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AZERBAIJAN COMPETITIVENESS AND TRADE (ACT) PROJECT

*ACT Q3 FY2011 Quarterly Progress Report:
April 1 – June 30, 2011*



Picture Caption: Representatives of the Independent Consumers Union demonstrate to women participating in food safety workshop techniques for measuring the ionization level of salt.

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Sibley International Principal Contact: David Snelbecker
CEO
Sibley International LLC
1250 Connecticut Ave., NW, Suite 200
Washington, DC 20036
Tel: 1.202.833.9588
Email: dsnelbecker@sibleyinternational.com

In Azerbaijan: Melani Schultz
Chief of Party
ACT Project
133 Bashir Safaroghlu St.
SAT Plaza, 15th floor,
Baku, Azerbaijan, AZ1009
Tel: +994 12 596 2435
melani.schultz@actProject.net

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DISCLAIMER

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ACRONYMS

AAC	Azerbaijan Agribusiness Center
ACT	Azerbaijan Competitiveness and Trade
AIM	Agro Information Center
AKTIVTA	Azerbaijan Agro Input Dealers Association
AmCham	American Chamber of Commerce
AML	Anti-Money Laundering
ANS	Azerbaijan News Service
ASAU	Azerbaijan State Agricultural University
BDS	Business Development Service (providers)
CBA	Central Bank of Azerbaijan
COM	Cabinet of Ministers
CSO	Civil Society Organization
DRC	Domestic Resource Costs
DPI	Daily Price Index
ERC	Economic Research Center
FMS	Financial Monitoring Services
GOAJ	Government of Azerbaijan
HACCP	Hazard Analysis and Critical Control Points
ICT	Information Communications Technology
IT	Information Technology
MCIT	Ministry of Communication and Information Technology
MFA	Ministry of Foreign Affairs
MIE	Ministry of Industry and Energy
MIS	Management Information Systems
MOED	Ministry of Economic Development
MOT	Ministry of Taxes
RFP	Request for Proposals
SOW	Statement of Work
STTA	Short Term Technical Assistance
TCN	Third Country National
USAID	United States Agency for International Development
WTO	World Trade Organization

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1. Project Overview

Sibley International is pleased to present the second Azerbaijan Competitiveness and Trade Project Q2 FY2011 Quarterly Report in accordance with contract number AID-EEM-I-00-07-00003, task order number AID-112-TO-10-00002. This report covers the third reporting period and describes Project activities completed during April 1, - June 30, 2011.

The ACT Project began operations in October 2010 and builds on the work of various other USAID Projects previously completed to support similar objectives. The USAID ACT Project 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. These overall objectives will be additionally supported through the elimination or mitigation of technical and administrative barriers that hinder progress in all three areas.

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 institutionalization of education related to trade, investment and agriculture; the development of a public-private dialog to support discussions between the private and public sector to improve understanding of changes; the analysis of costs of various initiatives (legislation implementation, administrative barriers, trade facilitation, etc.) to facilitate the understanding and possible change of various legal and administrative measures through the use of objective cost information; overall monitoring and evaluation to ensure the Project objectives are met; and development and implementation of a grants program to support the development of partner organizations in building local institutional capacity.

The Project works towards achieving the following as defined in the SOW:

- Broad based understanding and acceptance of the need for an improved domestic business environment and a liberalized, more transparent trade environment involving businesses, universities, associations, alliances, public sector etc.;
- Stakeholders active in pushing towards an improved domestic business environment, especially in agriculture/agribusiness sectors and a more liberalized, transparent trade environment;
- Improved domestic business environment and trade-related laws and implementation of these laws, leading to an improved investor and trade climate;
- Improved access to finance, especially for small and medium enterprises in the agriculture sector, including microfinance, commercial banks, leasing institutions, etc.;
- Implementing rules and regulations transparently enforced, e.g., anti-money laundering, greater transparency with regard to trade, and other corruption fighting measures that will lead to increased exports;
- Improved access to market information and agricultural best practices, through academic institutions, professional associations, alliances, etc.;
- Adoption of best practices by farmers/businesses in targeted sectors; and

- Improved access to markets for targeted value chains.

2. Project Activities and Accomplishments in Q3 FY2011

Component 1: Domestic Business Environment Improved

Public Private Dialog

- The Project entered into memoranda of understanding (MOU) with its Civil Society Organization (CSO) partners. It also developed and circulated a list of potential Projects. Within the framework of cooperation with the American Chamber of Commerce (AmCham), the Project sent a list of proposed Projects that had been under discussion. By the end of the quarter, two requests for proposals (RFP) had been drafted and were awaiting USAID approval.
- The Project completed its assessment of legal information providers and developed the general layout and introductory language for the brochure it planned to develop and distribute.

Commercial and Tax Legislative Reform

- In anticipation that the government would submit a set of amendments to the Tax Code, the Project engaged with both the government and civil society on changes that should be included, capping this off with a presentation at an AmCham-sponsored conference. Despite the optimism spurred by this event, it thereafter became clear that the Ministry of Taxes (MOT) and the Ministry of Finance (MOF) could not develop a cohesive set of proposals for anything but technical amendments addressing the needs of the state oil company. As a result of this, the Project began focusing on its longer-term approaches to tax reform with the goal of submitting a package of amendments for future Parliamentary sessions. It mobilized its tax policy expert to begin working on a longer-term plan on taxes and drafted a proposal to develop a revenue estimation model to support policy proposals.
- The Project's efforts on the draft competition code appear to be bearing fruit. The President's Office appreciated the work on the draft competition code it submitted during the previous quarter. The President's Office circulated it to Ministry of Economic Development (MOED) and the EU advisors supporting the Parliament. After receiving independent confirmation of the quality of the draft from the EU advisors, the President's Office made it quite clear that the working draft was no longer the one originally in Parliament, but the draft amended by the Project. To further support this

effort the Project sponsored a two part broadcast on competition issues on the TV show “Economic Forum” on ANS TV station.

- The first of the two consultants to work on a briefing paper on property issues for the President’s Office was mobilized. The second was still awaiting the additional approvals required for a TCN (Third Country National).
- The Project’s administrative barriers expert was mobilized. He managed relations with the International Finance Corporation (IFC) and government counterparts that clarified the Project’s work in health inspections, business start up mapping, regulatory impact analysis, and the leasing of land for agricultural purposes.
- The Project conducted a follow-up roundtable on the needs of agencies regarding cost-benefit analysis training. It also sent two professors from Khazar University and Azerbaijan State Economic University to Canada to participate in an intense, four-week course on this subject with the understanding that they would offer this course at their respective universities during the coming academic year.
- The Project clarified the needs of the Office of the President regarding banking legislation and investment legislation. For banking legislation, a memorandum on the necessity of a banking code is no longer required. For the investment memorandum, several issues were clarified with the understanding that the Project would get a short memorandum to the Office of the President on this subject in the following quarter.

Education

- The Project completed the proposed work plans developed by the education expert, fully costed them out, and submitted them to USAID. Partly on the basis of the objective costs provided by the Project, USAID has decided to commit resources elsewhere.

Financial Sector Support

- The financial supervision expert, who the Project had chosen, vetted with the Central Bank of Azerbaijan (CBA) and then had been approved by USAID was unable to travel, precluding his deployment. The Project began a new search.
- The Project mobilized an expert to assist the CBA on developing a plan for implementing activity-based management. The expert was conducting his review as the quarter ended.
- The Project took over supervision of the two consultants assisting the Central Bank on implementing a new cash management system and establishing the cash and materials

handling systems to be incorporated into the bank's treasury department at its new facility (currently under construction).

- The Project entered into MOUs and mobilized experts to assist four banks/non-bank financial institutions (NBFI) in expanding lending in the agricultural sector: Turan Bank, AG Bank, Vision Fund Azercredit, and Demir Bank. Each of the experts reported very constructive cooperation and information sharing with their counterparts.
- During the quarter the Anti Money Laundering (AML) expert provided trainings to the Financial Monitoring Service (FMS) under the CBA in April, provided training on various AML issues to post office officials in May, and launched efforts to improve the levels of compliance at some 18 private banks. The Project also sponsored a four day AML training of two officials from the FMS in the Netherlands.

Component 2: Liberalized, More Transparent Trade Environment Developed

WTO Related Support

- During the third quarter, the Project signed a contract with Economic Research Center (ERC) to develop a study on the process and the associated costs of importing feed from Georgia.
- The Project signed an MOU with the Azerbaijan Marketing Society (AMS) to continue to support WTO advocacy with the private and public sector.

Working party meetings

- During the quarter the Project provided assistance to line ministries on answering questions asked by the EU and US. Several rounds of discussions were held with ministries, especially with MOED to get proper responses. During the reporting period, the Project also clarified and answered day-to-day questions by ministries, reviewed and commented on prepared answers, provided model answers referenced from legal documents, and provided training to ministries on answering questions. As a result, proper answers to the questions were prepared and agreed with line ministries and submitted to the WTO Secretariat by the Ministry of Foreign Affairs (MFA) in June 2011. The ACT Project also helped MOED in translating laws and regulations referenced by members for clarification; the translations were delivered to the MOED. The government expressed appreciation with ACT assistance to support this process to ensure proper information was provided.
- In addition to the abovementioned efforts and in the area of bilateral and multilateral negotiations, the Project held various roundtables on GATS Services Agreements/Commitments:

1. April 8, 2011 – Roundtable on GATS Energy Services

A roundtable was held with the participation of MOED, State Committee on Urban Construction and Architecture, Azerbaijan Airlines, Ministry of Education (MOE), Ministry of Communication and Information Technology (MCIT), and USAID.

Topics covered include:

- The concept of the Most Favored Nation (MFN) principle of the WTO including the Annex and its use.

- Examples of cases where MFN exemptions might be applied, including cases that affect national treatment.
- Regional Trade Agreements in the services area and how they are treated including comparisons of MFN exemptions, integration agreements, labor integration agreements (Arts. V, Vbis), recognition agreements (Art. VII).
- Current MFN exemptions scheduled by member countries including a discussion on Azerbaijan's bilateral agreements with other CIS countries.

2. April 19, 2011 – Roundtable on Financial Services: Direct Bank Branching

A roundtable was held with the participation of MOED, MFA, and CBA. Topics discussed included the following:

- The concept of direct branching and its consideration in the context of the WTO.
- The idea that once Azerbaijan is member of the WTO, it will have access to all commitments made by existing WTO members. There are no specific privileges provided for those who accept all commitments in this specific field.

3. Impact assessments. During the reporting period, ACT developed a methodology to conduct impact assessments on the harmonization of excise taxes, elimination of VAT exemptions given to agricultural producers and elimination of export duties. In order to conduct these assessments, ACT worked with MEOD and State Statistics Committee. Initial versions of the impact assessment reports of aforementioned commitments requested by WTO members were prepared and discussions began with MEOD during the quarter.

Legislative reform

- During the quarter, the Project worked closely with the President's Office in further improvement of Draft Customs Code and several rounds of commenting and discussions were held. In order to facilitate understanding of new provisions of the Code by President's Office and the Parliament, the Project held a roundtable on the "New Customs Code and WTO requirements" with government bodies.
- As a result of ACT support the WTO compliant Customs Code was adopted by the Parliament on June 24, 2011.

- The Project began redrafting implementing regulations that will be needed for the implementation of the Customs Code. Azerbaijani versions of several draft regulations were prepared. After completion work on drafting the model regulation on Advancing Ruling on Origin, the Project held deliberations with the Customs Committee and the President's Administration on whether to have one model regulation for all binding decisions or separate models for each decision.
- The Project continued working with the Cabinet of Ministers and State Committee on Standardization, Metrology and Patent to get consensus on draft amendments to the Law on Food Products.
- Throughout the quarter ACT worked with the State Copyright Agency and received an official letter from the Agency agreeing to incorporate comments provided by the Project on the following drafts:
 1. Amendments to the Law of Azerbaijan Republic on Commercial Secrets
 2. Amendments to the Law of Azerbaijan Republic on Legal Protection of Topologies and Integral Circuits
 3. Amendments to the Civil Procedural Code of Azerbaijan Republic
 4. Amendments to the Code of Administrative Offences of Azerbaijan Republic
 5. Amendments to the Criminal Code of Azerbaijan Republic
- The Project also revised the Draft Law on Trade Remedies to make it shorter and introduced the revised version to MOED. In addition the following draft pieces of legislation were finalized and submitted to MOED:
 1. Application forms for trade remedies (anti-dumping, countervail and safeguard measures)
 2. Paper Trade remedies institutional by laws and needs
 3. Rules on calculations of subsidies, other costs, etc.
 4. Papers on notification procedures and investigation
- During the quarter the Project prepared, reviewed and sent to the State Copyright Agency a Report on “Drawing upon the international best practices on fixation of the claim amount in connection with the violation of copyrights and related rights” The document also provided the State Copyright Agency with examples of normative legal acts in this area.
- Throughout the quarter, ACT also worked with the President’s Office and State Committee on Standardization, Metrology and Patent to further improve the draft Law on Technical Regulations to ensure WTO compliance.

Public awareness and public –private dialog

- During the quarter the Project held numerous seminars and roundtables on how WTO Accession and Services negotiations might be used for the purposes of protection of the interests of a country, WTO Services Negotiations and possible impact on the private sector, WTO Trade Remedies, and protection of local industry from unfairly priced imported goods, among others. The audience of the events included representatives from government agencies, private sector, as well as NGOs.
- In April, the Project held a roundtable discussion with government agencies on “Trade remedies to protect the domestic market”, where ACT experts emphasized that WTO principles - binding of tariffs and applying them equally to all trading partners (Most Favored Nation or MFN) are key to the smooth flow of trade in goods. The speaker emphasized the three most important areas: actions taken against dumping; actions to offset subsidies (countervailing duties); and emergency measures to limit imports temporarily, designed to “safeguard” domestic industries. During the lively discussion, a representative of the Institute of Economic Reforms (from MOED) proposed a public broadcast or awareness campaign on the subject.

Quantification cost of trade

- The Project conducted training for the ERC staff on Measuring Administrative Barriers: Standard Cost Model (SCM) Methodology.
- In addition, the Project representatives met Mr. Aydin Valiyev – Head of Azerbaijan Poultry Association to discuss administrative barriers and costs affecting the poultry industry.
- The Project continued working with ERC on the pilot studies on import of animal feed. Data collection and surveys among importers were finalized, and ACT is helping ERC to systematize accumulated information and begin analyzing it.

Component 3: Targeted Agricultural Value Chains Improved

Standards and BDS Activities:

- In quarter 3 the ACT Project signed agreements with the selected local consultancy companies, Azerbaijan Quality Association (AQA) and AzSertifika, for the identification and selection of 14 companies for HACCP compliance work. As part of this effort several visits were conducted in coordination with the international expert, Anna Vayslenko, to begin building their capacity to support implementation. Quality Association submitted

seven company specific and fully burdened Hazard Analysis and Critical Control Point (HACCP) consultancy proposals with implementation schedules and budgets for each company. The other company will submit information in July. The Phase II implementation will begin next quarter.

- Later in the quarter the Project experts together with Ms. Anna Vasylenko conducted a two-day audit at BS Sahliali Company, which produces dairy and processed meat products. This company was identified and suggested to the Project by the subcontractor AQA. The leading AQA specialists accompanied Ms. Vasylenko, exchanged their opinions and shared best practices.
- During the quarter, the Project staff traveled to Salyan along with the Project expert, Anna Vasylenko and representatives from Quality Association, Mr. Samir Novruzlu, Mr. Shamo Muradov and Mr. Ruslan Gurbanov. The objective of the trip was to complete a “Training of Trainer” session on the process of auditing a milk processing plant “Salyan Sud” and a broiler company “Garagashli Broiler” in line with HACCP requirements. Quality Association auditors were trained by the ACT technical expert on best audit practices. Later in the month, the team audited the BS Sahliali company that produces dairy and processed meat products. The audit reports will be developed and delivered by Ms. Vasylenko as a sample for the subcontractor’s further independent audit reports and form the basis of the company-specific HACCP implementation plans.
- Later in the quarter, ACT staff and technical expert, Anna Vasylenko, met with IKAR-S company representatives, Parviz Ilyasov, the Business Development Specialist, and Aydin Safarov, the Director of the Project Management Unit, and Mr. Kamal Zeynalov from Azsertifika, to review their application for HACCP assistance. As part of the overall HACCP project, Azsertifika will conduct the audit in the cold storage facilities and warehouses of this company in the fall of 2011 at harvest time. The company requested additional support on Global GAP.

Poultry (Processed Poultry)

- The Project experts met with the leader of the Women’s Association for Rational Development (WARD), Ms. Shahla Ismayilova, and with the leader of the Public Union for Gender Equality and Women’s Initiatives, Ms. Ulviyya Mammadova. The purpose of the meeting was to inform them about the upcoming food safety roundtable for women, and invite the members of these and other associations to the event.
- In the quarter the Project organized a food safety roundtable at the ACT office to provide broad information to women on key factors to be considered when buying

chicken, milk, fish and other products. The workshop also provided important hygiene-sanitation guidance on storing, processing, preparing, and consuming these products. In an effort to help ensure the message is carried to a wider audience over time, the ACT project dedicated this roundtable to members of various women's associations, women's groups, and women beneficiaries from local and international aid projects. A representative of the Davachi Broiler Company was also invited to the event. Forty participants were involved in the event out of which 34 participants were women. Appreciation for the importance of the workshop in avoiding contamination and protecting consumer wellbeing was expressed by a thank you letter received by the project from the Chairperson of the "Women of the XXI Century" Public Union, Ms. Mahira Amirhuseynova. She also noted that the information gained at the roundtable was shared with the women members and beneficiaries of the Public Union.

- The Project held a roundtable discussion at the Azerbaijan Poultry Society office in Baku on poultry sector administrative barriers. ACT agriculture, trade and legal experts and private sector representatives from broiler companies including Hajigabul Broiler, ASENA Co, Shurabad Broiler, Mardakan Broiler, and Garagashli Broiler took part in the meeting. The meeting was chaired by the director of the Poultry Society, Mr. Aydin Valiyev. The main barriers discussed included improper implementation of the VAT on imported feed components and the continued detrimental effects and added cost of unofficial payments still being demanded by customs officials. By one unofficial estimate this latter problem is adding in excess of 85% to the cost of production. Later the same quarter the Project staff met with the director of the Poultry Society, Mr. Aydin Valiyev, to discuss the poultry action plan. Mr. Valiyev initially agreed to assistance to source soy meal but later decided Project assistance was not required. The Project management is in the process of re-evaluating how to best spend resources in this sector. Upcountry poultry houses have expressed an interest in receiving Project assistance. A decision will be taken in the annual planning retreat with regard to year 2 support for this sector.
- The Project continued to discuss administrative and trade barriers in the poultry sector with technical expert Niels Sondergaard. As a result of this discussion, Project experts will produce a strong and compelling legal opinion on the impact of producers voluntarily registering for VAT and thereby enabling them to keep their corporate profit tax exemption.

Fruit and Hazelnut Sector Activities

- The Project experts traveled to the Goychay region with Mr. Adrian Garulay (US pomegranate and apple juice buyer) and met with Mr. Faraj Ahmadov (Director) and

Mr. Ali Abdulov (Sales Manager) of the AZNAR Company. Adrian Garulay provided a brief introduction of his company and the purpose of his visit. AZNAR indicated a real willingness to work with him and to sell full orders of apple concentrate to the American buyer next season. The sales manager indicated that their priority export countries are Germany, the US, Canada, Australia, Russia and New Zealand. They also produce blended juice such as pom-apple, pom-grape, pom-quince. Juice is packed in 1 liter, 0.75 liter and 0.35 liter glass bottles. All products are sold under the GRANTE brand name. The group also visited the plant laboratory that is furnished with modern equipment. The buyer asked them to test a random sample from one of the lots. The lab specialist tested color, PH, acidity and NTU, all of which met the requirements of the American buyer. The buyer also looked through the company paperwork and accepted it for export purposes. AZNAR will receive ISO 22,000 in May, and currently has kosher certification for its juice it ships to Canada.

The buyer and seller agreed on the following terms and conditions:

- Six containers of pomegranate from last year's production are available for sale to the US buyer;
- Packaging will be in aseptic bags in iron drums;
- Letter of Credit (L/C) payment terms;
- Terms of shipment to FOB Porti, Georgia;
- A40 FT Refrigerated container holds 20 MT concentrate under -10 degrees Celsius; and
- The price for pomegranate concentrate as proposed by AZNAR is \$45,000.00 per metric ton. If all six containers are purchased at this price the approximate value of the deal is \$540,000.00.

However, the deal was not successful and later in the quarter the Project staff met with the sales manager of the AZNAR processing JSC in Goychay to discuss the root causes of the failure. The purchase was not made due to a lack of sufficient quantity and no agreement on terms between the distributor and the ultimate U.S. buyer. The project will continue to monitor potential future deals.

- Trade ties were also discussed with the Canadian company, Azpom and Roscaz Co. The Canadian company has been familiar with AZNAR since 2006 when, under a previous USAID Project, this company bought more than 300,000 liters of pomegranate juice. The global financial crisis slowed purchases. However they are now ready to re-establish negotiations with Azeri suppliers including AZNAR. The company plans to purchase 40,000 liters initially in a 40 FT container. The contract with AZNAR is under consideration and expected to close in August. In addition, AZNAR is interested in

buying Italian brand aseptic bags through the BDS. Currently the company is buying these products from the distributor, Schaller Company, which operates out of Moscow.

- Later ACT Project staff and Mr. Adrian Garulay met with the director of the SAF Apple Processing Company, Mr. Elman Aliyev, in Baku. Mr. Garulay informed the director that he wants to purchase at least 25 containers of apple concentrate. The director indicated that it is impossible to find apple concentrate at present in Azerbaijan because the season is over. SAF exports apple concentrate to Germany and Russia in aseptic packages and tanks. Every year, SAF produces more than 2000 metric tons of apple concentrate. When asked about prices, the director indicated that the external markets and supply and demand have an influence on the price of Azeri apple concentrate, and therefore he would not be able to quote a price until harvest time. He underlined a willingness to build further relations with the buyer. The two agreed to stay in touch.
- During the quarter ACT technical experts and the staff also met with government officials and cold storage operators in the Salyan, Saatli, Hajigabul, Guba regions of the country to discuss issues surrounding the growth and development of cold storage services. In addition, the Project began a survey ahead of the visit of technical expert, Patrick Hughes. In general, cold chain support services do not function at capacity for a number of reasons including lack of the following:
 - training on technical operation of cold storage facilities,;
 - marketing of cold storage to various sectors inside and outside of agriculture;
 - trained technicians to perform routine maintenance and/or repairs on operation equipment;
 - storage compatibility understanding with regard to temperatures and humidity controls;
 - understanding of what products can be stored together;
 - understanding as to the value of completing a cost benefit analysis on cold storage operation; and
 - business plans.

Three cold storage facilities were recommended to serve as pilot facilities following a strict set of guidelines laid out by the ACT cold storage expert. ACT technical expert will develop a simple and plain language operations manual for distribution. The Project will catalogue and distribute across the industry and to ACT extension partners with other extension materials developed in cooperation with the Project.

- The Project staff traveled to the Imishli region to further discuss the tasks outlined in the action plans with the director of the ARAZ business development service provider (BDS), Mr. Lutveli Zeynalli, and to monitor implementation. This BDS will work with a select group of farmers from the Sabirabad, Imishli, and Kurdamir regions initially and then

expand its reach over years 2 and 3 of the Project. During the meeting the Project staff also discussed the need to focus on investments and job creation as part of our work. The BDS was aware of his clients' needs for higher quality and less expensive aseptic bags and drums. With the help of the Project staff, a contact was made with Fres-Co. from Italy for the bags and with the Turkish company, Mehsan Mauser, for the drums. This resulted in a deal worth 38,000 AZN of which the BDS will keep a small percentage commission as additional revenue for its effort. In addition ARAZ has indicated it will continue to order additional supplies for future resell to its clients.

- A new buyer for pomegranate juice was introduced to the Sabirabad Conserve. As a result, the seller shipped a sample which was approved, and expects to sign a contract to sell up to 120,000 liters of juice for an approximate value of \$216,000 in the fall of 2011. The buyer is a company named O'Grae Europe. This will be a private label purchase with the buyer using its brand on the product. The agreement is expected to be finalized by the end of July 2011.
- The Project team also visited with Mr. Mustafa Badalov, the director of the Goychay M-PRO dairy and juice plant located in the Goychay region. This plant was built in 2004 as a dairy plant. Two years later a pomegranate section was added and the facility began producing pomegranate juice and concentrate. All equipment was imported from the Italian company, Padovan. The plant exports pomegranate juice and concentrate to Germany, Russia, and Italy. The director is very interested in exporting to the US market. The company is in need of technical assistance in developing marketing materials and is having difficulties in finding aseptic bags and drums. Arrangements were made for the ARAZ BDS to supply all packaging material required.
- The Project and Stephen Little (USAID) met with Mr. Lutvali Zeynalli, the Chairman of ARAZ, to discuss collaboration opportunities. In addition, three agricultural specialists, agronomists, Mr. Jafar Tagiyev, Dashgin Agajov, and processing specialist, Mr. Aydin Veliyev, also participated in the meeting. The organization was established in 1999 and registered officially in 2002. It has implemented several projects in legal aid, helped establish a woman's association, and conducted environmental research with support of a small grant from the US Embassy. It also has good relationships with International organizations like the IRC, IMC, CHF, ADRA and ACF, who have all worked in Imishli and the surrounding area in the past 11 years.
- In addition, ARAZ also has an information-consulting resource center that was established within the framework of a USAID IREX project. Farmers, other entrepreneurs, and students are using the services of the resource center on a regular

basis. It has training experience and specialists in agriculture, in addition to the administrative team. Forty percent of the organization's budget is composed of member contributions and service expenses, while the remaining 60% is grants. The specialists suggested the need to support farmers in pomegranate cultivation, creation of good relations between farmers and processors, and support to access export markets. They further indicated that sometimes processors use prohibited ingredients for enhancing processed pomegranate's shelf life. Because of this, they feel they are losing their market and cannot export due to the poor quality of products as inspected by the importing companies.

- The Project staff traveled to Zagatala to discuss the tasks of the hazelnut action plans with Mr. Bahram Osmanov, director of the Sheki Business and Innovation Center. According to the action plan the center had prepared plain language guides for hazelnut farming techniques including input supply, irrigation, cultivation, orchard management, pruning and harvesting.

Dairy Sector Activities

- The Project met with Mr. Cem Kurt, the General Manager of the Atena Milk processing plant in Aghjabedi. The meeting was attended by the ACT staff and Stephen Little (USAID). This is a brand new plant that only just began milk production prior to the visit. The milk plant capacity is 400 tons per day. Currently the plant receives four tons of milk a day from 21 villages with 21 milk collection centers owned and managed by Atena. Their aim is to reach 50 tons a day in the first year and 100 tons a day during the second year of operation. Their main goal is to produce high quality milk products for local and international markets. Atena has applied for and is currently in the process of obtaining ISO 22000 from the Turkish consultancy company, InterTek Turkish. Participants were treated to a plant walking tour to observe, ask questions about all the plant facilities, and to observe the working process. It is interesting to note that there are 80 cameras in the plant area, and some of them will in the future be connected to the internet. This is part of the total marketing campaign by the company allowing customers to observe most of the dairy processing facility and to take note of the exemplary sanitary conditions of the facility. The first milk products were sent to the Baku market in late February. In addition, an "extension" style information book was produced by the plant's specialist for distribution to farmers covering many aspects of dairy farm management. One of the owners of this facility is the Atropatena Distribution Company.
- The Project jointly with Stephen Little (USAID) visited the PaSud milk collection center located in the village of Nusulu. The milk collection center's (MCC) daily capacity is 15 tons, but during this time of the year they collect only four tons of milk a day. They

check the water content of the milk at the farm gate. Further tests are conducted at the MCC to check for fat content mainly. They typically accept all milk from farmers unless it is spoiled. They send good quality milk to PalSud and low quality milk to other clients in Baku to produce cheese.

- Later the same group met with the Director of AIM, Mr. Fazil Jafarov, in the Agjabedi region to discuss the services provided, to review upcoming technical assistance on basic farm management, and to visit the AIM testing labs. AIM has extension service experience with 331 extension agents operating in 24 regions of the country. AIM is an NGO, but owns two LLCs: AIM Training Center and AIM Agroservice. These organizations provide farmers and other organizations with different services on management, as well as marketing in specific agricultural fields. AIM has the lab equipment necessary to analyze water, soil, and feed. According to their management reports, they are increasing the number of clients each year.
- In addition, during the quarter the Project team met with the Chief Veterinarian, Mr. Mubariz Aliyev, of the Goy-Goy region state bull station to get a better understanding of its capacity to deliver high quality semen. The station is well equipped with modern labs and cooling and storage equipment mostly imported from France. However, it is not financially self-sustainable yet. The station has 22 bulls of mixed origin ranging from local to Russian and German. Straws from the bulls are taken twice a week with about 100,000 currently in storage. Demand for straws is limited as farmers apparently do not trust the quality of the straws because there is no pedigree catalogue and the low level of training/success of the inseminators.
- ACT also held a meeting with the Norwegian Humanitarian Enterprises' (NHE) agricultural program manager, Mr. Fagan Agayev, to discuss the work that project is doing in the area of herd improvement (specifically artificial insemination). The program started in 2002 and is designed to support poor families with finance and training (stable condition, feeding and hygiene) in the regions of Ganja and Sheki. Seven Artificial Insemination (AI) specialists have been trained and supported with AI equipment. Those specialists inseminate an average of 60 cows each month. Specialists are paid by the program as a base salary and bonuses are paid for more than 30 inseminations. The straws are imported from Norway with approximately 10,000 straws imported to date. The price of one straw is 4 AZN. NHE has good training materials and experience in AI services. NHE is a potential AI service provider which could be considered a partner in the ACT project.

- The Project held a meeting with Golden Feed in Ganja to determine whether this company has the skills and capacity to produce high quality feed for the animal industry in general. The meeting was attended by ACT staff and dairy expert, John Bonnier, and hosted by the founder, Mr. Alovzat Huseynov. Golden Feed was established by a previous USAID funded project and produces poultry and cattle feed according to special feed ration formulas developed by scientists in Ukraine and the Azerbaijan State Agricultural University (ASAU). Another USAID sponsored project provided computers hardware and software for calculating the rations. The company mainly uses soybean, barley and alfalfa to prepare the feed rations. Soybeans are imported from Iran, Turkey and Brazil. One ton of feed is sold for 350 AZN in winter and 260 AZN in summer, but prices can vary depending on the international price of barley, corn and soybean.

Outcome:

Golden Feed prices are lower than others, and the system of adjusting rations to the need is a big advantage. The Project is considering working more closely with Golden Feed to help them market products to a larger customer base.

- In May the Project attended the grand opening of a milk collection center in the Veyisli village in the Goranboy region organized by “UMID” NGO. The Center has four employees, a one ton cooling tank and lab equipment for testing fat and water content of the milk. The center collects around one ton of milk per day and sells to Bilasuvar Agro milk plant. The farm gate price of the milk is 0,30 AZN per liter.
- The Project staff visited Mr. Zeki Ashchi, the PalSud milk plant director, and Mr. Mehmet Mirac, the milk quality manager, to discuss results of the dairy roundtable on the improvement of raw milk quality standards held in May and to gain additional suggestions from PalSud on dairy sector development. PalSud noted that the control of milk quality at the farm gate is very difficult and expensive. Additionally the standards that are approved by the government are more useful for small cheese processors than modern dairy operations. PalSud is producing dairy products in a plant that is compliant with ISO standards. They continue to have high expectations for the government to solve problems in the dairy sector. In addition the Project staff visited a collection center to observe firsthand the quality and quantities being collected. Due to the season, the quantity of milk was very low, only around 2-8 liters/farmer. According to Project staff observations, the milk was not being tested at the farm gate. All of the milk sellers were women and complained about the low price of milk. One liter of milk was being sold for around 0.20 manat.

- The Project staff travelled to the Salyan region to get information on the Hacicamal farm owned by Mr. Farhad Kerimov. The farm has around 800 cattle, of which 300 are milking cows. The management structure of the farm is considered to be good. It employs 30 persons operating in three shifts. Milk productivity ranges from 15 – 40 liter/day and more than three tons of milk are produced per day and sold to the NurSud milk plant. The farm mainly produces its own feed from grain grown on its fields. Occasionally it buys barley from the open market. The cows are currently artificially inseminated. In the near future, the owners plan to increase their cattle numbers up to 2,500. They are also in the process of constructing a new stable to accommodate the additional livestock. This farm would serve as an excellent demonstration farm and may benefit many farmers by showing best management practices to a large range of farmers from around the region.
- In June the Project staff traveled to the Sheki region to meet Mr. Tajeddin Babayev, the Manager of Sheki Agro and Mr. Sahib Gedirov, lead veterinarian. The farm has a total of 1000 cattle, of which 500 are milking cows. The farm produces slightly more than 10 tons of milk per day with a fat content of between 3.8 and 4.2%. The average productivity of the cows is 22 liters/day. Male calves are sold after birth and female calves are being kept by the farm. All cows are artificially inseminated using imported semen. The general condition of the farm is good and most activities are mechanized. The feed is prepared on the farm from feed ingredients purchased in the market. The Sheki Agro specialists who trained the farmers have requested Project assistance to improve their skills on farm management and animal diseases detection and treatment. Mr. John Gjertsen, Program Advisor from the Norwegian Humanitarian Enterprise, based out of their Sheki office, joined Project staff on this trip. During the visit, the group also accompanied Sheki Agro staff to visit local farmers and provided some additional technical assistance. The local farmers agreed to work with the Project in support of improvements in the dairy sector and their own productivity. The Sheki Agro farm is considered to be an excellent place for a demonstration site based on the high quality of the farm management team who will be able to instruct other farmers on feed preparation, artificial insemination and farm management in general.
- The team also visited the Balakan region to meet the Azeryem feed mill manager, Mr. Mehman Hacıyev. The feed mill produces 52 varieties of feed. Thirty percent is cattle feed and the remaining 70% is poultry feed. The business has 6,000 hectares of land for producing wheat, barley, alfalfa, and corn. They purchase soybean from abroad to add to the feed. The prices of feed vary according to the content and protein values. This facility would be a good candidate company during year two of the Project as a potential recipient of technical assistance in the feed area.

Aquaculture Sector

- ACT contracted Mr. Sabir Ganizade, a local ichthyologist, to conduct market research and an economic profitability analysis on the manufacturing of carp fish feed in the Northwestern region. In addition he will further develop a marketable fish feed ration in an effort to assist the Girkhbulag fish feed mill, including by making improvements to the technical properties of the product and the production capabilities of the feed mill. Such improvement is meant to produce a higher quality feed that will be sold to the fish farmers in the region and still be cost effective. ACT staff together with the fish expert traveled to Sheki, where initial preparations, such as setting up the processing facility, determining ingredients, and creating the cost of production table, were performed. The first results have produced good quality carp feed. The price of the feed is approximately 0.75 AZN, which is relatively affordable according to the survey of local fish farmers.
- The carp feed analysis report covering all regions, generated by local expert, Sabir Ganiyev, was completed and submitted to ACT for final review during the quarter.
- Mr. Sabir Ganizade also began implementation of the second stage of carp feed production. Locations for testing have been agreed upon, and an independent fish farm in Sheki has agreed to purchase fish and the feed from Girkhbulag fish farm. Currently Mr. Ganizade is working on preparation of the trials in the Sheki region.
- The Project held numerous meetings from April 26 through May 12 across the regions where aquaculture is currently being developed. The meetings, both formal and informal, were with some of the following:
 - ✓ local municipalities and Executive Committee offices in different regions to answer any questions they had with regard to Project developments;
 - ✓ large industry players to discuss the possibilities of establishing associations in at least two regions;
 - ✓ all of the aquaculture Business Development Service Provider (BDS) partners to shore up their support and to answer any questions they had about the action plan; and
 - ✓ BIC and the local carp feed expert to check on the progress of both the aquaculture market survey, and the work being completed on feed development.
- During the quarter the Project attended the official opening of the Khachmaz Trout Hatchery. The USAID Country Coordinator, Keith Simmons, the owners, the head

veterinarian from the Executive Committee's office, several local fish farmers, distributors, and the heads of the BDS, Guba Marketing Center (GMC), and the Business innovation Center also attended the event. According to Mahir Abbasov, the owner, the hatchery will produce one million fingerlings annually. The hatchery will work with the ACT Project to help them find affordable sources of financing for further expansion.

Regional assistance with the Aquaculture sector, with aquaculture expert, Thomas Ort Southeast

- ACT aquaculture expert, Mr. Tom Ort, and staff traveled southeast to the Salyan and Neftchala regions. The vast majority of carp is produced in these two areas. One of the goals is to strengthen local expertise, therefore, Mr. Sabir Ganizade, accompanied the ACT team on this trip. His assistance in helping identify best future beneficiaries and partners for implementation of proposed technical assistance and technological innovations was invaluable. Traveling to this region, three major goals, according to the approved sector action plan were concentrated on:
 1. Identify an existing feed mill operator to assist with the installment of necessary equipment to produce fish feed. Mr. Jamal Samadov, a large carp farmer in the Salyan region, has agreed to cooperate with the Project in this regard. He agreed to research and assist in writing a proposal which will include the total cost and necessary specifications to develop a feed mill for the production of fish feed.
 2. Address the high mortality rate of fry and fingerling production. According to most farmers, 98% of these fry will not survive the five gram size. As a solution to this problem, the Project identified an experienced carp hatchery operator, Gasim Badalov, in the Neftchala region. Tom Ort introduced the idea of raising the fry until they grow to 1-3 gram size, during 15 – 30 days and then selling them to farmers. The hatchery will need access to a high protein fingerling diet. This will permit the hatchery to get better value for the grown fish and the farmer to drastically increase the survivability rate and better plan his production and future sales. Mr. Ort will provide specific guidelines for the reconstruction of the existing hatchery facility, so it complies with the new production plan and design. An initial business plan to determine feasibility of this idea will be developed.
 3. Discuss the idea of forming an aquaculture association in the south. The farmers not only want to establish an aquaculture association but also to create a credit fund/credit union in order for members to be able to take advantage of lower interest rates. The farmers requested that the Project help organize such an association and perhaps provide some funds to get it started.

All abovementioned tasks, especially the feed mill and the hatchery will require some kind of funding support. It is also important to emphasize that all entrepreneurs who expressed interest in participating are willing to cost-share. The Project will evaluate the potential for using grant funding for the activities above.

Northwest

- The Project staff, along with the BDS partner from the Sheki BIC and the technical expert, visited the Girkhbulag fish farm, the site that has been receiving USAID's technical assistance for a number of years now. Because the farm has implemented Mr. Ort's recommendations, production has increased twenty times from just two in 2009 to 40 tons in 2011. This results in an increase of 456,000 AZN in sales. The Project also monitored the progress on fish feed production and prepared for Phase II of the carp feed production activities in coordination with local expert, Sabir Ganizade.
- The Project staff also visited a carp hatchery in Zagatala. The hatchery has experienced problems with incoming water pressure and other technical issues related to the hatching of silver carp. All necessary instructions for water mitigation were passed on to the hatchery management, which were immediately implemented. The hatchery began producing and selling fingerlings at the beginning of 2011. The management of the hatchery plans to triple the production and sales, which are expected to reach over 20,000 AZN for its first fully operational season.
- The Project has requested Mr. Bahram Osmanov, the head of Azaquaproduction, to provide an inventory along with costs to start a fish processing plant. Processing is very limited in Azerbaijan and the addition of a high quality plant could have a very positive impact on leveling out fish sales throughout the year.
- One of the highlights of the northwest trip was the recording of a TV show on the current situation and development perspectives for aquaculture in Azerbaijan. Project aquaculture expert, Tom Ort, a local carp farmer from Zagatala, Mr. Eyyub Jankayev, and the staff took part in the taping that lasted 30 minutes. The topics discussed on the show included the general constraints that limit fish production, possible solutions to these constraints, and specific actions that should be taken in order to stimulate sector growth; including the establishment of a processing facility and the need for establishing strong market relationships. The TV program was aired on Aygun TV on July 1 at 21:45 local time.

North

- In June the Project team visited the northern aquaculture regions, including the new hatchery owned by Mr. Mahir Abbasov. During the trip, the Project team discovered that the farmer was having a major outbreak of parasite infections. The expert offered on the spot remedies and helped them construct a flow device designed to “time release” the formaldehyde treatments. This training not only saved this owner a lot of money, but also resulted in Mr. Abbasov agreeing to train others in the region on the techniques he learned.
- The Project team also visited several additional carp and trout farms in the north region that were suggested by the Guba BDS partner. Most of these farms are very new, inexperienced and in need of some design suggestions that the staff is now working on.

Daily Price Index

- The creation of a sustainable Daily Price Information (DPI) system is called for in the work plan for the Project to implement with a local partner(s). The Project held meetings with Azerbaijan Agricultural Input Dealers Association (AKTIVTA) and the Azerbaijan Marketing Society (AMS) in order to start the review and eventual solicitation process.¹

DRC and Market Studies:

- During the quarter USAID agreed to move forward with the DRC (domestic resource cost) analysis focusing just on the aquaculture sector. As a result work agreements were reached with AAC and ERC to begin a simplified DRC analysis in early July.
- The Sheki Business Innovation Center signed a contract with the Project to conduct a complete aquaculture sector market study. BIC began collecting data in the northwestern region. In addition, two teams traveled to the northern and southern regions during the quarter to continue conducting the study. The research will be completed next quarter.

Education and Extension

- ACT extension expert, Jeanne Schwaller, completed two training programs on basic farm management and financial planning in a train-of-trainer format for AIM and AKTIVTA extension agents.
- From May 5 through May 18, Dr. Schwaller held four extension style training sessions across several regions on the subjects of adult learning, basic farm management, and

¹ This process was put on hold in agreement with USAID in the following quarter.

simple business plans. The trainings took place in coordination with extension service providers AIM, Azerbaijan Association of Agricultural Input Dealers (AKTIVTA), the Janub Agribusiness Center (JAC), GMC, Guba Experiment Station, and the Guba Regional Agro Science Center. Microfinance representatives as well as experts from Access Bank also attended various meetings. In all, approximately 42 trainers and adult students took part. The purpose was to provide participants with hands on materials in a Training of Trainer format. Each of these trainers will continue to provide this training to a wider audience over time. The ACT Project will monitor the numbers and locations of the trainings over the course of the project life. Trainers are better informed in the area of basic farm management and essential business planning for small to medium sized farms as a result of these training sessions.

Project Management Activities

Planning and M&E

- The Project continued discussions with USAID during the quarter related to revisions to the statement of work (SOW) and related changes to the M&E Plan.

Coordination with Other Projects

- During the quarter, the project continued working with IFC on various issues including food safety and the potential secured transactions law.
- The Project developed an outline of a policy paper the implications of policy constraints on the aquaculture sector in Azerbaijan for the World Bank high-level government policy forum, organized by the Central Bank of Azerbaijan, to be held in October 2011.
- The Project organized several donor coordination meetings during the quarter in support of collaboration and cooperation both in the trade and business environment and agriculture areas.

3. Project Activities Planned for Q4 FY2011

Component 1: Domestic Business Environment Improved

- Post at least two requests for proposals regarding research and advocacy activities and commence activities thereafter.
- Conduct an inventory of business- and economics-related studies and advocacy efforts undertaken since January 2009. This will help reduce the possibility of redundancy of studies and will serve as a resource for ACT and other projects.
- Finalize and distribute the brochure on legal information providers.
- Enter into arrangements with the Ministry of Tax and the Ministry of Finance where it will develop models on policy-based revenue estimating for changes to VAT and payroll tax. The VAT model will be completed by the end of the quarter.
- Continue to support enactment of a progressive competition code, first by holding an event on the principles behind the code in July and as it is reviewed by Parliament in September.
- Submit the memorandum on investment legislation to the Office of the President. As discussed with one of the officials from the Office, the memorandum will not recommend major changes in this area.
- Develop an agenda of commercial and trade related laws for USAID review before submission to the Office of the President.
- Develop and vet with stakeholders a policy paper on addressing constraints preventing the registration of rural land. Upon clarification of various concerns with stakeholders the Project will submit the paper to the Office of the President.
- Begin efforts to promote the development of the secured transactions law, primarily by mobilizing a consultant from Ukraine to discuss with various stakeholders and government officials the importance of this issue.
- Finalize the counterparts, venue, agenda, and materials for the four-week training on cost benefit analysis.
- Begin work on mapping the process of obtaining a land lease from municipalities, including acquiring the necessary legal and regulatory documents pertaining to leasing, speaking with municipalities directly on their requirements, and working with agro-processors in the regions to discuss their experience with leasing.

- Draft a work plan with the State Sanitary and Epidemiological Service under the Ministry of Health on implementing risk-based inspections in the area of food safety, as well as develop interventions related to improving inspection procedures.
- Reach an agreement with the President's Office and the EU representative on ways for the Project to contribute in the provision of regulatory impact analysis (RIA) services in years 2 and 3.
- Select a CSO in relation to the RFP to be released in August on mapping the process of starting and operating three separate businesses in Azerbaijan. The Project will also provide guidance to the selected CSO on the technical issues involved in process mapping and oversight in completing the work.
- Finalize with the Tax Ministry plans to provide information related to online registration of legal entities.
- Identify and mobilize an expert to take the place of the financial supervision expert whose deployment was canceled due to injury.
- Mobilize an expert to conduct follow up assistance to the Central Bank on developing a plan for implementing activity-based management in accordance with arrangement made between the bank and USAID.
- Continue to provide oversight and support to the two consultants working on the Central Bank's cash management system and its cash and materials handling systems at the central bank's new building site.
- Complete initial assistance to the four private banks and begin follow up work with each of them by the end of the quarter. The work with Vision Fund AzerCredit and with AG Bank will be consolidated under a single consultant.
- The AML expert will provide trainings to pawnshop owners and realtors as well as the following private banks: Pasha Bank, Royal Bank, Demir Bank, Turan Bank, and Access Bank.

Component 2: Liberalized, More Transparent Trade Environment Developed

- Work with Office of the President on enforcement of the new Customs Code and assist in developing implementing regulations.
- Conduct regional seminars on WTO in Lerik and Ismayilli regions of Azerbaijan.
- Work with the Office of the President to finalize Draft Law on Technical Regulation to be delivered to the Parliament.

- Work with the Cabinet of Ministries to finalize WTO-related laws that are ready to submit to Office of the President.
- Monitor, review and provide requested technical assistance regarding any revisions to the Draft Law on Antidumping, Countervailing Duties and Safeguard Measures (Trade Remedies) as it moves through the legislative process to maintain WTO conformity.
- Assist the government in collection of any other document, such as draft legislation, to submit to WTO or members.
- Provide technical assistance to support revision of goods and services offers.
- Finalize impact assessments and related reports and provide on-the-job trainings to MOED and IER staff.
- Through ERC, finalize two studies, prepare reports of results and initiate public-private dialog to introduce results to propose policy changes.

Component 3: Targeted Agricultural Value Chains Improved

- Engage short term technical advisors on:
 - Cold storage
 - Poultry bio-safety
 - PERSUAP
 - GAP
- Publish aquaculture market study.
- Continue to monitor and implement the work plan and sector action plans as approved.

Project Management Activities

- Based on agreement to the changes to the SOW, the project will submit a revised M&E Plan next quarter.
- The project will begin developing its work plan for year 2 in late July.

4. Financial Reporting

The table below provides a breakdown of costs by category for Q3 FY 2011 (April 1-June 30, 2011)

Categories	Vouchered April 1 – June 30, 2011 (US\$)
Technical assistance	
<i>Expatriates (US and TCN):</i> Long-term Technical Assistance	293,003
<i>Expatriates (US and TCN):</i> Short-term Technical Assistance	868,385
<i>Local Staff</i>	353,783
LTTA Allowances	74,085
Training Expenses	29,828
Administrative Expenses	
Travel/Transportation/Housing/Office Rent	329,153
Equipment & Vehicles	3,049
Other (Communications and Delivery, Bank Charges, Translation/Editing Services, Occasional Labor, Passports and Visas, Local CCN Social Costs, Legal Costs, etc.)	70,899
G&A	60,842
Grants	0
TOTAL	2,083,027

5. Issues\Constraints

- The Project has been unable to recover its vehicles from Customs or purchase any equipment until the Cabinet of Ministers adds Sibley International to its list of humanitarian organizations. USAID continues to support progress in this area and a potential solution. VAT payment is also still an issue until the company is added to the list.

Annex 1 – Outreach Highlights for the Quarter

Name	Description\Topic	Audience	Date
Seminar on Trade Remedies	Ben Irvin led a discussion on protection of domestic market, and application of trade remedies.	Private sector representatives	5-Apr-11
Donor Coordination meetings on Agriculture and Trade and Investment	ACT staff met with donors to discuss progress on work related to topic areas. All donors from the previous donor coordination meetings were invited.	Donor representatives, including GIZ, USAID, EU, FAO, WB, IFC, etc.	8-Apr-11
WTO Roundtable discussion on MFN exemptions	ACT expert Alicia Greenidge led a discussion with WTO negotiators on MFN exemptions led by.	MFA, MOED, USAID	8-Apr-11
WTO roundtable discussion on Financial Services	Alicia Greenidge led a discussion on financial services with relevant government organizations.	MFA, MOED, USAID	19-Apr-11
Import Focus Group	ACT staff discussed administrative and technical barriers with local importers for support of the trade facilitation study in cooperation with ERC.	Private sector, importers from regions	20-Apr-11
SPS Discussion on Azerbaijan's needs for export to the EU	Anna Vasylenko led a discussion with the donor community on her findings related to the current state of the food safety regime in the country.	Donors, USAID, EU, FAO, etc.	20-Apr-11
Roundtable on the new customs code part 1	ACT expert Irina Swift led the discussion on authorized economic operators.	Customs Committee, Parliament, MOED, Taxes, MFA	20-Apr-11
Seminar on trade remedies for NGO and universities	Ben Irvin led a discussion on domestic market harm and application of trade remedies for NGOs and universities.	Representatives of CSO partners, University partners and other interested parties	21-Apr-11
Dairy roundtable	Participants discussed trade barriers in the dairy sector.	Private producers, NGOs	22-Apr-11
Seminar on WTO service negotiations	ACT expert Alicia Greenidge led a discussion on WTO service negotiations and impact on private sector.	NGOs	26-Apr-11
Roundtable on the new customs code part 2	ACT expert Irina Swift discussed changes and amendments to the new Customs Code.	Customs Committee, Parliament, MOED, Taxes, MFA	27-Apr-11
Aquaculture roundtable	ACT staff met with the industry players to identify the admin barriers, opportunities for improvement and cooperation, conduct the first association founders meeting, discuss industry significant issues such	Aquaculture farmers, BDS	27-Apr-11

Name	Description\Topic	Audience	Date
	as processing, cold storage, hatchery, etc.		
Seminar on trade remedies for the Government (MOED, MFA, Ministry of Agriculture, Customs Committee and other entity MOED recommends)	Ben Irvin led a discussion on domestic market harm and application of trade remedies for government representatives	MOED, MFA, Ministry of Agriculture, Customs, etc.	28-Apr-11
Tax Roundtable in cooperation with AMCHAM	AMCHAM organized a seminar on taxes with ACT support. Topics included (1) proposed tax reforms, (2) comparative experiences of tax reforms on regional economies, and (3) increasing the competitiveness of the non-oil sector. Dr. Mitch Mokhtari of ACT made a presentation on "Opportunities for Tax Reforms To Improve Azerbaijan's Competitiveness"	Around 100 guests representing private sector AMCHAM members, Ministry of Tax, Ministry of Finance, WB, IFC, other donors, etc.	28-Apr-11
Presentation of Paper at AmCham Tax Conference		Government officials, businessmen, donors, representatives of civil society	April 28, 20
Farm management training	ACT expert Ms. Jean Schwaller conducted a two-day training on Adult Learning and Farm Management. The initiative is Training of Trainers, who will in the future train framers.	Extension agents and bank loan officers	28-29 April
Pomegranate Roundtable	Participants discussed trade barriers in the production and manufacturing of fresh and processed pomegranate.	Private companies	29-Apr-11
Round Table on Needs of Government Agencies on Project Appraisal	Current practices by government agencies in appraising potential Projects, especially their cost benefit aspects as well as the institutional framework regulating such activities.	Officials from government, and from state owned enterprises	29-Apr-11
Typological Example of practical use of AML	Arthur Mendez held training on AML best practices for FMS staff.	FMS experts	18 - 22 April
A TV program on WTO issues (taped on April 28)	Ben Irvin and Elkhan Mikayilov participated in the weekly Economic Forum TV program to discuss Azerbaijan's accession to the WTO, reasons for the delay and disadvantages of a lengthy process, etc.	ANS TV	30-Apr-11
Apple roundtable in Guba	A roundtable to discuss trade barriers in production and manufacturing of fresh and processed apples.	About 16 private companies	3-May-11
Farm management training in Barda	A training on adult learning, farm management and basic business planning. The initiative is also a Training of Trainers, who will in the future train the trainers	Around 15 extension agents and loan officers from banks	5-May-11
Farm Management training in Guba	A training on adult learning, farm management and basic business planning. The initiative is also a Training of Trainers, who will in the	Around 15 extension agents and loan officers from banks	11-12 May

Name	Description\Topic	Audience	Date
	future train the trainers of Trainers		
Food Safety Roundtable	A food safety roundtable to provide broad information to women on key factors to be considered when buying chicken, milk, fish and other products, and to provide important hygiene-sanitation rules to be complied with before storing, processing, preparing, and consuming these products.	40 participants – mostly women, including women’s associations, women’s groups and women beneficiaries of local and international Projects	11-May-11
Opening of Trout Hatchery in Khachmaz	Grand opening of Khachmaz Trout Hatchery with participation of ACT, USAID, local Executive Committee’s chief veterinarian, several local fish farmers, distributors and the heads of the BDSs, Guba Marketing Center (GMC), and the Business innovation Center	ACT, USAID\Azerbaijan, local Ex.Com’s chief veterinarian, private farmers	12-May-11
AML\CFT training for post offices	Training on AML\CFT typologies, Red Flags, AML\CFT risks for around 40 post office staff	Around 30 post office middle management and experts	16, 18 and 20 May
Hazelnut roundtable in Zagatala	Roundtable to discuss trade barriers in production and manufacturing of hazelnut	15 private companies	17-May-11
Farm management training in Lankaran	A training on adult learning, farm management and basic business planning. The initiative is also a Training of Trainers, who will in the future train the trainers	Around 12 extension agents and loan officers from banks	17-18 May
Roundtable in Poultry Society’s office	Poultry sector players jointly with ACT experts discussed administrative and technical barriers in the sector	10 private sector players, ACT experts	20-May-11
Feeding management training in Aghjabedi	A2 day training on feeding management for about 15 extension agents from AIM and ATENA.	AIM and ATENA	24-25 May
Cold Chain workshop in Guba	A workshop to provide the managers, ACT staff, BDSs, and other interested parties with mechanical and operational management training. Training included discussions on inventory turns, financial management of cold storage facilities, preventive and scheduled equipment maintenance, as well as building design, construction specifications, energy management, temperature and humidity control, racking and other primary cold storage warehousing issues, human resource needs etc.	Directors and technical managers of cold storages,	27-May-11
Roundtable on dairy development	A discussion on dairy development options, current milk quality standards and existing weaknesses with	Dairy processors	27-May-11
Airing of TV Program on competition	ACT representatives and relevant experts spoke about competition issues on ANS TV’s “Economic Forum” program	ANS TV	28-May-11

Name	Description\Topic	Audience	Date
AML\CFT Training in Baku	Training for branch directors, accountants, operation officers, compliance officers of Unibank, Pasha Bank, Bank of Baku	Commercial banks	May 31- June 3
AML\CFT training for commercial banks	Training on AML\CFT was conducted for 35 banking representatives, including branch directors, accountants, operation officers, compliance officers of Unibank, Pasha Bank, Bank of Baku in Baku city	Commercial banks	May 31 – June 3
Airing of TV Program on competition (repeat of the program aired on May 28)	ACT representatives and relevant experts spoke about competition issues on ANS TV's "Economic Forum" program	ANS TV	4-June-11
Feeding Management Training in Lankaran	The Project conducted a 2-day training on the basics of feeding management for 15 people attended by the Janub Agribusiness Center representatives, PalSud and Bilasuvar Agro. Training of Trainer (TOT) fashion training in addition to direct farmer training from STTA John Bonnier.	Regional agricultural companies	2-3 June
AML\CFT training for commercial banks	The Project in conjunction with the OSCE and FMS arranged an AML\CFT training for compliance officers, division heads and accountants of 25 commercial banks organized	Commercial banks	8-10 June
WTO seminar in Sheki	The Project arranged a roundtable to discuss WTO accession and its implications on the private sector for 25 private sector players	Private sector	17-June-11

Annex 2 - Grants/Fixed Price Subcontracts

The following fixed price contracts were signed in June 2011.

AR Number	Contract #	Contracted Amount (AZN)	Organization	Value Chain/Subject Area	Region	Period of Performance
101	FPS 15	14,168	Guba Marketing Center	Apple	Northeast	July 1, 2011- Sept 30, 2011
102	FPS 08	35,995	Business Innovation Center (BIC)	Aquaculture	Northwest	July 1, 2011- Sept 30, 2011
103	FPS 13	4,876	Guba Marketing Center	Aquaculture	North	July 1, 2011- Sept 30, 2011
104	FPS 11	8,000	Janub Agribusiness Center (JAC)	Aquaculture	South	July 1, 2011- Sept 30, 2011
105	FPS 14	32,350	Agro Information Center (AIM)	Dairy Sector	Central	July 1, 2011- Sept 30, 2011
106	FPS 12	13,448	Janub Agribusiness Center (JAC)	Dairy Sector	South	July 1, 2011- Sept 30, 2011
107	FPS 07	17,710	Business Innovation Center (BIC)	Hazelnut	Northwest	July 1, 2011- Sept 30, 2011
108	FPS 10	17,550	"Araz" Public Community Humanitarian Investigations	Pomegranate	Central	July 1, 2011- Sept 30, 2011
112	FPS 09	31,360	Azerbaijan Agribusiness Center (AAC)	Value Chain cost analysis	N/A	July 1, 2011- Sept 30, 2011
113	FPS 06	41,740	Economic Research Center (ERC)	Value Chain cost analysis	N/A	July 1, 2011- Sept 30, 2011
TOTAL		217,197				

The following contracts are still ongoing:

AR Number	Contract #	Contracted Amount	Organization	Subject Area	Period of Performance
62	FPS 01	32,546	Business and Innovation Center	Aquaculture market Study	April 5, 2011 June 14, 2011
66	FPS 02	4,120	Azsertifika Consulting firm	HACCP implementation	April 12, 2011- May 20, 2011
66	FPS 03	4,120	Quality Association Public Union	HACCP implementation	April 12, 2011- May 20, 2011
69	FPS 04	12,000	Sabit Bagirov	TV program on trade and investment issues	April 27, 2011- Feb 28, 2012
71	FPS 05	26,120	Economic Research Center	Quantifying Cost of Trade and Conducting Impact Assessment of Policy Reforms	April 27, 2011-Sept 30, 2011
Total		78,906			

- The Project prepared a Request for Proposals on a potential Daily Price Information Network (DPIN) Project and published the document on www.azerweb.com.

The following companies submitted proposals:

1. Azerbaijan Agri-Input Dealers Association
2. Finre Consulting