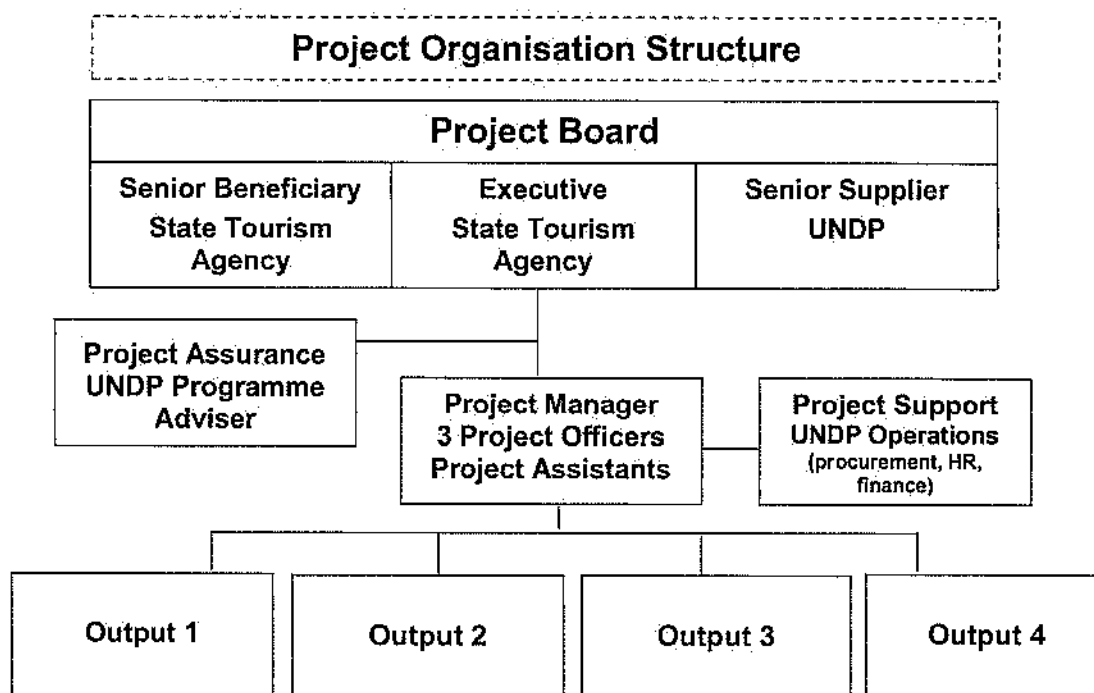
<sup>6</sup> Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

<sup>7</sup> Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

## VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The project will be nationally implemented by the State Tourism Agency (STA). Implementation support will be provided by the UNDP Country Office that will act as responsible party. In its capacity as Implementing Partner, STA will ensure overall project management and coordination with other relevant national and local authorities. Besides, STA will be responsible for the facilitation of all project activities. UNDP will provide support and services including procurement and contracting in accordance with the relevant UNDP operational policies and regulations.

The project will have a governance structure, aligned with UNDP's rules for Results Based Management (see Figure: Project Organization Structure below).



**Project Board.** The Project Board will be the decision-making body for the project, providing guidance to the Project Manager, and approving work plans, budgets and project revisions. It will be established at the beginning of implementation and will meet minimum once a year to monitor the progress of the project, to guide its implementation and to support the project otherwise in achieving its stated outputs and objectives. The Project Board members will perform the following roles:

- The Executive (Implementing Partner) will convene the Project Board meetings. This position will be held by the National Project Director, who will be the representative of the STA/ATB;
- The Senior Supplier: This position will be held by the UNDP Resident Representative, or a designated UNDP Programme Advisor;
- The Senior Beneficiary: This position will be held by the representative(s) of the STA.

Other project partners may be invited to the Project Board meetings, if necessary.

The day-to-day management of the project will be carried out by a Project Management Unit (PMU) under the overall guidance of the PB. Project manager will act as Head of PMU and assume overall responsibility for the successful implementation of project activities and the achievement of planned project outputs. Specifically, he/she will be responsible for drafting and ensuring adherence to the project work plan, ensuring adequate information flow, discussions and feedback among the various stakeholders and target groups, guide the work of experts and sub-contractors and ensure the timely execution of their assignments, preparing progress reports, ensuring visibility of project activities

and results and other substantive and organizational tasks. The project manager will also participate as a non-voting member in the PB meetings and will be responsible for compiling a summary report of the discussions, recommendations and conclusions of each meeting.

Project Manager appointed by the UNDP will be supported by three Project Officers, two responsible for the tourism corridors, and one responsible for the MTC component, two Project Assistants, and part-time Communication Specialist. The Project Officers will support the Project Manager in planning, coordinating and monitoring implementation of project activities in their respective tourism corridors and Mingachevir. They will provide inputs into project progress reports, help drafting scope of works/Terms of Reference/technical specifications for sub-contractors and perform other substantive and organizational tasks. Project Assistants will be responsible for all administrative matters such as procurement, contracting, organizational/logistical matters, and financial management of the project including disbursements, record-keeping, cash management, preparation of requests for direct payment and advances, and compilation of financial reports. Communication Specialist will be responsible for developing and implementing the project's visibility plan.

Programme Assurance: UNDP Azerbaijan Programme Officer will hold the Programme Assurance role. The Programme Assurance role supports the Project Board by carrying out objective and independent programme oversight and monitoring functions. This role ensures that appropriate programme management milestones are managed and completed.

Project Support role provides project administration and management support to the Project Manager. This role will be performed by the Project Assistants and UNDP Operations Unit. They will support the Project Manager in making procurement, recruitment and financial management.

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## **IX. LEGAL CONTEXT**

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of the Republic of Azerbaijan and UNDP, signed on 6 February 2001. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by the State Tourism Agency ("Implementing Partner") with UNDP providing support services to the project implementation in accordance with UNDP's financial regulations, rules, practices and procedures, to ensure best value for money, fairness, integrity, transparency, and effective international competition.

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## **X. RISK MANAGEMENT**

1. Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:
  - a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
  - b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.
2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.
3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml).
4. The Implementing Partner acknowledges and agrees that UNDP will not tolerate sexual harassment and sexual exploitation and abuse of anyone by the Implementing Partner, and each of its responsible parties, their respective sub-recipients and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.
  - (a) In the implementation of the activities under this Project Document, the Implementing Partner, and each of its sub-parties referred to above, shall comply with the standards of conduct set forth in the Secretary General's Bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse" ("SEA").
  - (b) Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, the Implementing Partner, and each of its sub-parties referred to above, shall not engage in any form of sexual harassment ("SH"). SH is defined as any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment or creates an intimidating, hostile or offensive work environment.

5. a) In the performance of the activities under this Project Document, the Implementing Partner shall (with respect to its own activities), and shall require from its sub-parties referred to in paragraph 4 (with respect to their activities) that they, have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action. These should include: policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, the Implementing Partner will and will require that such sub-parties will take all appropriate measures to:
- i. Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA;
  - ii. Offer employees and associated personnel training on prevention and response to SH and SEA, where the Implementing Partner and its sub-parties referred to in paragraph 4 have not put in place its own training regarding the prevention of SH and SEA, the Implementing Partner and its sub-parties may use the training material available at UNDP;
  - iii. Report and monitor allegations of SH and SEA of which the Implementing Partner and its sub-parties referred to in paragraph 4 have been informed or have otherwise become aware, and status thereof;
  - iv. Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and
  - v. Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. The Implementing Partner shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties referred to in paragraph 4 with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardize the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the Implementing Partner shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.
- b) The Implementing Partner shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the Implementing Partner, and each of its sub-parties referred to in paragraph 4, to comply of the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.
6. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-sm>).
7. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
8. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

9. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds. The Implementing Partner will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
10. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at [www.undp.org](http://www.undp.org).
11. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes in accordance with UNDP's regulations, rules, policies and procedures. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.
12. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

13. UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail the Implementing Partner's obligations under this Project Document.

Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

*Note:* The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

14. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.

15. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing .
16. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, *mutatis mutandis*, in all sub-contracts or sub-agreements entered into further to this Project Document.



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## **XI. ANNEXES**

- 1. Risk Analysis**
- 2. Project Board Terms of Reference and Terms of Reference of key management positions**
- 3. Financing Agreement between the Government of the Republic of Azerbaijan and the United Nations Development Programme**
- 4. Multi – Year Work Plan**

**ANNEX 1: Offline Project Risk Register**

#	Description	Risk Category	Impact & Likelihood = Risk Level	Risk Treatment/Management Measures	Risk Owner
1	There is limited co-operation and lengthy approval/permission granting procedures by related institutions, stakeholders and/ or residents in the tourism corridors.	Operational	Permissions may be obtained with delay and project activities will not be completed on schedule. Delivery target may not be achieved.  Likelihood=3 Impact=4 Risk Level = Substantial	The risk will be mitigated through the following measures: i) relevant stakeholders including local authorities, communities and other affected groups will be consulted from the start of the project activities; ii) activities requiring special permissions will be properly planned and prioritized in the project work plan; iii) when necessary, STA's and UNDP top management will be involved to expedite the approval process.	Project Manager
2	Some project activities, are seasonal and may depend on weather conditions.	Social and Environmental	Infrastructure related project components may not be completed on schedule. Delivery target may not be achieved.	Seasonal activities (e.g. infrastructural upgrades in remote and hard-to-reach areas, regional festivals) will be prioritised and properly planned.	Project Manager
3	There a risk of insufficient maintenance of infrastructure in the target corridors.	Operational	Installed infrastructure may fall into decay after the project completion.  Likelihood=3 Impact=4 Risk Level = Substantial	The risk will be mitigated through the following measures: i) reaching agreement with local authorities to take charge of/maintain the upgraded infrastructure; ii) establishing mechanisms for involvement of local communities and other stakeholder groups in the monitoring and maintenance of the infrastructure; iii) awareness/training programme for local authorities to ensure they have the capacity to manage and maintain the new infrastructure; iv) providing relevant authorities with a guide for the ongoing management and maintenance of the trail infrastructure by designing and communicating trail operational plans.	Project Manager

## ANNEX 2. Terms of Reference

### Project Board

*Overall responsibilities:* The Project Board is the group responsible for making by consensus management decisions for a project when guidance is required by the Project Manager, including recommendation for UNDP/Implementing Partner approval of project plans and revisions. In order to ensure UNDP's ultimate accountability, Project Board decisions should be made in accordance to standards that shall ensure best value to money, fairness, integrity transparency and effective international competition. In case a consensus cannot be reached, final decision shall rest with the UNDP Programme Manager. Project reviews by this group are made at designated decision points during the running of a project, or as necessary when raised by the Project Manager. This group is consulted by the Project Manager for decisions when PM tolerances (normally in terms of time and budget) have been exceeded.

Based on the approved annual work plan (AWP), the Project Board may review and approve project quarterly plans when required and authorizes any major deviation from these agreed quarterly plans. It is the authority that signs off the completion of each quarterly plan as well as authorizes the start of the next quarterly plan. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies. In addition, it approves the appointment and responsibilities of the Project Manager and any delegation of its Project Assurance responsibilities.

*Composition and organization:* This group contains three roles, including:

- 1) An Executive: individual representing the project ownership to chair the group.
- 2) Senior Supplier: individual or group representing the interests of the parties concerned which provide funding and/or technical expertise to the project. The Senior Supplier's primary function within the Board is to provide guidance regarding the technical feasibility of the project.
- 3) Senior Beneficiary: individual or group of individuals representing the interests of those who will ultimately benefit from the project. The Senior Beneficiary's primary function within the Board is to ensure the realization of project results from the perspective of project beneficiaries.

Potential members of the Project Board are reviewed and recommended for approval during the LPAC meeting.

*Specific responsibilities:*

#### Defining a project

- i. Agrees on project manager's responsibilities, as well as the responsibilities of the other key members of the project management team;
- ii. Delegates any project assurance function as appropriate;
- iii. Reviews the progress report for the initiation stage (if an initiation plan was approved);
- iv. Reviews and appraises detailed project plans, including the multiyear workplan and Atlas reports covering activity definition, an updated risk log and the monitoring schedule plan; and
- v. Shares annual reports and relevant information on achievement of the outcomes with the programme board and outcome group.

#### Running a project

- i. Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;

- ii. Address project issues as raised by the project manager;
- iii. Provide guidance on new project risks, and agree on possible countermeasures and management actions to address specific risks;
- iv. Agree on project manager's tolerances as required;
- v. Review the project progress, and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;
- vi. Review combined delivery reports prior to certification by the implementing partner;
- vii. Appraise the project annual review report, including the quality assessment rating report; make recommendations for the workplan; and inform the outcome group about the results of the review;
- viii. Provide ad hoc direction and advice for exceptional situations when the project manager's tolerances are exceeded; and
- ix. Assess and decide to proceed on project changes through appropriate revisions. +

#### Closing a project

- i. Assure that all project deliverables have been produced satisfactorily;
- ii. Review and endorse the final project review report, including lessons learned;
- iii. Review financial reports, including the final combined delivery report prior to certification and signature;
- iv. Make recommendations for follow-up actions to be submitted to the outcome group and programme board; and
- v. Notify the outcome group and programme board of the operational completion of the project.

#### Project Manager

*Overall responsibilities:* The Project Manager (PM) will report to the UNDP-Azerbaijan Programme Adviser (or other duly designated UNDP officer) and beneficiary state agency for all of the project's substantive and administrative issues. The PM will report on a quarterly basis to the Project Board. The PM will be responsible for meeting UNDP obligations under the project and will perform a liaison role with the Government, donors, NGOs and other project partners.

*Specific responsibilities:*

#### Running a project

- I. Plan the activities of the project and monitor progress against the approved workplan;
- II. Mobilize personnel, goods and services, training and micro-capital grants to initiate activities, including drafting terms of reference and work specifications, and overseeing all contractors' work;
- III. Monitor events as determined in the project monitoring schedule plan, and update the plan as required;
- IV. Manage requests for the provision of financial resources by UNDP, through advance of funds, direct payments or reimbursement using the fund authorization and certificate of expenditures;
- V. Monitor financial resources and accounting to ensure the accuracy and reliability of financial reports;
- VI. Be responsible for preparing and submitting financial reports to UNDP on a quarterly basis;
- VII. Manage and monitor the project risks initially identified and submit new risks to the project board for consideration and decision on possible actions if required; update the status of these risks by maintaining the project risks log;
- VIII. Capture lessons learned during project implementation; a lessons learned log can be used (see template).
- IX. Perform regular progress reporting to the project board as agreed with the board;

- X. Prepare the annual review report, and submit the report to the project board and the outcome group;
- XI. Prepare the annual workplan for the following year, as well as quarterly plans if required; and
- XII. Update the Atlas Project Management module if external access is made available.

#### Closing a project

- i. Prepare final project review reports to be submitted to the project board and the outcome board;
- ii. Prepare final lessons learned report, identify follow-up actions and submit them for consideration to the project board;
- iii. Manage the transfer of project assets and files to national beneficiaries;
- iv. Prepare the final financial report to be certified by the implementing partner and submit the report to UNDP; and
- v. Support the UNDP programme manager in the commissioning, management and use of evaluation, including the preparation of a management response and implementation of committed actions (if delegated).

**FINANCING AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF  
AZERBAIJAN AND THE UNITED NATIONS DEVELOPMENT PROGRAMME**

WHEREAS the Government of the Republic of Azerbaijan (hereinafter referred to as "the Government") represented by the State Tourism Agency of the Republic of Azerbaijan and the United Nations Development Programme (hereinafter referred to as "UNDP") have agreed to cooperate in the implementation of a project in Azerbaijan (hereinafter referred to as "the Project"), as described in the Project document. Project no. 00119230 and the title "**Support to Sustainable Tourism Development in the Regions of Azerbaijan**", in the Republic of Azerbaijan, and submitted to the Government;

WHEREAS the Government has informed UNDP of its willingness to contribute funds (hereinafter referred to as "the contribution") to the UNDP on a cost-sharing basis to increase the resources available for the Project;

WHEREAS the UNDP shall designate an Implementing Partner (hereinafter referred to as "the Implementing Partner") for the implementation of each Project financed from the contribution having cleared it with the Government;

NOW THEREFORE, the Government and UNDP hereby agree as follows:

**Article I**

1. The Government shall, in the manner referred to in paragraph 2 of this Article, place at the disposal of UNDP the contribution of **4,406,736 USD**.
2. The Government shall, in accordance with the schedule of payments set out below, deposit the contribution in **4,406,736 USD** at the Yapi Kredi Bank Azerbaijan.

Bank name: Yapi Kredi Bank Azerbaijan  
 Bank address "Sabail" branch, 69 Nizami street, Baku,  
 Azerbaijan  
 Code: 509987  
 Tax ID of Bank 9900009021  
 Core account: AZ51NABZ01350100000000012944  
 S.W.I.F.T. BIC: KABAAZ22  
 Bank account name: UNDP, Azerbaijan  
 Accounts: AZ32KABA00000000000000021008 AZN  
 AZ10KABA00000000000000021016 USD  
 Tax ID: 9900084261

	<b>Date payment due</b>	<b>Amount (stated currency)</b>
<b>1</b>	11 May 2021	1,389,938 USD
<b>2</b>	11 May 2022	1,691,749 USD
<b>3</b>	11 May 2023	1,350,049 USD

3. The Government shall inform UNDP when the Contribution is paid via an e-mail with remittance information to [contributions@undp.org](mailto:contributions@undp.org), providing the following information: Government's name, UNDP country office, [Project no. and title]. This information should also be included in the bank remittance advice when funds are remitted to UNDP.
4. The value of the payment, if made in a currency other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Should there be a change in the United Nations operational rate of exchange prior to the full utilization by the UNDP of the payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Government with a view to determining whether any further financing could be provided by the Government. Should such further financing not be available, the assistance to be provided to the Project may be reduced, suspended or terminated by UNDP.
5. The above schedule of payments takes into account the requirement that contributions shall be paid in advance of the implementation of planned activities. It may be amended to be consistent with the progress of project delivery. The Parties acknowledge and agree that all losses shall be charged to the Project.
6. All financial accounts and statements shall be expressed in United States dollars.
7. UNDP may agree to accept Contributions in a currency other than United States dollars provided such currency is fully convertible or readily usable by UNDP and subject to the provisions of paragraph 6 above. Any change in the currency of the Contribution shall be made only by joint consent of the Parties.

## **Article II**

1. In accordance with the decisions and directives of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall also be subject to cost recovery for indirect costs incurred by UNDP headquarters and country office structures in providing General Management Support (GMS) services for projects. To cover these GMS costs, the contribution shall be charged a fee equal to 3% and up to 2% as direct project costing. Furthermore, as long as they are unequivocally linked to the specific project(s), all direct costs of implementation, including the costs of implementing partner, will be identified in the project budget against a relevant budget line and borne by the project accordingly.
2. The aggregate of the amounts budgeted for the project, together with the estimated costs of reimbursement of related support services, shall not exceed the total resources available to the project under this Agreement as well as funds which may be available to the project for project costs and for support costs under other sources of financing.

## **Article III**

1. The contribution shall be administered by the UNDP in accordance with UNDP regulations, rules, policies and procedures, applying its normal procedures for the execution of its projects, in the light of proposals of the Government.
2. Project management and expenditures shall be governed by the regulations, rules, policies and procedures of UNDP and, where applicable, the regulations, rules, policies and procedures of the Implementing Partner, in the light of proposals of the Government.

#### **Article IV**

1. The implementation of the responsibilities of the UNDP and of the Implementing Partner pursuant to this Agreement and the relevant project document shall be dependent on receipt by the UNDP of the contribution in accordance with the schedule of payments set out in Article I, paragraph 2, above. UNDP shall not start implementation of the activities prior to receiving the Contribution or the first tranche of the Contribution (whichever is applicable).

2. If unforeseen increases in expenditures or commitments are expected or realized (whether due to inflationary factors, fluctuation in exchange rates or unforeseen contingencies) UNDP shall submit to the Government on a timely basis a supplementary estimate showing the further financing that will be necessary.

3. If the Contribution referred to in Article I, paragraph 2, above, are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph 2, above, is not forthcoming from the Government or other sources, the assistance to be provided to the Project under this Agreement may be reduced, suspended or terminated by UNDP in agreement with the Government.

#### **Article V**

Ownership of equipment, supplies and other property financed from the contribution shall vest in UNDP, unless and until such time as ownership thereof is transferred, on terms and conditions mutually agreed upon between the Government and the UNDP, to the Government or to an entity nominated by it.

#### **Article VI**

The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules, policies and procedures of UNDP.

#### **Article VII**

UNDP shall provide the Government on request with financial and other reports prepared in accordance with UNDP reporting procedures.

#### **Article VIII**

1. UNDP shall notify the Government when all activities relating to the Project have been completed in accordance with the Project document.

2. Notwithstanding the completion of all activities relating to the Project, UNDP shall continue to hold unutilized funds from the Contribution until all commitments and liabilities incurred in implementation of the activities finance by the contribution have been satisfied and these activities brought to an orderly conclusion.

3. If the unutilized funds prove insufficient to meet such commitments and liabilities, UNDP shall notify the Government and consult with the Government on the manner in which such commitments and liabilities may be satisfied.



## **Article IX**

The Parties agree that it is important to take all necessary precautions to avoid corrupt practices. To this end, UNDP shall maintain standards of conduct to govern the performance of its staff, including of corrupt practices in connection with the award and administration of contracts, grants, or other benefits, as set forth in the Staff Regulations and Rules of the United Nations, the UNDP Financial Regulations and Rules, and the UNDP Procurement Manual.

## **Article X**

Consistent with numerous United Security Council resolutions, including S/RES/1269 (1999), S/RES 1368 (2001), and S/RES/1373 (2001), both the Donor and UNDP are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of UNDP to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, UNDP undertakes to use reasonable efforts to ensure that none of the Donor funds provided under this Agreement are used to provide support to individuals or entities associated with terrorism.

## **Article XI**

1. After consultations have taken place between the two Parties to this Agreement and provided that the funds from the Contribution already received are, together with other funds available to the Project, sufficient to meet all commitments and liabilities incurred in the implementation of the Project, this Agreement may be terminated by the Government or by UNDP. This Agreement shall be terminated thirty days after either of the Parties may have received the written notification through diplomatic channels from the other Party of its intention to terminate this Agreement.
2. If the unutilized contribution-payments, together with other funds available to the Project, are insufficient to meet such commitments and liabilities, UNDP shall notify the Government and consult with the Government on the manner in which such commitments and liabilities may be satisfied.
3. Notwithstanding termination of this Agreement, UNDP shall continue to hold unutilized funds until all commitments and liabilities incurred in implementation of the activities financed by the contribution have been satisfied and these activities brought to an orderly conclusion.

## **Article XII**

Any dispute related to the interpretation or application of the provisions of this Agreement shall be settled by negotiations and consultations between the Parties.

## **Article XIII**

Any amendments may be made to this Agreement by mutual written consent of the Parties. Such amendments shall be made in a form of separate Protocols being an integral part of this Agreement and shall enter into force in accordance with the provisions of Article XV of this Agreement.

#### Article XIV

Unless this Agreement otherwise provides any notice or correspondence between the Government and UNDP will be addressed as follows:

- (a) To the Government: Mr. Fuad Nagiyev, Chairman of the State Tourism Agency of the Republic of Azerbaijan  
Address: 96E, Nizami street, Landmark, AZ1010 Baku, Azerbaijan
- (b) Upon receipt of funds, UNDP shall send an electronic receipt to the Government email address provided below as confirmation that the remitted funds have been received by UNDP  
Government email address: [info@tourism.gov.az](mailto:info@tourism.gov.az)  
Attention: Mr. Fuad Nagiyev, Chairman of the State Tourism Agency of the Republic of Azerbaijan
- (c) To UNDP: Mr. Alessandro Fracassetti, UNDP Resident Representative  
Address: 3, UN 50<sup>th</sup> Anniversary Street, Baku, AZ 1001
- (d) The Parties shall promptly notify each other concerning any changes to paragraphs a, b and c of this Article.

#### Article XV

This Agreement shall enter into force on the date of receipt of the written notification sent by the Azerbaijani side through diplomatic channels confirming the completion of its internal procedures required for the entry into force of this Agreement.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in the English and Azerbaijani languages in two copies, all texts being equally authentic. In case of divergence in interpretation or application of this Agreement, the English text shall prevail.

**For the Government:**

  
\_\_\_\_\_  
(Signature)

**Name:**

Mr. Fuad Nagiyev

**Title:**

Chairman of the State Tourism Agency  
of the Republic Azerbaijan

**Date:**

15/04/2021

**Place:**

State Tourism Agency of  
the Republic of Azerbaijan

**For UNDP:**

  
\_\_\_\_\_  
(Signature)

**Name:**

Mr. Alessandro Fracassetti

**Title:**

UNDP Resident Representative

**Date:**

15 April 2021

**Place:**

UNDP Country Office in Azerbaijan