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AZERBAIJAN COMPETITIVENESS AND TRADE (ACT) PROJECT

*ACT Progress Report for FY2012 Quarter 3
April 1 – June 30, 2012*



This publication was produced by Sibley International LLC, for review by the United States Agency for International Development.

Picture Caption: Anar Mikayilov, Manager of Girkhbulag Trout Farm in Sheki is proudly showing the trout fish, which entered the farm as eyed fish eggs, imported from a US supplier. This farm, along with several others throughout the country, benefited from a consolidated order and subsequent import, which was facilitated by the USAID Azerbaijan Competitiveness and Trade Project.

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Azerbaijan Competitiveness and Trade (ACT) Project

ACT FY2012 Q3 April 1 – June 30, 2012

DISCLAIMER

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ACRONYMS

ABM	Activity Based Management
ACT	Azerbaijan Competitiveness and Trade Project
AML	Anti-Money Laundering
BDS	Business Development Service Providers
CBA	Central Bank of Azerbaijan
SIC	Standard Industrial Classification
COP	Chief of Party
CSO	Civil Society Organization
DVC	Digital Video Conference
EU	European Union
FI	Financial institutions
FMS	Financial Monitoring Service
GAPS	Good Agricultural Practices
GATT	General Agreement on Tariffs and Trade
GOST	Government Standards
IDP	Internally Displaced Persons
IER	Institute of Economic Reforms
IFC	International Finance Corporation
INR	Initial Negotiations Rights
IPPC	International Plant Protection Convention
IPR	Intellectual Property Rights
ISPM	International Standards of Phytosanitary Measures (ISPM)
LE	Local Expert
LOE	Level of Effort
MCIT	Ministry of Communications and Information Technology
MFA	Ministry of Foreign Affairs
MOA	Ministry of Agriculture
MOED	Ministry of Economic Development
MOF	Ministry of Finance
MOH	Ministry of Health
MOT	Ministry of Taxes
MSE	Micro and Small Enterprises
PMPI	PMP indicator
SCPI	State Committee on Property Issues
SLCC	State Land and Cartography Committee
SME	Small and Medium Enterprises
SOW	Scope of Work
SPS	Sanitary and Phytosanitary Measures
STTA	Short-term Technical Assistance
TBT	Technical Barriers to Trade
TIRSP	Trade and Investment Reform Support Project
TRIPS	Trade related Intellectual Property Rights
TRQ	Tariff Rate Quotas
US	United States
USAID	United States Agency for International Development
USTR	United States Trade Representative
WTO	World Trade Organization

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Project Overview

Sibley International is pleased to present the Azerbaijan Competitiveness and Trade Project Year 2 Quarter 3 Report in accordance with contract number AID-EEM-I-00-07-00003, task order number AID-112-TO-10-00002. This report covers quarterly reporting for year 2 and describes project activities completed during Q3 – April 1 – June 31, 2012.

The ACT Project began operations in October 2010. It aims to improve the domestic business enabling environment; develop a liberalized, more transparent trade environment; and improve targeted value chains in the agriculture sector of Azerbaijan.

Formally, the project is divided into the three abovementioned interconnected and interdependent components. In addition, there are several cross-cutting technical areas that support all three components. These include the development of a public-private dialog to support discussions between the private and public sector to improve understanding of changes; overall monitoring and evaluation to ensure the project objectives are met; and development of partner organizations in building local institutional capacity including business development service providers and economic and trade related think tanks, to the extent possible.

The project works towards achieving the following as defined in the revised SOW¹:

- Build and Sustain the Case for Economic Reform in Azerbaijan.
- Facilitate Changes to Business-Related Laws, Regulations, and Administrative Procedures so as to improve the business climate, particularly in the non-oil sector.
- Enhance the capacity within the Central Bank of Azerbaijan to maintain stability within the financial sector of Azerbaijan
- Support to GOAJ on WTO Accession to achieve legislative and regulatory compliance.
- Support to GOAJ on Procedures and Mechanics of WTO Accession.
- Identify sub-sectors that exhibit potential for competitive growth.
- Improve competitiveness of targeted sub-sectors.
- Improve and expand knowledge of agricultural best practices.
- Improved access to finance for SMEs and farms, particularly in rural areas.

¹ The original project SOW was officially revised with modification number 3 in May 2012.

Project Activities and Accomplishments in Year 2 Q3

Component 1: Domestic Business Environment Improved

Accomplishments Highlights in Year 2 Quarter 3 in Component 1

Component 1 began to see the fruits of its earlier efforts to shape several aspects of policies affecting the domestic business environment, in particular those related to competition law reform. Its efforts to engage with the food safety agencies on modernizing their regulatory practices continued to gain steam.

Efforts on engaging with the government on institutional aspects of property law reform progressed during the quarter. The policy document in particular attracted the positive attention of both the World Bank and the State Committee on Property Issues (SCPI) with the document being circulated to various government stakeholders by the President's Office.

At the Central Bank of Azerbaijan (CBA), the project progressed on efforts on implementing an activity based management system, making initial progress on the staff interviews required for development of the CBA activity dictionary, the first step in the implementation process. The project also continued its work on risk based bank supervision, supporting further development of a methodology document, which will be adopted over the next few months by the CBA Board, outlining implementation of the RAS over the next year.

On anti-money laundering efforts, the project accelerated its technical assistance with respect to technical aspects of the e-learning system at the Financial Monitoring Service (FMS) with all local content uploaded and completed by the end of the quarter. A project technical expert also provided a final review of the content of the international modules of the system to be uploaded and finalized early next quarter.

Activity 1.A: Build and Sustain the Case for Economic Reform in Azerbaijan

As agreed with USAID, Activity 1.A was phased out as a stand-alone activity. The business start-up mapping effort (reported under this section for Q1) will be described in this report under Sub-Activity 1.B.4 (Administrative Barriers Reduction).

Activity 1.B: Facilitate Changes to Business-Related Laws, Regulations, and Administrative Procedures so as to Improve the Business Climate, Particularly in the Non-Oil Sectors

This portion of the report describes sub-activities of the project as delineated by the work plan.

Sub-Activity 1.B.1: Tax Reform

Pursuant to its efforts to develop its relationship with the Ministry of Taxes (MOT) and the Ministry of Finance (MOF) the project had extensive discussions on the direction of Tax Code amendments particularly with Mr. Akif Musayev (Head of the Policy Department at MOT) and Mr. Jamil Alizade (Head of the Tax Policy and Revenue Department at the Ministry of Finances) over the course of the quarter. The project also met with members of the Milli Majlis on this issue, in anticipation of a document being sent to that institution in the spring session.

These discussions were supported by an updated version of the briefing paper on tax policy (to take into account the discussions with the Ministry of Tax) and particular papers focusing on transfer pricing, minimal rental prices, and promotion of non-cash payments. The project also developed a paper on recommendations related to defining presumptive taxes and provided suggestions related to defining employment and self-employment. These were sent to the ministries and to the Milli Majlis in April and May.

This interaction was supplemented by close coordination with the private sector, particularly the American Chamber of Commerce (AmCham), who likewise considered this a top priority. This was illustrated by the project's participation in a tax conference organized by AmCham where senior members of the project served as panel members.

However, while the two institutions were able to agree on several areas, there was not sufficient agreement to bring a package of reforms to the Milli Majlis before the end of the spring session. However, according to the MOF, there is a possibility that these changes will be debated in the fall session of the Milli Majlis.

Sub-Activity 1.B.2: Property Law Reform

The project's briefing paper on institutional aspects of property reform generated substantial dialogue within the government. The project followed up with meetings with the SLCC (State Land and Cartography Committee) and the SCPI. The former was critical of the draft while the latter was supportive.

Various officials from the World Bank's real estate reform project expressed informal support for the recommendations in the policy paper. Thereafter, the World Bank endorsed the paper and its recommendations in a letter to the government.

The GOAJ continued discussing the paper as of the end of the quarter with the distribution of the document to various government agencies from the President's Office.

Sub-Activity 1.B.3: Commercial Law Reform

This sub-activity breaks down into several distinct areas.

Competition Code Dialogue

The project continued to implement the plan for engaging with the Milli Majlis that it had developed in Q1. Namely it (1) began working with the Azerbaijani Lawyers Confederation as a partner to support dialogue with the Milli Majlis, (2) sponsored and participated in a TV show in Yevlakh on competition law, (3) organized a conference in Mingecevir on competition in conjunction with the CSO, Education for Human Rights, and (4) advocated at other events for passage of a progressive Competition Code. These activities are captured under PMPs 1-2.1 (Direct Exposures of Public Education Advocacy) and 1-2.2 (Indirect Exposures of Public Advocacy).

Although there has not been official activity endorsing the project's Competition Code, it does appear that the actions of the project over the past six months have raised the awareness of various stakeholders as to the shortcomings of the current draft and the possibility of using the project's draft as an alternative.

E-Commerce Legislative Package

The project's proposed legislative package on e-commerce generated substantial discussion within the government namely at the Ministry of Communications and Information Technology (MCIT) and Ministry of Economic Development (MOED). In particular the MOED discussed at length the language of the draft and possible minor modifications to it.

The Public Procurement Agency sent USAID a formal letter regarding the draft, expressing its interest in developing it further with respect to e-procurement.

This feedback apparently resulted from distribution and a request for comments that came directly from the President's Office to various government agencies. The project also put forth concerted efforts on distributing the package to other stakeholders such as the Ministry of Tax.

Secured Transactions Law Promotion

Following up from a request by Rena Malikova (the Head of the Legal Department at the CBA) the project jointly developed with the IFC a concept paper on how to move forward to incorporate the previously developed draft law more fully into Azerbaijani legislation. This document was submitted to USAID for review. The translation of that document was being finalized at the end of

the quarter.

The project continued its promotion of secured transaction reform, namely by publishing an interview style article on the benefits thereof, in the Azerbaijani Press Agency's website in Azerbaijani and Russian. This is captured under PMPI 1-2.2 (Indirect Exposures of Public Advocacy).

Sub-Activity 1.B.4: Administrative Barriers Reduction

This sub-activity initially encompassed work on business start-up, leasing of land, food safety inspections, and the adoption of regulatory impact analysis methodologies. The activities of leasing of land and the adoption of regulatory impact analysis have been dropped as a result of lack of prioritization of these issues by government counterparts.

The project accepted the second and third deliverables from the consortium contracted to map out the procedures for starting a fish processing plant and an olive growing/processing business. Two more deliverables were accepted – a second in April (mapping the start-up of an olive growing business) and a third in June (mapping the start-up of a fish processing plant). In order to maximize stakeholder participation the results are expected in September.

On food safety inspections, the State Veterinary Service joined the State Phytosanitary Service in working with the project on the development of inspection checklists. The project developed a first draft of the inspection checklist for the State Veterinary Service and an equivalent document for the State Phytosanitary Service.

With respect to training sessions/dialogue with the food safety agencies, the project organized two seminars in early June on risk based regulatory practices for the five agencies charged with ensuring that farm products and other processed foods meet public health and safety standards. As a result of this seminar the State Veterinary Service requested the project to assist them in developing instructions to be adopted by an internal order. The project started developing the instructions for them. These seminars were supplemented by a roundtable discussion that the project organized on the inspection registry (recently established by the government and implemented by the Ministry of Justice). The five agencies had frank discussions on which aspects of the new system were working better than others.

Sub-Activity 1.B.5: Public Investment Rationalization

This topic has been phased out per USAID guidance and the revision to the project SOW.

Activity 1.C: Enhance the Capacity within the Central Bank to Maintain Stability within the Financial Sector

This activity includes work with the CBA proper and with the Financial Monitoring Service (FMS), which is under the CBA but has separate offices and a more specialized mission. Note that even though the work here represents substantial effort with these institutions, activities here will not be measured by incremental change in PMPI 1-2.3 as these two institutions have already been counted as “strengthened” in Y1.

Sub-Activity 1.C.1: Central Bank Assistance

Assistance to the CBA currently is focusing on (1) introducing risk-based methodologies into its bank supervisory activities, and (2) introducing activity based management (ABM) across the bank.² Both began moving forward after some delay during previous quarters.

During the quarter, the project continued its work on risk-based bank supervision. As of the end of the quarter, the expert had begun working on the methodology document to support formal adoption by the CBA Board and move forward with implementation expected next quarter. The document will be further developed onsite in July and then offsite through its formal adoption before the end of the year.

With regard to implementation of activity-based management, the project was able to mobilize its expert on this topic twice during the quarter. The latter visit was ongoing as the quarter ended. During both trips, the expert focused primarily on interviewing employees of the CBA on their activities and the costs thereof. He held multiple interviews with approximately 90 people in his first trip and a similar number in his second. This is part of the first step in creating the CBA’s activity dictionary which will define a limited set of activities for the organization and its reporting.

Sub-Activity 1.C.2: Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

Development of an E-Learning System on AML and CFT Issues

Progress on this effort can be tracked with respect to its information technology (IT) aspects and its substantive content aspects.

With respect to IT aspects, the project assisted the FMS in getting a working version of the software up and running on its server. It also provided a dedicated IT technician to help FMS personnel create learning modules and load them onto the system. In addition it supported the video taping of “live” lectures that the FMS plans to load onto the system. By the end of the quarter, the FMS had assembled a substantial portion of the e-learning system.

² The project’s support for the bank’s cash management and materials handling efforts has been phased out.

With regard to substantive content, the project identified and obtained FMS approval of an AML/CFT expert who was slated to provide training and review modules that address international best practices. She is scheduled to come in early July to review the content of the modules.

As this activity is still in its incipient stage, no individuals have taken the e-learning course, the numbers of which will be tracked by PMPI 1.6

Project Activities Planned for Q4 FY2012

ACT project staff will clarify the needs of both the Ministry of Tax and the Ministry of Finance regarding tax policy and administrative reform.

The project will submit a concept paper on secured transactions law reform to the Central Bank, send a government official to Beijing several days to study secured transactions there, and develop a revised draft framework for the law.

Act project staff will monitor the progress of the government on enacting the reforms it suggested in its property paper but will not take any active steps to support these efforts.

The project will clarify the expressed needs of various agencies regarding the e-commerce reform package, offering support as necessary.

The project will continue supporting competition law dialogue through, among other things, publication in several media outlets.

The project will promote and consult on the administrative constraints connected with business startup in tandem with its implementation partner.

The project will continue its planned workshops and roundtables for the five food safety agencies.

The project will develop revisions and additions to food agency procedures regarding inspections and risk assessment.

The project will support and otherwise promote the progress of the food safety strategy document as it moves through the Cabinet of Ministers' review.

Project staff and consultants will provide technical assistance to the CBA on risk based bank supervision.

The project will continue to provide technical assistance to the CBA on activity-based management.

The project will provide technical advice to the FMS on the international modules of its e-learning system.

The project will support the FMS in its efforts to finalize and launch the e-learning system.

Component 2: Liberalized, More Transparent Trade Environment Developed

Accomplishments Highlights in Year 2 Quarter 3 in Component 2

During this quarter, significant progress was made toward improving Azerbaijan's bilateral services and goods offers leading to a US-Azerbaijan bilateral video conference in April. This will be followed by bilateral negotiations in July with the US and five other countries (Canada, Switzerland, Brazil, Japan and China Taipei). Some legislative progress was made in a few areas for improving the trade environment and improving compliance with the WTO agreements. The draft law on Protecting Intellectual Property Rights and Combatting Piracy was adopted and the draft law on Accreditation was submitted to the Cabinet of Ministries. In addition, ACT assisted in developing (i) draft action plans for developing competition and establishing an independent regulator in the telecom sector and (ii) a draft mechanism and guidelines for SPS equivalence recognition. In this quarter, ACT intensified its efforts to build nationwide awareness, targeting various stakeholders to continue building support for advancing the WTO accession process and related reforms.

Activity 2.A: Support to GOAJ in Improving the Trade Environment

Sub-activity 2.A.1 Trade Environment Legal Reform

The team continued monitoring the legislative process (22 drafts) for bringing the legal framework in line with best practices and the WTO agreements covering a wide array of areas including intellectual property, food safety, animal and plant life health, customs, trade remedies, licensing, foreign trade policy, standardization and accreditation, and technical regulations. The updated chart of legislative progress is provided in Annex 1.

Where required, the team provided technical reviews, support, and advice to advance the process. In some instances, support was sought from international experts. The following were the most significant activities performed by the team to advance legal reform for improving the trade environment:

- Worked on the Law on Accreditation and finalized the draft law at the ministerial level. The Law was sent to the Cabinet of Ministries in April.
- Reviewed the most recent draft law on technical regulations and developed additional amendments. Worked with the State Committee on Standardization, Metrology and Patents to consider comments of line ministries on the draft Law on Technical Regulations and ACT proposals.

- Discussed with the Ministry of Justice and Ministry of Economic Development and assisted in further improvements to the Law on Foreign Trade.
- Reviewed the draft Customs Tariff Law and developed draft amendments to bring in full conformity with the WTO Customs Valuation Agreement.
- Reviewed the draft regulation on IP border enforcement and provided comments to the legal department in Customs to comply with WTO TRIPS Section 4 – Special Requirements related to Border Enforcement.
- Worked with the State Committee on Standardization, Metrology and Patent on comments they provided to the Law on Food Products. All but a few comments have been resolved.
- The Ministry of Justice requested that ACT review and comment on 11 of 13 draft regulations prepared by The State Customs Committee. ACT completed during the previous quarter review of the following five drafts as of the end of March 2012:
 - Storage Procedures
 - Customs Control
 - Concession and Simplified Guidelines
 - Terms of Suspension Procedure
 - Simplified Clearance Procedure
- During this quarter, ACT reviewed and commented on the following drafts:
 - Customs Permits
 - Customs Audit
 - Controlled Shipment
 - Preferential Origin
 - Customs Brokers
- Reports regarding these draft regulations have been translated into Azeri and shared with the Ministry of Justice.
- The project conducted a detailed review and proposed additional amendments to the Law on Piracy taking into account US and EU comments and presented the results to the Office of the President and the Parliament. The Law has been adopted. The project subsequently prepared draft amendments for further improvements to this law.
- The team continued promoting and advancing the legislative process. Various meetings were held over the course of the quarter in this respect with the Ministry of Justice, the Ministry of Economic Development, and the Ministry of Foreign Affairs.

Sub-activity 2.A.2 SPS Equivalence Mechanism:

Article 4 of the SPS agreement calls for accepting the sanitary or phytosanitary measures of other WTO Members as equivalent, even if these measures differ from those of Azerbaijan, provided the exporting member objectively demonstrates to Azerbaijan that its measures achieve Azerbaijan's appropriate level of sanitary, veterinary or phytosanitary protection. Equivalence is based upon an inter-relationship between sanitary measures, regulatory objectives, and levels of protection. Cumulatively, these components provide a framework to evaluate the equivalence of different sanitary regulatory systems, parts of systems, or individual sanitary measures.

ACT educated officials of the Sanitary-Epidemiological Service, State Veterinary Service and the State Phytosanitary Service about the importance of the equivalence process and conducted an Equivalence Workshop on June 11-14 for officials from the Sanitary-Epidemiological Service, the State Veterinary Service, the State Phytosanitary Control Service, the Anti-Monopoly Policy Service of the Ministry of Economic Development, and the Expertise Centre. The workshop guided the participants through the steps needed to determine the equivalence of sanitary and phytosanitary systems and individual measures in exporting countries. This knowledge will enable the participants to implement the practical guidelines for determining equivalence for food sanitary systems, parts of systems, and alternative sanitary measures. In addition, the project compiled a written guidance document entitled "Evaluating the Equivalence of Sanitary and Phytosanitary Systems and Measures."

ACT proposed draft equivalence language for inclusion in the Law of the Republic of Azerbaijan on Veterinary and draft equivalence regulations to support implementation of the Law of the Republic of Azerbaijan on Foodstuffs, Law of the Republic of Azerbaijan on Veterinary, and Law of the Republic of Azerbaijan on Phytosanitary Control.

In conjunction with the Equivalence Workshop, the project held a roundtable to review the draft regulations for equivalence recognition of food sanitary systems, parts of systems and alternative sanitary measures, and the draft written guidance document with the representatives of Sanitary-Epidemiological Service, the State Veterinary Service, the State Phytosanitary Control Service, the Anti-Monopoly Policy Service of the Ministry of Economic Development, and the Expertise Centre. Comments from these agencies were incorporated into the final draft document for circulation.

Sub-activity 2.A.3 Telecommunications:

One of the mandatory requirements to accede to the WTO is acceptance of the WTO Telecommunications Reference paper which calls for the establishment of an independent regulator. Azerbaijan has not yet initiated work in this respect. It is critical first to assist Azerbaijan to (i) understand the importance and benefits of having an independent regulator, notwithstanding WTO accession, from the point of view of development of the

telecommunication sector, attracting investors, encouraging technology transfer, and improving telecommunication services for consumers; and (ii) identify the needs, including legal and institutional aspects, to enable the establishment of an independent regulator in line with best international practices.

In light of potential WTO commitment to further liberalize the telecommunications sector, ACT assisted in the development of an Action Plan to phase out the monopoly in the basic telecommunications sector covering the following aspects tariff/pricing policies, privatization and other divestiture options, commercial spectrum/frequencies, licensing issues, interconnection rules, and institutional changes. In addition, ACT prepared a Report detailing the institutional framework for an independent regulator and the benefits for consumers and investors (qualitative). The framework shall outline the major issues involved in designing a regulatory body, and outline notional functions, organizational structure and staffing, ICT and other needs for effective functioning of the independent regulator, which may vary depending on the decisions on design issues. The ACT expert discussed the two draft reports with MCIT officials and technical staff and received feedback. MCIT requested that ACT identify gaps and deficiencies of the current framework in comparison with the WTO Telecom Reference paper.

ACT held a roundtable with relevant ministries including MOED and MCIT on drafted paper on June 19, 2012 and held a roundtable with AMCHAM members on June 14, 2012 on WTO accession and telecommunications sector reforms.

ACT will follow up with MCIT during next quarter to promote the reforms proposed in the two aforementioned papers.

Sub-activity 2.A.4 Code of Good Practice:

One of the main agreements of the World Trade Organization (WTO) system is the Agreement on Technical Barriers to Trade (TBT). Accession to the WTO requires the adoption of the Code of Good Practice stipulated in the WTO TBT Agreement. This will allow stakeholders, particularly the private sector, to participate in the process of development and adoption of standards³ and ensure that draft standards are published for comment by domestic stakeholders. During this quarter, ACT launched the process to assist in developing model legislation for implementing the TBT Code of Good Practice.

Sub-activity 2.A.5 SPS Enquiry and Notification Point:

The WTO SPS Agreement requires the establishment of an SPS Enquiry and Notification Point (SPS ENP) to handle enquiries and notifications related to veterinary, phytosanitary, and sanitary/food

³ The use of the word standards refers to “voluntary” standards rather than technical regulations which are by their nature obligatory.

safety measures. Countries are not allowed to have more than one SPS ENP. Azerbaijan established at the Ministry of Agriculture an SPS ENP with a role limited to animal and plant health. There is a need to expand this to cover sanitary measures prepared by the Ministry of Public Health Sanitary and Epidemiological Service as well. During this quarter, ACT commenced the development of a draft mechanism for cooperation and coordination between the Ministry of Agriculture and the State Veterinary Service, the State Phytosanitary Service, and the Sanitary-Epidemiological and for greater involvement of private sector.

Activity 2.B: Support to GOAJ on Procedures and Mechanics of WTO Accession

Sub activity 2.B.1: WTO Accession

The project during the quarter intensified work related directly to the negotiation process both on the multilateral requirements and the bilateral requirement. In terms of the multilateral process the project began assisting the government in properly answering questions posed by WTO members (US, EU, Saudi Arabia, and Taiwan) to Azerbaijan. Meetings with several line ministries were held. Throughout this process the project continued to promote the need to reform policies in line with the WTO principles and rules and the acceptance of commitments proposed by WTO Members.

Along this same line, project experts further supported the taking of policy decisions and started work on a paper related to export prohibitions of scrap metals to be used as a supporting document for a proposed Cabinet decision to eliminate these measures. The project also translated per request of MFA revised ACC4 agrarian support subsidies table and initiated preliminary review.

In terms of the bilateral process, the project continued to support the government's improved understanding of its commitments to ensure introduction of improvements to the bilateral offers in goods and services in particular with the US and facilitated communication with USTR where possible, in particular with MOED and MFA. This work led to a bilateral meeting with the US in April and a video conference with USTR on financial services in May.

In terms of services offers, the project WTO experts, examined drafting for new potential services offers in energy, audiovisual services, auditing, insurance, distribution, mode 4, and banking, and provided information on ease of making commitments in light of new developments in recent accessions for most of these sectors.

In addition to work on the services side, the project facilitated the process of reducing the list of agricultural sensitive goods and in focusing on making substantive additional concessions in the agricultural goods offer. This was supported through a further elaboration on the initial negotiations rights (INR) comparative tables for agricultural goods, analysis of trade and production of agriculture products (in comparison with the INRs for other countries) to begin analysis to narrow list of Azerbaijan sensitive products.

In terms of sectoral commitments, the project expert reviewed with MOED scientific equipment, medical and civil aircraft approaches and technical problems with Azerbaijan tariff lines and

facilitated MOED access to relevant technical support to work on SIC headers and arranged back up technical support to rectify mistakes in descriptions in the last Azerbaijan offers in those sectors. In addition, she assisted MOED and MFA with points and arguments for chemical harmonization tariffs sectoral for use to convince line agencies to accept the full sectoral initiative. To facilitate progress in this area, the expert prepared and discussed with MOED and MFA a table of Azerbaijan chemicals export destinations, which includes major chemicals producing countries. ACT reviewed applied rates for chemicals lines, analyzed with MOED Azerbaijan's applied rates on imports and analyzed exports of the sectoral chemicals lines.

Based on improvements made by the Azerbaijan government with support from the project, Azerbaijan will hold several bilateral meetings in Geneva including with the US and is expecting to hold its next Working Party meeting in November/December of this year.

Other related activities included the following:

- Provided feedback on migration regulation in relation to services offer on intra-corporate transferees and other temporary entry categories typically committed in the WTO accession process to the government and the private sector (in particular to Amcham).
- Investigated concerns raised by Azerbaijan about commitment language, and moving to the Draft Working Party report⁴ in November 2012 at its next scheduled Working Party meeting. Discussed strategy for next Factual Summary and graduation to Draft Working Party report provided commitment language is included in the text.
- Prepared WTO Awareness policy paper on the need to accelerate WTO accession and presented it to some government officials including Azer Amiraslanov, the chief of Department for Agrarian Policy Issues at the Office of the President.

Events:

- The project organized a seminar in Caucasus University on May 15 for University professors and students to discuss WTO accession and its impact on Azerbaijan.
- Project experts organized a regional event on WTO in the Gabala region on May 17 with the participation of around 17 enterprises and farmers. The speakers of the seminar were ACT project staff and a representative of the Ministry of Economic Development, Mirza Aliyev.
- ACT organized a regional seminar in the Masalli region on WTO on May 24 with the participation of around 16 enterprises and farmers. The entrepreneurs were mainly concerned about the issue of elimination of illegal monopolies and liberalization of the import-export requirements. Also, they indicated the importance of liberalization of the financial services market, because it might result in reduction of interest rates on loans and increase their chances of obtaining more flexible credit conditions.
- The project participated in an international conference held by Sabit Bagirov on entrepreneurship development funded by CIPE as speaker on May 2. Elkhan Mikayilov, component leader, made a presentation on Azerbaijan's WTO accession status and challenges.

⁴ The working party report is the final document that describes a country's commitments. Moving to a draft of this document shows progress willingness of all parties to move closer to final commitments.

- Elkhan Mikayilov, component leader, participated in the international conference on "Free Market Road Show: Azerbaijan at a Crossroads" hosted by the Friedrich Naumann Foundation South Caucasus as a guest speaker on May 5.
- The project organized a regional event on WTO in the Gakh region on June 28th with the participation of around 18 enterprises and farmers. The speakers of the seminar were ACT project staff and representative of the Ministry of Economic Development, Mirza Aliyev, and a representative of the city Excom. In the event important aspects of WTO accession and its effects and challenges to companies were described and discussed.
- A TV program was taped through the Sheki TV channel on WTO and the private sector for the one hour "Social Life" program. In the program, WTO, its accession process, effects, cost of delaying accession, misunderstandings about WTO, challenges of the accession process and dispute resolution were discussed.
- ACT expert Alicia Greenidge attended as the guest speaker for the AmCham monthly luncheon on June 29, 2012 on the topic of intra-corporate transferees and the WTO. She discussed intra-corporate transferees as a concept found in WTO practice outside of migration concepts and as a possible trigger for AmCham's consultations with government to address entry visa and permit issues of circulation of personnel.
- ACT expert held an awareness meeting with ASAIF members (Azerbaijani students associations of alumni and students from foreign university) on WTO accession June 28, 2012.
- The project provided summary of WTO and Azerbaijan accession to the Azerbaijan Alumni Exchange Student Association. The discussion included an exchange of views on education services and selected services areas alumni studied that are also on the table in Azerbaijan accession negotiations

Project Activities Planned for Q4 FY2012

Legal reforms:

- Continue support to all draft legislation with focus on the following main priorities: draft law on Technical Regulations, draft law on Foreign Trade Activities, draft law on Trade Remedies, draft law on Customs Tariff, draft amending law on Food Products, and draft amendments to Decree 782;
- Continue support in reviewing draft implementing regulations for recently adopted customs code as requested by the Ministry of Justice and/or the Office of the President; and
- Assist in further development on regulations related to intellectual property and trade remedies law.

Institutional development:

- Develop proposals to expand SPS Enquiry and Notification Point;

- Develop draft procedures for implementing the code of good practice;
- Develop an action plan to qualify one laboratory in line with ISO 17025; and
- Continue promoting adoption of residue monitoring plan.

International standards:

- Continue support for Codex Harmonization; and
- Launch process of adoption of three IPPC standards: ISPMS 2, 11, and 21.

WTO Accession process:

- Complete assistance in preparation of next Working Party meeting including replies to questions;
- Assist in updating legislative action plan;
- Complete analysis and development of plan for eliminating the telecommunications monopoly and independent regulator;
- Promote further liberalization toward improving revised offers on goods and services;
- Conduct additional WTO events to continue to support awareness building; and
- Update any needed conformity charts.

Component 3: Targeted Agricultural Value Chains Improved

Accomplishments Highlights in Year 2 Quarter 3 in Component 3

The third quarter of Year 2 in Component 3 saw a dramatic increase in value chain development and farmer training activity with the contracting of 4 implementing partners for the dairy, hazelnut, and pomegranate value chains. Farmer training by the implementing partners began at the end of April, and ACT project local experts continued training throughout the quarter bringing total farmer trainings to over 5,200 from 1,300 at the end of the second quarter. Along with the farmer trainings, Component 3 staff worked behind the scenes to ensure that the farmer training program had constant training-of-the-trainer visits, and that an extensive set of farmer training pamphlets were designed, translated, published, and distributed. In addition, project senior staff provided training workshops on farmer training techniques, and team building activities with implementing partners, local experts in the field, and Component 3 headquarters staff.

The demonstration plots are well underway, with the hazelnut demonstration plot in Zaqatala growing and signage installed indicating the joint effort between USAID, GIZ, Ferrero, and Azerstar (local company). The apple demonstration plots in Guba got off to a slower start, with the GAPS demonstration orchards on track, but the intensive orchards and nursery plots delayed until after the fall for planting. The carp hatchery demonstration site in Neftchala is also progressing well, and will be completed in the fourth quarter. Finally, demonstration sites for the dairy value chain are under consideration. Possible areas include forage plots, calf hutch, and proper barn construction.

Value chain development above the farm gate level was led first by our value chain specialists, and was joined by the implementing partners. The project visited many new cold storage companies, pomegranate processors and hazelnut processors this quarter. Project implementing partners will be doing additional work to develop these companies. Several international training trips were undertaken, with leading fish farmers and processors attending a trade fair in Izmir, Turkey; four hazelnut agronomists and processors attending agronomic training in Georgia; and five members of a leading pomegranate processor attending a successful trade show in Korea. Finally, ACT staff worked closely with implementing partners to develop effective work plans for their assistance to the input, marketing, processor, and export sectors in the various value chains.

Food safety activities continued, with progress being made in all five client companies in the HACCP program, and the addition of two new companies this quarter. An RFP has been developed to bring in a consulting firm to assist four additional companies in the HACCP implementation process. The final selection and contracting process will be finalized in the next quarter. An ACT project consultant has also completed comprehensive HACCP manuals for use by the Agrarian University in Ganja, as well as the health ministry. Final versions in Azeri are

expected to be printed in the next quarter. Finally, work has progressed on the Consumer Food Safety Seal Program, and a manual was prepared and is currently being translated into Azeri. Extensive training is planned for the next quarter for Consumer Union staff on the safety seal program.

Excellent progress has been made in the improving access to finance sub-activity, with piloting programs started in five branches of three banks. A new partner has been selected, the Azerbaijan Risk Professionals Association (ARPA), to receive capacity building assistance to help it build its training capacity for bank employees. Several key trainings have been provided to the client banks, resulting in a total of 119 being trained in this quarter, of which 99 are from partner financial institutions (Demir Bank, Azercredit, AG Bank and Turan Bank) and 20 are from non-partner banks through ARPA. Finally, all four implementing partners have worked to bring banks and farmers together, which has resulted in loans being written valued at approximately 60,000 AZN. In addition, all four implementing partners have developed lists of local banks and the products they provide for use of potential borrowers

Activity 3.A: Identify Subsector that Exhibit Potential for Competitive Growth

Activities in this area were carried out in the first year to assist in formulating project activities, and were completed in the second quarter. At this time, no explicit activities are planned for the current and future quarters, as the project enters its last year of operation. However, the project will remain open to new opportunities in sectors not yet covered and will continue to identify and ameliorate weak links in the value chains

Activity 3.B: Improved Competitiveness of Targeted Sub-Sectors

Sub-Activity 3.B.1: Direct Value Chain Assistance

This activity focuses on developing the value chains above the farm gate level, and is targeted at processors, service providers, storage, transportation, and any other element in the value chain except the farmer. The specific activities include providing direct technical assistance to SMEs in processing and cold storage, capacity building of project BDS partners, cold chain services development, food safety and certification activities, and association development. These activities support indicator 3.2 from the ACT project PMP, which is the number of firms receiving USG supported assistance.

Key accomplishments by value chain, and/or sub-activity are as follows:

Horticulture (Pomegranates, Apples, Hazelnuts)

Hazelnuts – The implementing partner for hazelnuts, Parviz LLC of Zaqatala, got off to an excellent start, in its first two months of operation completing SWOT analyses for six hazelnut processors;

Success story

In February 01, 2012, the ACT Project conducted a training on “Land preparation and Planting Technology for Apple Orchard Establishment. The Shaping and Pruning of Apple Trees” The training was conducted in the apple orchard owned by the farmer, Elkhon Akhundov, in the Dashliytag Village of the Guba Region. During the training it was found that the farmer had not applied basic agronomic practices in his orchard (his orchard had not been pruned properly). Consequently, most of his crop had been damaged by pests and diseases.

Considering this incident, the project conducted a series of trainings and technical assistance in this village. The farmers were trained on “Soil Fertility and Irrigation practices” in April, on “Sprayer Calibration” in May, and on “Integrated Pest Management Practices” in June.

In July, project staff visited the orchard owned by the farmer, Elkhon Akhundov, again and found a number of big changes and improvements made in the orchard. The 15 Ha of the orchard that, in the farmer’s own words, had once been reminiscent of a “jungle” became a productive orchard. The orchard had been properly pruned, irrigated, fertilized, and other best agronomic practices applied. The cost of applying pest management practices was reduced by about 20% as result of proper calibration of the sprayer. Unlike previous years, this year the orchard was completely free from pests and diseases.



The farmers used to throw empty pesticide containers in the water or leave them near the trees before. Thanks to the trainings of the project they are disposing of them in other ways.

creating a database of input suppliers; developing a three-year business plan for one processor; connecting two farmers with input dealers; and providing training to 12 farmers on access to finance. In addition, training activity continued by sending four senior agronomists to the third of four sessions being provided by Ferrero in Georgia. The ACT project also nominated a staff member of Parviz LLC to attend training in Georgia to participate as a trainer in the Calidena method of value chain development sponsored by GIZ, which will result in a workshop in August that will produce a value chain development action plan for hazelnuts.

Pomegranates – The implementing partner for pomegranates, Araz Business Center LLC, also got off to a strong start, conducting SWOT analyses on four pomegranate processors and one pomegranate cold storage facility; holding a workshop on association formation in Goychay; developing a database of input suppliers; developing a website for a major pomegranate processor; and assisting three farmers to get loans from the FINCA Credit Organization. The ACT project also assisted a major processor, Aznar JSC, to attend a trade show in Seoul, Korea. In addition the project assisted in their purchase of \$4 million in equipment

for processing pomegranate oil from the seeds.

Apples – The ACT project concentrated its efforts on the cold chain sector in the apple growing region around Guba. During the quarter, the project investigated reports of technical and market constraints in the sector, and conducted an in depth survey of six cold storage producers. The project shared our findings with USAID, MOED, and GIZ, who all have an interest in the cold storage sector's success. The possibility of additional training was also considered, and future collaboration between the ACT project and GIZ may occur for long term vocational education and some short term stop-gap measures to immediately strengthen the capacity to maintain cold storage facilities.

Dairy

With the addition of two implementing partners in the central region (AgroTech LLC of Barda) and southern region (JAC of Lankeran), activities expanded greatly in the dairy value chain. Access to finance was a significant barrier to growth, and both implementing partners had great successes in this area. In particular, JAC assisted four dairy farmers in obtaining 10-15,000 AZN loans from the National Fund for Enterprise Development. JAC also did extensive market analysis for the dairy sector in southern Azerbaijan, which also stressed the need for improved access to finance. AgroTech completed a database of financial institutions in its region and was successful in assisting a dairy in receiving a loan.

AgroTech also did an excellent job of linking dairies and cheese processors to needed equipment suppliers. In one case, it assisted a small cheese maker to obtain a 1.2 ton milk cooling tank, which increased the processor's production volume instantly. AgroTech also linked a feed trough maker with several larger farmers and assisted in the acquisition and installation of two electric fence systems. Finally, AgroTech did an assessment of six Artificial Insemination (AI) providers, who all passed their minimum standards, and linked them to 10 different farmers who utilized their services. JAC also provided key linkages between two larger dairy operators and milk collection centers.

Success story – Dairy processing

ACT project implementing partner AgroTech LLC assisted Mr. Yusir Misirov to obtain equipment to expand his cheese making business. AgroTech specialists visited his facility and found that he had the capacity to produce two tons of dairy products a day. Local dairy farmers sell milk directly to him, but he only has the capacity to store 800 liters a day in a refrigerated tank. To assist with the situation, the AgroTech specialist found an available milk refrigeration tank with a capacity of 1,200 liters a day for a reasonable price of 3,000 AZN. Therefore the milk cooling capacity is now sufficient to provide 2,000 liters of milk per day, which means the operation can now operate at full capacity. This is the first cooperative effort between AgroTech and Mr. Misirov, and will pave the way for further cooperation in the future.



Aquaculture

The highlight of the quarter was to send a delegation of seven experts to the Future Fish Eurasia fish fair in Izmir, Turkey. Participants got to see what new trends are taking place, and also to identify and to purchase, inputs and equipment that are not available in Azerbaijan. One of the project's leading trout farms, Girkhbulag of Sheki, purchased fish feed, trout eggs, refrigeration equipment, and salting, smoking and filleting equipment, and will have a Turkish firm come to Sheki to design a processing facility for them. MS Fish of Baku made an initial agreement to purchase large volume flash freezers, refrigerators, fish hauling trucks, and refrigerated displays for their fish sections in the Bazar Store chain of supermarkets. Therefore, the show was key in helping one enterprise expand from farming to processing and another to increase its processing capacity and to move into the retail sector. In addition to the trade show, the ACT project fish advisory team continued to advise larger companies on business development strategies.

Business Development Service Providers capacity development

In April the ACT project contracted with four partner BDS providers to conduct value chain development and farmer training services in their respective regions. The project staff worked extensively in the selection and contracting process, and also developed a set of forms, procedures, guidelines, and rules for the reporting, payment, and monitoring of the partners. In April, a workshop was held for all implementing partners and ACT project local experts. Baku staff made presentations on how to hold an effective meeting, the importance of pesticide safety, operational issues, and computer literacy. A team building activity was also held that brought together ACT project senior management, local experts, and partners for a proper beginning to a relationship that will remain for the rest of the project.

In early June, all of the implementing partners submitted their second milestone report covering activities from April 20 to June 11, 2013. The initial reports varied greatly, with the best needing only minor clarifications, and the worst needing 3 total re-writes with the assistance of ACT staff. The value chain specialists worked extensively to get these milestone reports into good shape. They also assisted with work plan development. The second set of milestone reports are due in August and should be better prepared documents based on mentoring by ACT staff.

Association Formation

The implementing partner Araz has taken the lead in beginning the association formation process for pomegranate farmers in the Goychay region. It held a workshop with about 20 interested major farmers. Araz's association development expert provided a thorough presentation. The Goychay region was selected first, since there are larger, industrial pomegranate producers there vs. the small holders in the Sabirabad/Imishli area. Future association development activities are planned, and will be completed in conjunction with the ACT project local expert for pomegranates, who is located in the Goychay area.

The Northwest Aquaculture Association continues to move towards a more formalized structure, recently receiving a donation from USAID of used equipment (from the ACT project). Additional work is planned for the fourth quarter with the goal to develop a budget and operating guidelines for the Association Cold Chain Development.

Cold Chain Development

The ACT project value chain specialist supporting the cold chain work visited eight cold storage facilities, and made preparations for a follow-up visit of the Cold Chain consultant in the fourth quarter. As mentioned under the apple section above, there have been numerous technical issues reported by the cold storage operators. This is indicative of the status of the industry, which is basically new, with most facilities being less than two years old. These technical problems are happening in cold storage operations throughout Azerbaijan, and indicate the need for intensive training for technicians and managers. The government of Azerbaijan, through the Ministry of Economic Development, has taken a renewed interest in the sector, due in no small part to most of the facilities being funded by the government-run Entrepreneur's Fund. Despite technical and market constraints in the last year, there are still more cold storage units coming on line, with some even converting to the much more expensive controlled atmosphere systems, that will continue to put even more pressure on the minimal availability of qualified technicians in the country.

Food Safety and HACCP Compliance

In the third quarter, the ACT project's two partners, Azcertifica and Quality Association continued working with five client companies completing on average 27 percent of the process of implementation so far. In addition, Azcertifica has taken on two additional companies that were identified by the ACT project, Interpack from Ganja and Azerstar from Zaqatala. Since Quality Associates has decided to only work with one company, an RFP was released to request a consulting firm to work with four additional new companies, which may bring the total to 12 possible (Azcertifica was originally approved to work with seven companies). Due to the seasonality of production of some of the HACCP clients, the project does not expect most will have completed their process by the end of September, but will do so shortly thereafter.

The Consumer Safety Seal program continues to progress. During the third quarter the consultant prepared a manual in Russian and delivered it to the Consumer Union. The manual is currently being translated into Azeri and will be ready in the fourth quarter. Extensive training is also planned for the fourth quarter for Consumer Union staff with the actual program beginning to take off shortly after that.

Finally, the HACCP manuals that were created for use by the Agrarian University in Ganja and the Ministry of Health are ready and printed in Russian. Final Azerbaijan versions are being completed and should be ready for printing and distribution in the fourth quarter.

Activity 3.C: Improve and Expand Knowledge of Agricultural Best Practices

This activity puts the focus on the farmer with the goals of raising production (quantity), productivity (yields), and quality of the targeted value chains. These activities complement Activity 3.B to ensure that all constraints in the value chain are addressed, and in particular the need for processors and traders to be able to source greater quantities and better quality fruits, fish, and dairy products. Specific activities include farmer training on improved farming and animal raising techniques, development of demonstration sites, development and provision of training materials, and potential assistance in developing the public and private agriculture extension system in Azerbaijan. These activities support indicator 3.1 in the ACT Project PMP, which is the number of farmer trainings that have been provided with USG support.

Sub-Activity 3.C.1: Education/Extension

The Agriculture Training section of Component 3 of the USAID ACT Project showed many results during the second quarter of 2012. The farmers of Azerbaijan experience two basic problems. In livestock and fish production the major problem is nutrition. In horticulture crops the major problem is proper pesticide and chemical use. As the second quarter began, through the project staff, local experts (LEs) and implementing partners, trainings were underway and the materials for training were being completed.

The month of April was important for farmer training activities in many aspects. First, the LEs and the project's new partner contractors were brought together for a group meeting in Baku. As part of that meeting the Agriculture Advisor gave a training session on pesticide use and how the project would address this issue. It was clear from talking with the LEs in the field and the implementing partner personnel that they knew the basics of pesticide safety but did not understand how to deliver the message to the farmers. It was also clear that pesticides that were restricted by the USAID PURSUAP document were being used and recommended in the field. The PURSUAP list of pesticides was given and explained to all responsible personnel, along with a pesticide checklist of actions to follow in recommending pesticides. The training focused on pesticide use problems found in the field, and how project staff should address these problems with farmers.

Success Story

Agabeti, Nazir Jafarov

Last winter Nazir Jafarov, ACT Project Local Expert, started working with a local group of IDP's in the dairy region of Agjabedi. At that time Nazir and other project staff visited the IDP farmers to talk about possible dairy training, pasture management, and hay production issues the group faced. Nazir and the group identified forage production and grazing to be a major issue for the farmers and their lack of milk production on the farm.

As a result of the first visit, Nazir returned to the IDP farm to talk with the producers about the need for better forage for their livestock. Nazir promoted a system of rotational grazing for the cows owned by one of the producers. The producer was encouraged to buy a portable corral system of electric fencing so that he could control the cattle's grazing habits to a confined area.

These visits and talks with the producer resulted in the producer adopting the technology on a field of alfalfa that was no longer a high hay producing field but still had alfalfa and grass for milk production. The farmer moves the portable corral every three days to new grass allowing his cows to eat good feed and the grass to recover after the cows are moved. Milk production of the five milking cows on this system has doubled to 14 liters of milk per cow per day.

Nazir has a total of four dairy farmers using this system at present, and at least two neighbors have seen the system and are copying it on their own land.



Cows on the Rotational Grazing System



Alfalfa of the Rotational Grazing System



Nazir giving technical advice on forage production.

The second half of April was spent finalizing the educational pamphlets, translating the documents, getting them ready for print, and pushing ahead with training materials for the project trainers. This was a big task with 22 different pamphlets being made in English and Azeri, and close to 19,000 pamphlets going to print. A second group of material is also being finalized that includes seven different pamphlets and over 5,000 copies going to print in early Q4.

In the last part of the first quarter the dairy trainers were formally trained in the dairy curriculum and training procedures. In turn the months of May and June were spent connecting with the new BDS field offices. These visits were to help the BDS understand the importance of providing extension which means getting out of the classroom and away from formal farmer training and replacing it with on the farm participatory learning. Every implementing partner was providing classroom training. However, once the partners understood the learning potential and relationship building importance of farm based training they embraced this new form of training. Curricula and training materials were provided to the partners to guide them through the new process of training farmers on the farm.

The second major activity of May and June was to concentrate on pesticide sprayer calibration training of the project trainers in Quba and Goychay. Sprayer calibration is a critical step in applying the proper amount of pesticides to apple and pomegranate trees. Fifteen sprayer calibration trainings were completed with local experts in Quba, Sabirabad, and Goychay with the local experts learning how to do the trainings and doing eight of the trainings themselves. It was found that the sprayer operators sprayed the same amount of spray on all orchards regardless of tree size. This is a major waste of money and introduces large amounts of unneeded pesticides into the environment. It was also found that all but one sprayer the project worked with had sprayer nozzle problems and/or leaks. Local experts addressing these problems in the field will save farmers money, better protect the environment, address pest problems in a more consistent manner, and result in better apples and pomegranates for the farmer and the consumer.

Aquaculture

Since the initialization of the regional assistance program, the aquaculture expert Sabir Ganizade has developed a seven step training module which consists of seasonal topics and is segregated by geographical regions. The module is designed to provide a certain number of training sessions and individual technical assistance (TA) within the period of one year. Within the frame of this training program, Sabir is covering 18 regions. Working as follows:

- Northwest area: Oguz, Sheki, Gakh, Zagatala and Balakan
- North area: Khachmaz, Shabran and Khizi
- Central area: Kurdamir, Hajigabul and Goychay;
- Southern region: Salyan, Neftchala, Lankaran, Masalli and Astara

During the last quarter 123 farmers were trained and received technical assistance in various aspects of fish farming. Aquaculture is a relatively new field for Azeri fish farmers and for this reason little technical expertise is inherited. This reality makes the ACT project's assistance in the aquaculture field ever more valuable and appreciated in all regions. Fish farmers openly express their gratitude for the training received and readily share their successes due to the implementation of the new technologies learned from the ACT local expert.

Dairy

The following is a sample of supervisory visits to dairy farmer training in the central region:

In Mollali village in the Barda region project staff participated in a training on the milking process. In the training local expert, Nazir Jafarov, and Agrotech representatives participated. Training was conducted by the Agrotech specialist in Barda, Yasin Hasanov. There were 33 (13 men, 20 women) participants in the training. Training was implemented by using interactive methods and practical materials. At the end of training questions were answered by the specialists. After the training, a review of the training was held, and the consensus was that the training was good, but that the practical materials used during the training were not prepared before training. It was suggested that all required materials be prepared before starting the training.

During the second half of the day, the "Controlling Animal Health" training was conducted in the Qarademirchi village in the Barda region. Training was conducted by the Agrotech specialist, Eyvaz Quliyev. Sixteen farmers (13 men, 3 women) participated in the training. Training was conducted by using interactive methods and practical materials. At the end of training questions of participants were answered by the specialists. Also, trainers had a look at some farmers' animals and gave proper suggestions in the field.

In the Korpugiran village in Barda staff participated in the training on calf rearing. Training was conducted by the Agrotech specialist, Fazil Suleymanov. There were 15 participants (men 5, women 10). Training was conducted in stables and used calves as a practical experience, using interactive methods. At the end of the training questions of participants were answered by the trainers. The trainers also evaluated sick calves and suggested treatments. Prescriptions were written for some of the sick calves, and trainers explained proper usage of the medicines to the farmers.

Horticulture

The apple value chain was strengthened by the addition of a second local expert, Minad Pashayev, an agronomist who brings specialized experience in apples and has very valuable cold storage experience.

The following are some examples of supervisory visits to farmer trainings in horticultural value chains:

Staff traveled to the Goychay region to work with local expert, Zaur Hajiyev, to attend a number trainings held in the Kurdamir and Goychay regions on integrated pest management, pesticides safety and pesticides application. ACT project staff observed the effectiveness of the trainings and worked with Zaur regarding pomegranate pamphlets. Mr. Hajiyev shared his valuable knowledge on the aforementioned topics with the farmers and visually demonstrated how to handle the pesticides. Staff visited AZNAR’s pomegranate orchard and had a discussion with the head agronomist, Mr. Nazarat, on Israeli practices. The company has already started to apply Israel practices in some parts of the orchard changing the spacing distance to 5X2.5 from 5X5 allowing them to plant one more pomegranate sapling between trees. With this change the company expects the production to double in the near future.

Staff traveled to the Zagatala region to visit Parviz LLC and local expert, Mr. Ziyaveddin Aliyev. Project staff discussed the status of the farmer training and value chain development in the hazelnut sector. During the trip, project staff attended two hazelnut trainings and visited one small hazelnut processing company. The Parviz LLC agronomist, Mr. Suleyman, demonstrated his skill in educating farmers on hazelnut best cultivation practices.

Summary of farmer trainings

Value Chain	Farmer Trainings Q2	Farmer Trainings Q3	Total
Pomegranates	234	874	1,108
Apples	268	379	647
Hazelnuts	264	679	943
Aquaculture	145	123	268
Dairy	397	1,912	2,309
Total	1,308	3,967	5,275

Sub-Activity 3.C.2: Demonstration Farms

The demonstration sites in the hazelnut, apple, and aquaculture value chains are well under way. The hazelnut demonstration plot in Zaqatala is a joint effort between USAID, GIZ, AgriGeorgia (Ferrero), and local hazelnut processor, Azerstar. The plot consists of one hectare of donated saplings of Italian varieties from AgriGeorgia, and was planted at the end of the last quarter. Since then, the Ferrero staff has made one supervisory visit from Italy, and ACT project local expert has made numerous visits to the site to monitor progress and provide technical advice. A site is demarcated by a sign provided by GIZ, and the plot is properly fenced. The trees are growing well, but there has been significant mortality among the pollinator varieties. The ACT project will continue to monitor the site closely.

In the last quarter, Gasim Badalov, the owner of Neftchala carp hatchery was selected to be a demonstration site for a carp hatchery, which would involve the improvement and reconstruction of his hatchery operation according ACT international and local expert’s advice. The summation of

the work done is as follows: a grow-out pond was excavated and the farmer purchased 50 producers (the brood stock). Then the farmer purchased the pituitary gland to inject the producers. As a result, eggs were formed and hatched in 30 newly purchased VEYS incubation jars. Nine plastic tubs that were also purchased within the frame of this project provided the space to meet the goal of growing the fry to the size expected for selling. Part of the fingerlings Gasim used to stock the newly constructed nursing pond. In the end of July, when the current incubation cycle will cease, Gasim will start reconstructing the physical building and equipping it with six IVL jars. He will also prepare for the full hatch next season.

The six apple demonstration sites in the Guba, Gusar, and Shabran regions have all been located, and necessary procurements were made. By the end of the quarter, the two GAPS demonstration sites were fully functional, and the land had been prepared for the two nursery plots and one of the intensive orchard sites. Unfortunately the timing did not work out, missing the window of opportunity to plant the two nursery sites and the two intensive orchard sites. However, planting will occur this fall. So far, both GAPS demonstration sites have been utilized for training. The other sites will be used for next year's training activities. Currently, signs are being developed for the sites and are expected to be installed in the next quarter.

Activity 3.D: Improve Access to Finance for SME's and Farms, particularly in Rural Areas

Sub-Activity 3.D.1: Agricultural/Rural Lending and Leasing

This activity seeks to increase the amount of lending and leasing in the agricultural sector by developing the capacity of selected commercial banks and a bank training center in order to encourage them to provide more services and loan products to the agriculture sector.

Demir Bank

Credit Manual. The Bank's management promptly approved the proposed credit policies and procedures and standardized formats/templates for pilot branches. In addition, they incorporated several changes to the Bank's overall MSE procedures using project proposed techniques.

Selection of Pilot Branch: The Consultants conducted a site visit to Demir Bank's branches in Guba and Gusar to assess the market potential for the proposed product (SME revised lending forms and procedures) together with branch personnel's interest in and willingness to conduct a pilot project. Guba and Gusar had the advantage of closeness, thereby making monitoring much easier. Additionally, the numbers of loan officers (4) were sufficient to give legitimacy to the piloting of the proposed methodology.

Launch Pilot Project: Bank managers and staff were willing to use the ACT proposed project methodology to improve lending practices. Together with the local team, the experts commenced the pilot project on May 10, 2012. Since that time, the project has worked to strengthen and build

the capacity of the Bank's credit staff/management with respect to SME ag-lending including to farmers/agricultural value chains. As the bank is one of the key SME agriculture lending players the pilot branches had promptly started using the proposed approach through the use of modified templates. The first effect seen was the shortening of loan terms from the standard 18-24 months to risk based 12-18 months. The bank management asked the Project to assist them in setting up automated scoring for their SME ag-lending.

Training: Six trainings were conducted on different subjects for branch, credit managers, trainers and loan officers. The total numbers of attendees were 69. Intensive on the job training was provided to staff in the pilot branches during the quarter.

Azercredit VF

Unlike the other partner banks, Azercredit is much more advanced in MSME ag-lending and had the largest outreach (more than 50,000 clients out of which 21,400 are in agriculture). Therefore, the project focused on the specific assistance needs of the partner. The work done includes structural changes in the lending hierarchy with segregation of duties among layers; portfolio social indicators; customer satisfaction surveys; various check-list templates, etc. The management stated that they were also interested in testing the methodology in pilot branches that will be utilized in the next quarter.

Training: Two trainings were conducted on different subjects for regional and branch managers, trainers and loan officers. The total numbers of attendees were 30.

AG Bank

Credit Manual. The project had several meetings with AG Bank's management to secure the provisional approval of the proposed credit policies and procedures and standardized formats/templates.

Selection of Pilot Branch: The Consultants conducted a site visit to AG Bank's branches in Shamakhi and Yevlakh to assess the market potential for the product together with the branch personnel's interest in and willingness to conduct a pilot project. Shamakhi had the advantage of proximity (<2 hours from Baku), thereby making monitoring much easier, but the personnel in Yevlakh were much more interested in participating and were willing to have all six loan officers from Yevlakh and its sub-branch Barda participate, as compared to only one loan officer in Shamakhi.

Launch Pilot Project: Together with the Bank management, the ACT team agreed to launch the pilot project in the Yevlakh branch and Barda sub-branch. The pilot commenced on May 15, 2012. Since that time, the Project has worked to strengthen and build capacity among the Bank's credit staff/management with respect to MSME lending including to farmers/agricultural value chains.

Due to the SME specialization of the pilot branches and the already overloaded loan officers the total number of approved MSME ag-loans was not sufficient to test the new product. For that reason the bank's Headquarters decided to start hire 3-4 additional loan officers for the pilot branches to focus on these activities.

Training. No further classroom training was conducted for AG Bank, but rather, intensive on the job training was provided to staff in the pilot branches of Yevlakh and Barda during the months of May and June.

Turan Bank

Credit Manual: The Project had several meetings with Turan Bank's management to secure the provisional approval of the proposed credit policies and procedures and standardized formats/templates.

Selection of Pilot Branch: The Consultants conducted a site visit to Turan Bank's branch in Khachmaz to assess the market potential for the product together with the branch personnel's interest in and willingness to conduct a pilot project. Given the branch manager's previous experience with KredAgro, he expressed keen interest in participating in the pilot. Hence, the project decided to proceed with testing in Khachmaz.

Launch Pilot Project: Together with the local team, the consultants launched the pilot project in the Khachmaz branch on May 22, 2012. Since that time, the project has worked to strengthen and build capacity among the Bank's credit staff/management with respect to MSME lending including to farmers/agricultural value chains. However, the branch had already met its annual portfolio targets. Therefore there was no incentive for further portfolio growth, leading to slow application of the proposed new methodology. The project recommended that Headquarters set additional specific MSME targets for the branch.

Training: No further classroom training was conducted for Turan Bank, but rather, intensive on the job training was provided to staff in the pilot branch of Khachmaz during the months of May and June.

This critical piloting process is expected to last for six months per branch. Then the results will be analyzed, revisions made to policies and procedures (if necessary), and then agreement will be sought from the bank's management to roll out the new systems to additional, or all, branches throughout the country. The result should be to have credit policies and procedures that will encourage additional lending to farmers and agribusinesses.

Finally, the financial access team established a relationship with the Azerbaijan Risk Professional Association (ARPA), which was formalized in an MOU and will be signed at the beginning of the fourth quarter. The ACT project will assist ARPA to increase its capacity to conduct training for

bank employees on a full range of topics. Initially two joint trainings were conducted with 10 attendees from seven FIs.

Rural access to finance training and technical assistance was conducted by the ACT project partners in Zaqatala, Barda, Lankeran, and Imishli. The results have been impressive so far, with four farmers receiving Entrepreneur Fund loans of 10-15,000 AZN, four farmers receiving small loans from microfinance institutions, and training provided to over a dozen farmers. These trainings and technical assistance activities are expected to become a normal function of the ACT project partners, supported by the financial access team in Baku.

Planned Activities for Q4

The fourth quarter will see a strong continuation of the farmer training activities, with the component being fully staffed and implementing partners comfortable with the pace of trainings:

Direct Value Chain Assistance

The ACT project's partners will continue to assist a wide range of processors, input dealers, and other agribusinesses. In addition, they will continue to assist in association formation and work to increase access to finance for area farmers and small agribusinesses. Some currently planned activities include:

- It is expected that a workshop will be held in Q4 to conduct long range planning for value chain development assistance, and that the implementing partners will be able to share best practices.
- Cold chain work will continue with the assistance of the international consultant in July and August. Additional technical training for refrigeration technicians is being planned in conjunction with GIZ for either September or November.
- The HACCP training program will be joined by several new companies after the RFP selection process is completed, and several existing HACCP clients will be graduating from the program in September.

Education/Extension

In addition to continuing to supervise farmer training activities by implementing partners and local experts the ACT project has planned the following activities for next quarter:

- The project will explore the idea of developing recommendations on extension in the country. The project will gather feedback from relevant government and private sector stakeholders and begin a paper (if something does not already exist).

- In addition, a workshop will be held for both the local experts and the agronomists and trainers working for the implementing partners to share best practices, and increase familiarity with training materials.
- It is also expected that the ACT project will provide over 3,000 farmer trainings in the quarter.
- An additional group of seven farmer training pamphlets will be printed and distributed in Q4, and will cover such topics as farming as a business and weed control.

Demonstration Farms

The final intensive apple demonstration plot in Guba will be prepared in the next quarter. Both nursery and intensive orchard design demo plots will be prepared for planting at the end of the quarter or in the beginning of the third year. The hazelnut demonstration plot in Zaqatala will continue to be maintained. The carp hatchery demonstration area in Neftchala will be completed by the end of the quarter. The dairy value chain will investigate, and implement, if feasible, demonstration plots as discussed above.

Agricultural/Rural Lending and Leasing

In Q4, the access to finance team will continue its piloting work in five branches of three banks. Plans will be made to work more closely with ARPA, and joint trainings are anticipated early in Y3. Partners in the field will continue to educate farmers and small businesses on accessing credit, and will also assist companies to obtain low cost government sponsored loans.

Coordination with other Donor Projects

The ACT Project cooperates with donors on a regular basis. This is described in the sections on each component's activities. Some of the most important of such cooperative activities are summarized below.

- Worked closely with the IFC to develop a concept paper on secured transactions reform for the Central Bank.
- Developed a conference on competition policy in Mingcevir jointly with the OECD
- Coordinated with EU projects and FAO and proposed changes to the Law on Food Products
- Continued to work with AgriGeorgia/Ferrero/USAID – Georgia with respect to intensive training for a team of four Azeri hazelnut agronomists in June.

In addition, the project worked closely with GIZ on three different initiatives.

- Continued its cooperation on the hazelnut demonstration plot in Zaqatala, with GIZ providing the sign for the site.
- Worked together on planning for additional vocational training for cold storage technicians, with joint training seminars in either the fourth quarter of this year, or first quarter of the next.
- Provided all of the candidates to become trainers of the Calidena process (to develop a hazelnut value chain action plan, which come from its contracted implementing partners (Azertifica and Parvis LLC).

Cross Cutting Activities

Monitoring and Evaluation

The following table provides the status of indicators for the quarter in comparison with the agreed upon targets.

Monitoring Reporting for FY2 Q3

Indicator ⁵	Cumulative Actuals FY1 ⁶		Targets FY1	Data for FY2 QTR 1		Data for FY2, QTR 2		Data for FY2, QTR 3		Cumulative Actuals FY2	Targets FY2	Targets FY3	Comments
	M	F		M	F	M	F	M	F				
1-2.1 Number of direct exposures of public education/advocacy	520	150	670	138	33	63	44	250	55	583	600	700	Mingechevir Conference on Improving Competition Legislation and Policy, Roundtable on Risk Identification on Food Safety, Roundtable on Improvement of Registry System, speaking at Entrepreneur Development Foundation Conference, speaking at AmCham Tax Conference, 2 WTO Seminar for local Entrepreneurs, Seminar on WTO for Students and Alumnie, WTO Regional Seminar
1-2.2 Number of indirect exposures of public education/advocacy	7		7	4		4		6		14	14	21	Component1: LMs article on secured transactions, 3 presentations put onto You Tube. Component2: Elkhan TV show on WTO
1-2.3 Number of institutions/organizations undertaking capacity/competency strengthening as a result of USG assistance ⁷				1		0		0		1	12	0	

⁵ As per drafted PMP, to be submitted in FY2, Q4

⁶ FY1 targets for indicators 1-2.1, 1-2.2, and all Component 1 indicators are actuals.

⁷ New cross-cutting indicator, introduced December 7, 2011 by USAID.

Indicators	Cumulative Actuals FY1		Targets FY1	Data for FY2 QTR 1		Data for FY2, QTR 2		Data for FY2, QTR 3		Cumulative Actuals FY2	Targets FY2	Targets FY3	Comments
	M	F		M	F	M	F	M	F				
Component 1													
1.1 Implementation of modern risk assessment in line with international best practices by the Central Bank	No		No	No		No		No		No	Yes	Yes	
1.2. Number of people trained in using the outputs of the risk assessment system for banks at the Central Bank	0		0	0		0		0		0	40	40	
1.3. Number of people trained with the goal of improving or working more effectively with the business enabling environment	M	F	194	M	F	M	F	M	F	29	100	100	
	127	67		0	0	27	2	0	0				
1.4. Number of agencies that introduce improvements into their food safety inspection regimes as the result of project assistance	0		0	0		0		0		0	2	2	
1.5. Number of agencies that have adopted methodologies for measuring impacts of their regulatory proposals as the result of project assistance.	0		0	0		0		0		0	2	2	
1.6. Number of people completing a project-supported E- learning program on AFL/CFT	0		0	0		0		0		0	200	1000	
1.7. Number of currency transaction reports sent from reporting entities to the Financial Monitoring Service	188,030		188,030	59,113		51,708		62,000		172,821	180,000	200,000	
1.8. Number of suspicious transaction reports sent from reporting entities to the Financial Monitoring Service	18,623		18,623	3,963		3,900		3,624		11,487	25,000	20,000	
1.9. Number of cases referred from the Financial Monitoring Service to the appropriate prosecuting authority	10		10	1		4		4		9	3	3	
1.10. Number of cases referred by the Financial Monitoring Service that result in the initiation of prosecutory proceedings	1		1	0		0		0		0	1	2	
1.11 Number of business environment laws, regulations, or administrative procedures drafted, submitted for public/stakeholder consultation, submitted for legislative consideration, or passed/ approved	draft	stakeholder	5	draft	stakeholder	approved	draft	stakeholder	approved	5	10	10	2 different food safety checklists drafted. Tax Code amendments discussed with
	sub. Legisi.	approved		draft	stakeholder	sub. legislat	approved	draft	stakeholder				
	3	1		0	1	0	1	0	0				

Indicators	Cumulative Actuals FY1		Targets FY1	Data for FY2 QTR 1		Data for FY2, QTR 2		Data for FY2, QTR 3		Cumulative Actuals FY2	Targets FY2	Targets FY3	Comments					
Component 2																		
2.1. Number of USG supported training events that relate to improving the trade and investment environment	8		8	0		0		2		2	8	8	Telecom Roundtable, Training on Equivalence					
2.2. Number of participants in trade and investment environmental trainings	M	F	120	M	F	M	F	M	F	14	80	100						
	52	16		0	0	0	0	8	6									
2.3. The number of new requests, offers, revised offers, or other formal text that are submitted by a host country as part of international trade talks attributable to USG assistance	9		5	2		2		2		6	5	5	Offers on goods and offers on services					
2.4. Number of bilateral, plurilateral, and multilateral meetings toward negotiating accession to agreements, conventions, and international organizations	<i>bilateral</i>	<i>plurilateral</i>	5	0			<i>bilateral</i>	<i>plurilateral</i>	<i>multilateral</i>	<i>bilateral</i>	<i>plurilateral</i>	<i>multilateral</i>	6	5	Bilateral meetings with US			
	0	0					1	6	1	1	2	0				0	8	1
2.5. Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-assisted organizations	<i>draft</i>	<i>submitted</i>	6	<i>draft</i>	<i>in process</i>	<i>submitted</i>	<i>approved</i>	<i>draft</i>	<i>in process</i>	<i>submitted</i>	<i>approved</i>	<i>draft</i>	<i>in process</i>	<i>submitted</i>	<i>approved</i>	6	6	
	1	2		7	0	1	0	0	5	0	0	0	0	0	1			

Component 3

3.1.Number of individuals who have received USG supported short-term agricultural sector productivity training	M	F	1,000	M	F	M	F	M	F	5,318	9,000	12,000	
	939	118		43	0	1,255	53	3,135	832				
3.2.Number of firms receiving USG supported assistance to improve their management practice	70 ⁸		40	0		0		13		83	40	140	
Indicators 3.3-3.12 Annual only													
3.13. Number of new agricultural loans or leasing agreements made by financial institutions receiving project assistance. ⁹	5,417		5,417 ¹⁰	2,315		-839		1,429		2,905	10,973	8,431	
3.14. Percentage change in the value of agricultural loans or leasing agreements made by financial institutions receiving project assistance. ¹¹	26%		26%	18.3%		3.3%		10.3%		34.8%	55%	30%	

⁸ The number for FY1 and FY2Q1 was incorrectly reported in previous reports. The firms receiving the assistance were counted as many times as they received assistance. This report includes the revised numbers.

⁹ Partner banks have not been collecting numbers of new agricultural loans, but rather changes to numbers of active clients in partner banks. This indicator will be modified to reflect this in the revised PMP.

¹⁰ FY1 targets for indicators 3.13, 3.14 are actuals.

¹¹ This indicator will be modified in the revised PMP to “percentage change in the value of overall portfolios of agricultural loans or leasing agreements made by financial institutions receiving project assistance.”

Financial Reporting

The table below provides a breakdown of costs by category for Q3 FY 2012 (April 1-June 30, 2012).

Categories	Vouchered Apr 1 – June 30, 2012 (US\$)	Vouchered Oct 1, 2010 – June 30, 2012 (US\$)
Technical assistance		
<i>Expatriates (US and TCN): Long-term Technical Assistance</i>	322,850	1,803,039
<i>Expatriates (US and TCN): Short-term Technical Assistance</i>	419,261	3,742,655
<i>Local Staff</i>	463,562	2,441,695
LTTA Allowances	83,923	426,765
Training Expenses	50,135	290,296
Administrative Expenses		
Travel/Transportation/Housing/Office Rent	253,721	1,772,565
Equipment & Vehicles	1,106	167,095
Other (Communications and Delivery, Bank Charges, Translation/Editing Services, Occasional Labor, Passports and Visas, Local CCN Social Costs, Legal Costs, etc.)	187,032	1,083,043
G&A	69,111	448,772
Grants	0	0
TOTAL	1,850,701	12,175,925

Communications and Outreach

During Year 2 Quarter 3 the Project implemented the following TV and news outreach activities:

Name	Description\Topic	Attended	Date
<p>“Current time (Indiki Zaman)” program on EL TV (Yevlakh)</p> <p>Topic <i>Competition environment and improving legislation</i></p>	<p>Discussions evolved around current competition environment and possible improvements to competition legislation .</p> <p>http://elvtv.az/videolar/399-ndiki-zaman-rqabt-mhiti-v-ganunvericiliyin-inkiaf.html</p>	<p>The program was attended by</p> <ul style="list-style-type: none"> - Eldar Gojayev, USAID\ACT Project’s Component 1 Deputy Team Leader; - Irada JAvadova, Co-chair of Human Rights Education Public Union; - Gubad Ibadoglu, Head of Economic Research Center 	<p>19.06.2012</p>
<p>Publication of article on Secured Transactions on “APA” webpage</p> <p>Author: <i>Leyla Mammadova, ACT Project</i></p>	<p>http://az.apa.az/news.php?id=262572</p>	<p>Leyla Mammadova, legal expert of USAID Azerbaijan Competitiveness and Trade (ACT) Project is interviewed by Azerbaijan Press Agency (APA) and her interview with photos is published in 3 languages (Azeri, English, Russian) on www.apa.az webpage</p>	<p>05.06.2012</p>

Fixed Price Contracts

The following fixed price contracts were signed in in FY2012 Q3 (April 1, 2012 – June 30, 2012).

AR Number	Contract #	Contracted Amount (AZN)	Organization	Value Chain/Subject Area	Region	Period of Performance
199	19	25,200	Janub Agribusiness Center	Dairy	South	April 19, 2012- June 11, 2013
198	20	46,300	"Araz" Business Center LLC	Horticulture - pomegranate	Central	April 16, 2012 – June 11, 2013
197	21	32,400	Parviz LLC	Horticulture - hazelnuts	Northwest	April 19, 2012 - June 11, 2013
200	22	15,722	Azerbaijan Lawyers Confederation	Competition Legislation	Baku	April 9, 2012 – July 31, 2012
206	23	52,200	Agrotech LLC	Dairy	Central	April 19, 2012- June 11, 2013
226	25	2,800	EL TV (Yevlakh)	TV	Based in Yevlakh, North Central	June 8, 2012 – June 11, 2013
226	26	3,200	Kanal S	TV	Based in Sheki, North	June 19, 2012 – June 11, 2013
226	27	1,800	Kanal 13	TV	South	June 13, 2012 – June 11, 2013

Annex 1 – Legislative Tracking

Legislative Status

As of June 30, 2012

At Parliament:

At President Office:

Draft Legislation	Comments
1. Draft Law “On Technical Regulations”	Finalized at the President Office Legal Department. Sent back to Cabinet in order to obtain final visas. ACT will conduct final review.

At Cabinet of Ministers:

Draft Legislation	Comments
2. Draft Law “On Protection of Rights of Broadcasting Organizations in Digital Network”	In Cabinet of Ministers. No outstanding issues.
3. Draft Amendments to the Law “On Food Products” No.759-IQ dated November 18, 1999	Draft has been agreed with all agencies except State Committee on Standardization, Metrology and Patents. Once agreed with them, draft will be submitted to President Office.
4. Draft Amendments to the Law of the Republic of Azerbaijan “On Sanitary and Epidemiologic Welfare” No.371 dated November 10, 1992	At Cabinet of Ministers. Ready for submission to the President Office.
5. Draft Cabinet of Ministers Resolution “On Declaration of Works to be Fallen Into Public Domain”	At Cabinet ready for approval.
6. Draft Cabinet of Ministers Resolution “On Minimum Tariffs for Use of Subject Matters of Related Rights”	At Cabinet ready for approval.

Draft Legislation	Comments
7. Draft Law on Accreditation of Conformity Assessment Bodies	Draft has been finalized at the State Committee for Standardization, Metrology, and Patents taking most recent comments by ACT and sent to Cabinet of Ministries.

At Ministerial Level:

Draft Legislation	Comments
8. Draft Amendments to the Rules “On Rules of Issuance of Special Permission (Licenses) for Some Types of Activities” approved by Decree of the President No.782 dated September 2, 2002	A legal working group was established to revise this Draft to ensure greater conformity with the WTO Agreement on Import Licensing Procedures. It has been agreed to set the fees for alcohol, tobacco, and precursors licenses on line with GATT Article VIII.
9. Draft Law amending Law on Standardization	Draft is being revised
10. Draft Amendments to the Law on Customs Tariff	Draft is submitted to Cabinet. Interpretive notes and valuation of software has been included in the draft. Ministry of Justice is objecting to the inclusion of interpretative notes in the Customs tariff law. ACT will be reviewing this Draft.

“Second Legislative Action Plan”

At Cabinet of Ministries

Draft Legislation	Comments
11. Amendments to the Law of Azerbaijan Republic on Commercial Secrets, No. 224-IIQ dated 4 December 2001	At Cabinet of Ministers. Ready for submission to the President Office. ACT will work with President Office to introduce additional improvements.
12. Amendments to the Law of Azerbaijan Republic on Legal Protection of Topologies of Integral Schemes”, No. 337-IIQ dated 31 May 2002	At Cabinet of Ministers. Ready for submission to the President Office. ACT will work with President Office to introduce additional improvements.
13. Amendments to the Civil Procedural Code	At Cabinet of Ministers. Ready for submission to the President Office.

Draft Legislation	Comments
of Azerbaijan Republic No. 780-IQ dated 28 December 1999	
14. Amendments to the Criminal Code of Azerbaijan Republic, No. 787-IQ dated 30 December 1999	At Cabinet of Ministers. Ready for submission to the President Office. ACT will work with President Office to introduce additional improvements.
15. Amendments to the Code of Administrative Offences of Azerbaijan Republic, No 906-IQ dated 11 July 2000	At Cabinet of Ministers. Ready for submission to the President Office.
16. Draft Resolution of Cabinet of Ministers on “some issues related to the granting international standard numbers to books, periodic publications, audiovisual works and audio records	At Cabinet of Ministers. Ready for adoption.

At Ministry of Economic Development/Ministry of Justice:

Draft Legislation	Comments
17. Amendments to the Law on Phytosanitary Control, No. 102-IIIQ dated 12 May 2006	Draft has been finalized by the Ministry of Justice and forwarded to Ministry of Economic Development for further submission to the Cabinet of Ministers.
18. Amendments to the Law on Veterinary - No. 922-IIQ dated 31 May 2005	Draft has been finalized by the Ministry of Justice and forwarded to Ministry of Economic Development for further submission to the Cabinet of Ministers.
19. Draft Law on Anti Dumping, Safeguards and Countervailing Measures	Draft Law is being further fined tuned at the Ministry of Economic Development (MOED) level.
20. Draft Law on Foreign Trade Activity	Draft Law is being reviewed by the Ministry of Justice. ACT provided comments to the Ministry of Justice.

At Ministerial Level:

Draft Legislation	Comments
21. Draft Law on Plant Variety	Draft finalized at the Ministry of Agriculture taking into account ACT review and additional suggestions for improvements

Draft Legislation	Comments
22. Draft Resolution of Cabinet of Ministers on Approval of “Rules for determination of the amount of claim related to the violation of the copyright and related rights”	Draft has been submitted to the Cabinet of Ministers
23. Draft Resolution on Implementation of Interpretative Notes for Customs Valuation	Included to the draft Customs Tariff Law

Adopted Legislation

Laws

1. Law “On Securing Intellectual Property Rights and Combating Piracy adopted by Parliament on May 22, 2012
2. New Customs Code of Azerbaijan Republic, adopted by Parliament on June 24, 2011
3. Amendments to the Law of the Republic of Azerbaijan “*On Normative Legal Acts*” No. 761-IQ, dated November 26, 1999
4. Amendments to the Law “*On Currency Control*” No. 910, dated October 21, 1999 (A)
5. Amendments to the Law “*On State Duty*” No. 223-IIQ, dated December 4, 2001
6. Amendments to the Tax Code of the Republic of Azerbaijan, approved by the Law of the Republic of Azerbaijan No.905-IQ, dated July 11, 2000
7. Amendments to the Law of the Republic of Azerbaijan “*On Copyright and Related Rights*” No. 115-IQ, dated July 5, 1996
8. Amendments to the Law of the Republic of Azerbaijan “*On Viticulture and Wine-Making*” No. 208-IIQ dated October 19, 2001
9. Draft Amendments Law of the Republic of Azerbaijan “*On Customs Tariff*” No.1064, dated June 20, 1995
10. Draft Amendments to the Law of the Republic of Azerbaijan “*On Trademarks and Geographical Indications*” No. 504-IQ, dated June 12, 1998
11. Draft Amendments to the Law of the Republic of Azerbaijan “*On Tobacco and Tobacco Products*” No. 138-IIQ dated June 8, 2001
12. Draft Amendments to the Law of the Republic of Azerbaijan “*On Patents*” No.312-IQ dated July 25, 1997

President Decrees

13. Draft Amendments to President Decree 619 of December 26, 2001
14. Draft Amendments to Decree of the President “*On Further Liberalization of Foreign Trade in the Republic of Azerbaijan*” No.609 dated June 24, 1997

Sublegal Acts

15. Amendments to the Resolution of the Cabinet of Ministers *“On Rates of Customs Duties for Import and Export Transactions and Amount of Fees Charged on Customs Clearance in the Republic of Azerbaijan”* No.80 dated April 12, 2001
16. Amendments to the Resolution of the Cabinet of Ministers *“On the Rates of State Fees on Issuance of Special Permissions (Licenses) for Activities Requiring Special Permissions (Licenses)”* No.180 dated 18 November 2002
17. Amendments to the Resolution of the Cabinet of Ministers *“On the Rules for Customs Valuation Methods for Goods Imported into and Exported out of the Republic of Azerbaijan”* No.7 dated January 12, 1998
18. Amendments to the Resolution of the Cabinet of Ministers *“On Approval of the Rules of Determination of Origin of Goods”* No.202 dated November 2, 2000
19. New Resolution of the Cabinet of Ministers *“On Rules on Determination of the Minimum Amount, Distribution and Payment of the Author’s Royalty for Reproduction of Works and Audiovisual Works from Phonograms for Exclusively Personal Purposes”*
20. Draft Amendments to Cabinet of Ministers *“On Rates of Fees Paid for Currencies Taken of the Republic by Resident Physical Persons”* No. 79 dated 17 May 2002
21. Draft Amendments to Resolution No. 140 *“On Approval of Additional Rules and Regulations for the Purpose of Protection of the State Border of the Republic of Azerbaijan”* dated March 9, 1993
22. Cabinet of Ministers Order establishing National Codex Point was adopted
23. Decision of State Committee for Standardization, Metrology, and Patents on Establishing TBT Enquiry Point was adopted
24. Cabinet of Ministers Order *“On Application of Set of Codex Alimentarius Standards”* dated 23 July, 2010 establishing National Codex Point

Other Related Laws (not on agenda):

25. Law on Ecologically Clean Agriculture No. 650-IIIQ dated 13 June 2008
26. Law on Special Economic Zones No. 791-IIIQ dated 14 April 2009
27. Amendments to the Law on Public Procurements No. 245-IIQ dated 27 December 2001 (concerning establishing an official website on public procurement) – adopted as one of the seven laws considered as package for combating corruption

Annex 2 – Capacity Building

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participants-Female
2	WTO Seminar for local Entrepreneurs	Seminar	5/17/2012	5/17/2012	ACT Project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	18	0
3	Seminar on establishing the Pomegranate Association	Seminar	5/17/2012	5/17/2012	ACT Project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	19	1
2	WTO Seminar for local Entrepreneurs	Seminar	5/24/2012	5/24/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	15	1
1,2	Roundtable on risk identification on food safety	Roundtable	6/4/2012	6/5/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	8	6
2	Training on Equivalence	Training	6/11/2012	6/15/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	5	4
1	Improving Competition Legislation and Policy	Conference	6/15/2012	6/15/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	51	7
2	Telecom Roundtable	Roundtable	6/19/2012	6/19/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	3	2
1	Improvement of Registry System	Roundtable	6/22/2012	6/22/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	7	1
2	Seminar on WTO for Students and Alumni	Seminar	6/28/2012	6/28/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	8	0
2	WTO Regional Seminar	Seminar	6/28/2012	6/28/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	18	0