USAID FROM THE AMERICAN PEOPLE | TRADE AND INVESTMENT REFORM SUPPORT PROGRAM IN AZERBAIJAN

AGRICULTURAL POLICY MISSION REPORT: MAIN RESULTS AND RECOMMENDATIONS

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AGRICULTURAL POLICY MISSION REPORT: MAIN RESULTS AND RECOMMENDATIONS

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INTRODUCTION

During the period of June 18 – July 18, 2008 Dyaa Abdou visited Baku, Azerbaijan, as a short-term consultant (Senior Agricultural Policy Specialist) for the TIRSP Project, Annex A provides the SOW to guide this work, under the overall direction of Darrell Brown, Chief of Party (COP) of the TIRSP project. Given the policy/strategy content of the tasks, Paul Davis, Economic Group Team Leader, USAID mission in Baku, provided valuable guidance and coordination.

This mission report highlights the main results/outcomes of the visit, and provides recommended next steps. Upon arrival to Baku and during the first introductory visit with Ms. S. Hasanova, Deputy Minister, Ministry of Economic Development (MOED), the reporting consultant with USAID Team Leader, and the COP of the TIRSP project were informed that the "Strategy for the Development of the Agro-Industrial Complex in Azerbaijan Republic (2007-2015)" has been finalized by the national team and is being considered for signature by the President, hence no further support is needed from USAID in that regard. Several USAID (TIRSP/PIP) consultants have reviewed an earlier draft of this strategy document and indicated its deficiency and need for major revision. Till the end of this assignment, and despite all the efforts exerted by USAID and the project, a copy of the final draft of this strategy document was not shared with USAID to assess if previous comments were considered or not. Annex B provides a list of persons met during the mission.

In the same meeting, Ms. Hasanova elaborated on the current national efforts being exerted to prepare a document on "State Program on Provision of the Population with Food in the Republic of Azerbaijan 2008-2015" (referred to hereunder as the "Food Security Program – FSP") based on Presidential Order No. 2786 dated May 1, 2008. The Presidential Order requested that such document should be presented for Presidential consideration not later than August 1, 2008. The MOED was requested to coordinate the process of preparing the document under the supervision of the Cabinet of Ministers. Mr. Samir Veliyev, Head of Administration, MOED acted as the focal point within MOED for the preparation of the program. Ms. Hasanova requested USAID technical support to review the document and provide necessary comments and revisions for its improvement before mid July.

Given the priority needs to support the Government in its strategic planning for sustainable agricultural development and food security, USAID has agreed to provide such assistance within the agreed upon time frame. USAID in consultation with TIRSP decided to refocus the tasks of the original SOW to accommodate this request from the MOED. Accordingly, supporting the MOED to revise and upgrade the Food Security Program became the main focus of this assignment.

D. Abdou wishes to express his appreciation for the constructive collaboration provided by Paul Davis, USAID, Darrell Brown, COP, and the staff of TIRSP with special recognition to Fariz Ahmadov, Farhat Y. Farhat and Tom Deeb.

SUMMARY OF MAIN OUTCOMES

Reviewing and Commenting on the Food Security Program – FSP: A copy of the FSP with detailed tables of the Plan of Activities in Azeri language was received on 20/6 and translated into English language by 23/6. Comments and suggestions for improving the draft document on the FSP were prepared and submitted to the MOED by 28/6/2008, Annex C. The comments made were divided into two major categories. The first deals with the deficiencies in the document and the second deals with gaps compared to best international practices. The review of the program concluded that there is a need to systematically revise the document and introduce major changes before its submission for approval. The program in its current form is deficient and does not meet norms of best international practice in relation to sustainable agricultural development and food security strategy perspectives. A time schedule was suggested for the revision of the program (mid July 2008), the preparation of general operation plan with core components/pillars (mid July 2008) and implementation plan (mid-September 2008). It was suggested that a sound and comprehensive Multi-Year Public Investment Plan can be finalized by the end of 2008. During the review process, several consultations were made with Mr. Veliyev. The comments and suggestions were introduced and discussed with Ms. Hasanova and the MOED Team on 28/6/2008. Ms. Hasanova agreed in principle on the proposed time frame for the preparation of the revised/improved document with general operation plan. Additional meetings were held with Mr. G. Sadigov, Head of Department, the Apparatus of Cabinet of Ministers, Mr. B. Aliyev, Deputy Minister of Agriculture and H. E. Ismat Abasov, Minister of Agriculture to share with them the major features of the comments and suggested changes to improve the proposed FSP. Mr. Abasov has requested his Deputy to share with USAID the latest version of the food security strategy being considered by the President's Office. As of the end of the assignment, such document was not shared with the USAID.

Additional Information Notes on Experiences with Food Security Programs and Market-Based Agricultural Finance and Risk Management: Ms. Hasanova requested D. Abdou on 28/7/2008 to provide additional and separate information on the "Recent International Experiences with Food Security Programs", and on "Market Based Agricultural Finance and Risk Management". Two informational summaries were prepared on the subjects and submitted to her by 30/6/2008, Annex D and Annex E, respectively.

Deadline for Submitting the Revised Food Security Program: In subsequent consultative meetings with MOED, Mr. Veliyev requested that the revised program document with specific suggested amendments be submitted to him by 10/7/2008 for possible consideration in theplanned coordination meeting in the Cabinet of Ministers.

Revised Food Security Program Document: The FSP was reviewed and major changes were introduced in both the strategic orientation and the format to coincide with international best practices and results-based management. A revised Food Security

Program was submitted to MOED by 9/7/2008, Annex F and Annex G. The main features of this program are:

- The ultimate goal of the program is to meet the internationally agreed upon concept of food security so that "All [Azerbaijani] people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life".
- The program incorporated objectives across various periods and for all segments of the population and addressed food availability, stability, access and utilization at the national, local and household levels.
- In addition, the program focused on market-based, sustainable agricultural and rural development measures to increase agricultural productivity in targeted areas where Azerbaijan enjoys a comparative advantage, create employment opportunities and increase incomes.
- The program incorporated the following specific objectives:

  — Food production will be increased on a resource sustainable basis in areas where Azerbaijan enjoys a competitive advantage to promote food supply self-reliance
  — Food supply stability will be promoted by building reasonable reserves for the major food staples and by adopting market-based risk mitigation measures
  — Food safety measures will be strengthened to ensure safe, healthy food for all segments of the population
  — Food supply accessibility will be enhanced so that food is available to those segments of the population who through poverty, vulnerability or other reasons currently do not have access to adequate food supplies. These measures will be designed to target these populations while avoiding market distortions

- The revised program stressed that achieving the objectives should follow specific guiding principles including that all the policies and measures to support food accessibility to vulnerable groups will be consistent with a market-based reform process, and the program will be in compliance with WTO rules, support accession negotiation objectives, enhance agricultural sector competitiveness, reduce distortions by minimizing and/or eliminating subsidies in the agro-food (production and processing) sector, and maintain a liberalized trade regime including steps to reduce high transaction costs.
- Based on the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and other criteria, the program has identified the following priorities: (i) Ensure food availability and access (economic and physical) based on sustainable agriculture development; (ii) Ensure food safety and improved nutrition for the population with special reference to the most vulnerable segments of the population and in compliance with WTO rules; and (iii) Ensure food stability by reducing seasonal and annual food supply fluctuations and adopting risk mitigation measures to protect against crises and shocks.
- The program included policy, institutional and legislative measures and specific activities to be implemented in accordance with the elaborated guiding principles. The proposed sub-programs and components are inter-related to ensure consistency

and complementarity in implementation. The program deployed results-based management using an objective program monitoring and evaluation plan. The major sub-programs and components included in the initial operation plan are:

— Food Availability and Support to Production Capacities and Base including:
  - Improving Infrastructure
  - Increasing Efficiency of Land and Water Resources
  - Enhancing Crop Production
  - Enhancing Livestock Production

— Food Access, Quality and Safety including:
  - Improving Agricultural and Market Services
  - Improving Veterinary and Phytosanitary Services
  - Improving Management of Safety and Quality of Food

— Stability and Risk Management including:
  - Establishing Wheat Reserves
  - Piloting Selected Market-based Financial Risk Management Instruments, designed to stabilize basic grain availability and reduce price fluctuations

— Institutional Support including:
  - Improving Agricultural Research and Extension Services
  - Supporting Entrepreneurship

- A detailed "Implementation Plan" will be developed for these sub-programs. The implementation plan will further prioritize, schedule and allocate resources, budget and activities. When developing the implementation plan, policy analysis will assess the direct-indirect and short-long term impact of respective initiatives, the beneficiaries and losers, advantages and limitations, and the implementation mechanisms. The analysis will include feasibility studies the results of which will aid in prioritizing implementation over the 2008-2015 period.

The revised Food Security Program with the required specific amendments including the general operation plan was submitted to MOED in the agreed-upon time frame (9/7/2008). A meeting was held on 10/7/2008 with Mr. Veliyev to review the major suggestions and orientations of the program. The translated Azeri version was also delivered to MOED on time. Mr. Veliyev has requested more information on food consumption and dietary caloric intake, Annex H and on determination of wheat strategic stocks levels, Annex I. The requested two notes were submitted to Mr. Veliyev on 11/7/2008.

MOED indicated interest to benefit from the proposed changes and recommended measures in finalizing the food security program before submitting it to the President for approval/signature by August 1, 2008. However, as of the end of this assignment, USAID and the project were not informed of the actual revisions made to the original document.

MOA has commented on the earlier TIRSP summary comments on the Food Security Program, and the reporting consultant and Paul Davis have provided detailed response and clarifications, Annex I.

A debriefing meeting was held with Ms. S. Hasanova, Deputy Minister of MOED on 18/7/2008. Paul Davis and Tom Deeb attended the meeting. A copy of the response to the MOA comments was given to Ms. Hasanova followed by detailed discussion and clarifications. During this meeting a review was made of the entire process and the improvements introduced to the Food Security Program. Ms. Hassanova indicated that some of the previous suggestions made by the USAID team have been taken into consideration, and she will share with USAID (Paul Davis) a copy of the final program document to be sent for Presidential consideration. She also elaborated on the need of the MOA and MOED for enhancing the technical and institutional capacity in the area of strategic/sector planning and agricultural policy analysis.

RECOMMENDATIONS/NEXT STEPS

USAID is following up with MOED on the actions taken and actual revisions made to improve the original program based on the suggestions and recommendations provided to them through this assignment. MOED will inform Paul Davis of the latest developments in that regard, as soon as the committee finishes its revision of the document.

Further support to MOED and MOA should be determined after an assessment is made of actual improvements and revisions made in the program document, as approved by the President.

If adequate revisions will be made as articulated in the submitted recommendations, USAID will consider providing further support in this area to the MOED and the MOA. Within such envisaged technical assistance to support the preparation of the detailed implementation plan, the following proposed procedures for preparing the **implementation plan** could be considered:

- The implementation plan should be based on a **participatory approach** involving major stakeholders in the agriculture and rural development process. This should involve consultations with farmers groups, traders, private sector and water user associations in addition to donors and other partners in development. Field visits to the regions and organizing meetings in Baku are envisaged to ensure proper consultation
- A **national counterpart team** (2 officers, one from MOED and one from MOA) should be assigned by the Government to work with the USAID/TIRSP expert on the assignment. Selection of young national staff to support this process will be desirable to ensure sustainability of the expected gains resulting from the envisaged **on-the-job training**

- **Adequate time** should be allocated for the preparation of the detailed implementation plan including project profiles and technical assistance needs, within the above mentioned frame. This process may require at least 60 working days

Each component, specific activity and project of the implementation plan needs to include the following information, if feasible:

- Strategic Problem to be addressed
- Beneficiaries and Geographical Coverage
- Component Objectives
- Benefits/Outcomes
- Expected Outputs
- Identified Sub-components or Projects
- Activities under each Sub-component or Project
- Participating Stakeholders (Institutions) and Implementation Modalities
- Budget (Government and Private/others)
- Prioritization and Sequencing of different Sub-components or Projects
- Implementation Modalities
- Monitoring and Evaluation for Implementation and Impacts
- Risk Managements/Mitigation and Assumptions

Each Sub-component or project profile will be presented separately including the above-mentioned information. The implementation plan could be summarized using the suggested format presented in Attachment 10.

Sustainability of Policy Formulation and Analysis: Availability of adequate institutional and technical capacities in the Government Agencies supervising the Food Security Program is an important prerequisite for its effective implementation. In that regard, there seems to be a great need to upgrade and develop the capacities of the Ministry of Economic Development –MOED) and Ministry of Agriculture –MOA as the major stakeholders for this process. The following summarizes a framework for improving the institutional and technical capacities in both Ministries. The remarks are based on previous experiences and observed limitations during this assignment. These remarks are included for future consideration by USAID/TIRSP and the MOA/MOED in the area of policy analysis and planning:

- There is a need to **strengthen the institutional and technical capacities of the MOED, MOA and other related Agencies** especially in the area of agricultural and livestock policy analysis and planning. The existing lack of capacity in the MOED and MOA constitutes a constraint to contributing effectively to the implementation of the Food Security Program and the Multi-Year PIP Plan. Strengthening the institutional and technical capacities in the MOED and MOA in the area of policy analysis and planning will facilitate the proper formulation of activities and projects included in the implementation plan and the monitoring of the activities of the program. It will also contribute to establishing the internal/national capacity for

strategic sector planning and to regular assessment of the impacts of the proposed and adopted agricultural and food security policies

- A **comprehensive and tailored time-bounded capacity building program** should be designed and implemented for the strengthening of the MOED and MOA in the area of policy analysis and planning. Such a program should be cost-effective and address only with priority issues such as:

  — **Support Restructuring of the MOED and MOA** in specific areas and introduce reform measures to ensure changing age structure and job profiles, especially for departments/units dealing with economic analysis, forecasts and policies. This will stress streamlining the major functions to coincide with the State role in managing the sector and create an enabling environment for the private sector to engage effectively in investment, production, marketing, processing and trade activities
  — Development and sustaining an effective **Marketing Information Service –MIS**, which is an important element of the Implementation Plan of the Food Security Program
  — Enhancing national capacity for policy advice and analysis through **capacity building programs related to the following priority issues:** (1) Strategic and Sector Planning; (2) Agricultural and livestock policy analysis; (3) Natural resources management; (4) Marketing studies and strategies; and (5) Project cycle, including project formulation and evaluation. This training program should be implemented for staff at the **central and regional levels**. A major part of this program should be oriented towards training trainers to ensure continuity and sustainability of the capacity building process at the regional level. There will also be an emphasis on preparing case studies and practical sessions
  — Such technical assistance could be implemented within **less than one year** and could achieve measurable changes in the performance of the MOED and MOA as partners and important players in the food security and agricultural development process and in supporting the formulation of the Multi-Year PIP Plan in Azerbaijan
  — The presence of a long-term senior international expert to support MOA and MOED in the area of strategic planning and policy analysis and in the same time supervise the implementation of this capacity building program could be an option

ANNEX A

Scope of Work

USAID Trade and Investment Reform
Support Program in Azerbaijan (TIRSP)
Senior Agricultural Policy Specialist

Purpose:

Chemonics respectfully submits this scope of work to field a Senior Agricultural Policy Specialist for a 48-day assignment to work with the Ministry of Agriculture (MoA), USAID/Azerbaijan, TIRSP long-term expatriate and local professionals, and the USAID-funded Public Investment Planning (PIP) project to revise the current MoA agricultural sector development strategy (ASDS), develop an operational plan for the revised strategy, and identify and prioritize TIRSP technical assistance and training activities for the project's Year 1 work plan.

Background:

The USAID Trade and Investment Reform Support Program in Azerbaijan (TIRSP) is a two-year program designed to improve trade and investment flows in the non-oil sector by facilitating Azerbaijan's accession to the World Trade Organization (WTO) and improving the business climate through the reduction of administrative barriers (e.g., business registration, licensing, property registration, tax administration) and distortions in trade/distribution channels in key economic sectors, such as agriculture and utilities. TIRSP is managed by Chemonics International Inc., in partnership with AECOM International (formerly The Services Group) and Economic Integration Forum (EIF).

The Ministry of Agriculture (MoA) drafted an Agriculture Sector Development Strategy for 2007-2015 (ASDS) that was comprehensively reviewed and commented upon by TIRSP experts and other USAID advisory support staff; and the GOAJ has determined that the strategy requires significant additional revision form the standpoint of (1) consistency with WTO accession requirements; and (2) promotion of sustainable market-based long term development of the agricultural and agribusiness sectors in Azerbaijan. The GOAJ is reportedly close to establishing a Cabinet of Ministers (COM) Working Group to finalize this strategy and to develop a comprehensive operational plan for purposes of promoting effective implementation for the strategy.

Following up on technical support in this area provided previously under TIRSP, the advisor will work with the Ministry of Economy (MOED) and the Ministry of Agriculture (MOA) on the finalization of a comprehensive and WTO-consistent agricultural development strategy; which should effectively delineate the appropriate roles of the public and private sectors in promoting market-based sustainable sector development and help address critical policy and institutional constraints limiting the

volume and allocative efficiency of sector investment flows. He will also work on the development of a comprehensive operational plan to implement the new strategy.

Period of Performance and Specific Tasks

This assignment will be comprised of two missions to Baku, with a few days off-site time in-between missions. The first trip will take place from on/about June 18 through July 18, 2008. Mr. Abdou will require 4 off-site days following the first trip to prepare for the second trip and conduct background work for final detailed follow-on recommendations for the operational plan and food security strategy. The second trip will take place from on/about August 17- September 3, 2008 and will include the following tasks:

- Work with MOED, MOA, and the COM and to improve and finalize a market-friendly and comprehensive ASDS.
- Ensure that ASDS policies and guidelines are compliant with WTO principles and agreements.
- Work with MOED, and MOA and the COM to support the formulation of a comprehensive, market-based and WTO-consistent ASDS operational plan.
- Work with MOED, and MOA and the COM to support the formulation of a sustainable, market-friendly and WTO-consistent food security strategy
- Provide support on specific agricultural policy and institutional reform issues identified through the ASDS and the related operational plan development process on an as needed basis.

Deliverables

The proposed consultant will be responsible for completing and submitting to the responsible party the following deliverables:

- Comprehensive draft report with detailed ASDS recommendations no later than June 30th. Following receipt of comments, detailed final report provided no later than July 17th.
- Comprehensive draft report with detailed operational plan recommendations no later than July 15th. Following receipt of comments, detailed final report provided no later than September 2nd.
- Comprehensive draft report with detailed recommendations on a sustainable market-based food security strategy no later than August 25th. Following receipt of comments, detailed final report provided no later than September 2nd.

Roles and Qualifications of Technical Specialist

The following technical expertise is required to complete this scope of work:

- More than 15 years experience providing technical assistance to public and private sector stakeholders on agricultural policy development in transitional economies
- Experience developing agricultural policy in WTO accession context
- PhD in agricultural economics or related field (or M.A. + equivalent years professional experience)
- Russian and/or Azerbaijani language preferred, but not required

Reporting

During this assignment, the Senior Agricultural Policy Specialist will report to the Chief of Party.

Level of Effort

It is expected that this assignment will require not more than 48 working days in Azerbaijan, including travel days, to and from the project.

In Country	Offsite	Travel	**Total**
40	4	4	**48**

Proposed Specialist

Dr. Dyaa Abdou

ANNEX B

List of Individuals Met

H. E. Ismat Abasov	Minister of Agriculture
Dr. Bkhram H. Aliyev	Deputy Minister, Ministry of Agriculture
Mrs. S. Hasanova	Deputy Minister, Ministry of Economic Development
Mr. Samir Veliyev	Head of Administration, Ministry of Economic Development
Mr. Gurban Sadigov	Head of Department, Department of \problems of Refugees, IDPs, Migration and Work with International Organizations, The Apparatus of Cabinet of Ministers of the Republic of Azerbaijan
Mr. Mohammad Maharramov	Deputy Head of Department, Department of \problems of Refugees, IDPs, Migration and Work with International Organizations, The Apparatus of Cabinet of Ministers of the Republic of Azerbaijan
Mr. Ramin Talibli	Head of Division, Department of \problems of Refugees, IDPs, Migration and Work with International Organizations, The Apparatus of Cabinet of Ministers of the Republic of Azerbaijan
Mr. Galil Hajiyev	Head Advisor, Department of \problems of Refugees, IDPs, Migration and Work with International Organizations, The Apparatus of Cabinet of Ministers of the Republic of Azerbaijan
Mr. Jamaladdin Couliyev	Deputy Head of Department, Economic Policy, Ministry of Economic Development
Mr. Paul Hamlin	SME Finance Expert, SME Support through Financial Sector Development Project, Expanding Opportunities Worldwide
Mrs. Tarana Bashirova	FAO National Coordinator
Mr. Kaido Sirel	Program Manager – Team Leader, Centralized Operations for Europe, the Mediterranean, Middle East and Cross Border Co-operation, EuropeAid Co-operation Office, European Commission
Mr. Angelo Borgogni	Azerbaijan Program Co-Coordinator, EuropeAid Co-operation Office, European Commission

ANNEX C

Draft for Discussion: Comments and Suggestions for Improving the Draft Document on "State Program on the Reliable Provision of the Population of the Azerbaijan Republic with Food Products"

EXECUTIVE SUMMARY

The "State Program on the Reliable Provision of the Population of the Azerbaijan Republic with Food Products" is being prepared in accordance with Presidential Order No. 2786 dated May 1, 2008. The Ministry of Economic Development (MOED) has asked USAID to review the draft and provide comments for its improvement. The State Program will be referred to below as the "Food Security Program (FSP)". The USAID TIRSP Team has reviewed the Program.

The FSP document included review of the current situation in the agricultural sector, food consumption and utilization, overall goals, specific production expected outcomes as well as policy directives and Plan of Activities for achieving the goals. It also reviewed specific water sector projects for the period 2009-2015 in the economic regions.

The draft FSP seems to be based on the previous document "Strategy for the Development of the Agro-Industrial Complex in Azerbaijan Republic (2007-2015). It follows the same state control orientation and focuses on direct state intervention/sector intervention and sponsorship in determining investment and production patterns.

The comments made are divided to two major categories. The first deals with the deficiencies in the document and the second deals with gaps compared to international best practices. Based on the comments made, a formulation framework for the program and its action plan consistent with results-based formulation and management of strategic frameworks and programs is suggested.

The review of the program concluded that there is a need to systematically revise the document and introduce major changes before its submission for approval. The program in its current form is deficient and does not meet norms of international best practices in relation to sustainable agricultural development and food security strategy perspectives. The program has a number of important conceptual and structural deficiencies and gaps that warrant major revisions. A sound and comprehensive program can be developed during July 2008.

The Plan of Activities/Operational Plan requires major revisions and should be based on the revised program. The Plan needs to include core components/pillars of the Program. Each Component of the Operation Plan needs to include the following:

- Strategic Problem to be addressed
- Links with Other Initiatives

- Beneficiaries and Geographic coverage
- Sub-program Objectives
- Benefits/Outcomes
- Expected Outputs
- Identified Sub-components or Projects
- Activities Under each Sub-component or Project
- Participating Stakeholders (Institutions) and Implementation Modalities
- Indicative Budget (core program cost)
- Budget (Government and private/others)
- Prioritization and Sequencing of Different Initiatives
- Implementation Modalities of the Operation Plan
- Monitoring and Evaluation for Implementation and Impacts
- Risk Management/Mitigation and Assumptions for Implementing the Plan

A general operational plan that outlines critical implementation activities for each major area covered by the strategy can be developed during July. A more detailed and comprehensive Operational Plan that incorporates all of the core planning elements elaborated above can be finalized by mid-September 2008. The current PIP does not appear to be based on sound cost-benefit analysis principles. A sound and comprehensive Public Investment Plan can be finalized by the end of 2008.

The suggested timeframe of the envisaged revision of the program, the Operational Plan and the Multi-year PIP Plan is as follows:

Suggested Timeframe

	Tasks	July	August	September	October	November
1	Redrafting and finalizing Food Security Strategy					
2	Preparing Initial Operational Plan					
3	Preparing detailed Implementation Plan to support the FS strategy					
4	Prepare Multi-year PIP plan and submit it by the end of 2008					

Deficiencies and Weaknesses:

- The premise of the program, as stated in the introduction, that the "current non-stability situation in the world market requires complex approach to the issue of maximum reduction of the dependence of domestic food market on imports and creation of food reserves" needs to be revised since it is contrary to basic recommendations and conclusions of relevant International Organizations and

Forums concerning how to efficiently address food security strategy and issues. The core approach in the document appears inconsistent with previous Presidential Orders and Decrees calling for continuing core socio-economic reforms inconsistent with sustainable and efficient utilization of the limited natural resources in the country

- The adopted concept of food security relates more to self-sufficiency and reliance and stresses production targets which are contrary to the internationally agreed upon context and dimensions of food security where availability, stability, access and utilization aspects need to be considered
- While stressing the physical production rather than food availability dimensions of a food security strategy, the program calls for heavy state control with little focus on the comparative advantage profile of the agricultural economy
- The program does not deal with food security at the household level
- The suggested strategic stock of wheat for three months is the only risk management measure suggested in the program. Assessment is needed to determine the adequate size of the stocks needed since this is a costly and hard to manage system. There is a need to complement it with other market base low-cost risk management measures such as warehouse receipts, future and options. Weather-based insurance products need to be considered to reduce farmers' exposure to commodity price and weather-related risks
- The provision of subsidies as explicitly indicated in activities 3.20, 9.3, 9.11, 9.12 and 9.14 will create market distortions and need to be studied with a recommendation to other time bound safety net measures with exit-strategies targeted to the resource-poor farmers and vulnerable segments of the population. Cash transfer and a targeted voucher system to distribute fertilizers and needed inputs for the current season could be considered as substitutes
- The suggested Plan of Activities reflects the problems identified in the first strategy document and includes a broad set of possible actions with no prioritization. It represents a confusing mix of all possible actions. A revised Plan of Action needs to be developed, which would be integrally related to the revised Food Security Program
- The Plan of Action does not indicate the role of Government and the role of the private sector in the implementation of the activities/projects. The Government should focus on efficiently carrying out core regulatory and legislative functions and guiding appropriate investment in public social and economic goods such as roads, electricity, market infrastructure, agricultural research and extension and development in land markets. Specific project interventions in those areas need to be prioritized through the rigorous application of cost-benefit analysis. Other production and distribution tasks should be left to the private sector
- The Program contains elements that are likely to cause delays to the WTO accession process of Azerbaijan. These include (i) adopting support measures which would lead to significant increases in the currently high Aggregate Measurement of Support (AMS), (ii) incorporating EU food safety standards which would require risk assessment – a process that is very expensive, complicated, and difficult to defend, and (iii) protecting domestic producers from unfair competition through regulating the customs policy. It is recommended that the Program (i) not stipulate any trade-distorting support measures, (ii) focus only on harmonization with international

standards such as OIE, IPP, and Codex Alimentarius, and (iii) clarify the application of customs policy in protecting domestic producers

Gaps:

- The program goals are stated in isolation of the vision and mission for long- term sustainable development of the agricultural sector and the economy
- The 12 components identified within the program under Plan of Activities lack clarity and need to be linked to the expected outputs and the goals of the program
- No identification of beneficiaries and stakeholders is presented in the program
- There are no implementation arrangements and guidance provided for the program. A responsible unit (Inter-Ministerial Committee or a Commission) should be identified/established to ensure proper implementation and monitoring of the program
- There is no phased implementation plan that takes into consideration existing capacities at the regions level and availability of resources
- There is no monitoring and evaluation component in the formulation of the program. Such a component is of crucial importance
- The program lacks adequate analysis for risks and mitigation measures for its implementation

I. INTRODUCTION

The “State Program on the Reliable Provision of the Population of the Azerbaijan Republic with Food Products” has been prepared in accordance with Presidential Order No. 2786 dated May 1, 2008. The Ministry of Economic Development (MOED) has asked USAID to review the draft and provide comments for its improvement. The State Program is referred to below as the “Food Security Program (FSP)”. The USAID TIRSP Team has reviewed the Program.

The FSP document included review of the current situation in the agricultural sector, review of food consumption and utilization, overall goals, specific production expected outcomes as well as policy directives and Plan of Activities for achieving the goals. It also reviewed specific projects in the area of water economy for the period 2009-2015 in the economic regions.

The draft FSP seems to be based on the previous document “Strategy for the Development of the Agro-Industrial Complex in Azerbaijan Republic (2007-2015). It appears to follow the same state control orientation and focuses on sponsoring direct financial and production/processing interventions in determining investment and production patterns.

The comments made are divided to two major categories. The first deals with the deficiencies in the document and the second deals with gaps compared to international best practices. Based on the comments made, a framework conforming to results-based formulation and management of strategic frameworks program for the program and its action plan is suggested.

II. MAJOR DEFICIENCIES AND WEAKNESSES

The following details the deficiencies and weaknesses that we recommend are considered during the revision process of the FSP:

(i) The basic premises of the proposed program need to be revised:

In the Introduction, it is indicated that "As a result of this, the non-stability observed in the world's food market naturally impacts the prices of food products in Azerbaijan as well. The current situation requires complex approach to the issue of maximum reduction of the dependence of domestic food market on imports and creation of food reserves."

This conclusion drawn from the current situation in the world market is not correct and contrary to all recommendations made by concerned relevant international forums and most recently by the World Food Summit of May 2008. This troubling conclusion underlines the orientation of the proposed program. The major conclusions reached so far from the world's recent soaring prices stress the need to deal with the situation through support for resources problems. The conclusions are as follows:

- Agriculture is a critically important sector and needs to be addressed as a critical engine of equitable and sustainable growth in many developing countries. This was clearly confirmed by the 2008 World Bank Report on Agriculture
- Enhancing productivity and ensuring sustainable agricultural and rural development should continue, in the medium and long run, to be a priority based on comparative advantage and rational utilization of limited natural resources
- In the short run, relevant safety net measures should be adopted (without or with minimum market distortion impacts) to protect the poor, food insecure and vulnerable segment(s) of the population
- The current pattern of high international prices of food may continue indefinitely. This should not cause setbacks and adoption of inward looking policies that repeat the failed policies of the past. Further, it should not lead to inefficient allocation of the scarce resources in low yield/low quality crops and wasteful non-targeted subsidies that would likely be captured predominantly by large-scale producers
- There are several support measures available for decision makers in developing countries to choose from to support targeted small farmers and the poor that will lead to increased availability, stability and access to food
- The current situation in international markets should be viewed as an opportunity
- The situation needs to be utilized in a manner that supports sustainable agricultural development in Azerbaijan and provides an opportunity for boosting agricultural investment and transforming subsistence farming into commercial agriculture. It also provides an opportunity to gain political support for promotion of agricultural development and enhance public and private investment while developing and improving access to markets

Thus, the overall vision of the program could still be achieved through efficient and commercial agriculture sector development under specific guiding principles that

conform with relevant presidential directives (2004-2008) and comply with Azerbaijan's commitments established during the World Food Summit, the Millennium Development Goals and the State Poverty Reduction and Economic Development Program (SPRED) for 2003-2005.

Seizing the opportunity of the current situation in international markets when suggesting and implementing a solid food security program that has the highest political support and has desired long run benefits for the poor and for the agriculture sector is a timely and achievable objective. This opportunity may not arise again in the near future.

Thus, the proposed program should articulate a framework and supporting food security interventions that can sustain and support reform measures and market oriented directives while effectively addressing the different food security problems of resource poor households and vulnerable groups.

(ii) Lack of Consideration for Food Security Dimensions

Food security has different meanings and can be analyzed across several dimensions. The concept has evolved from production-oriented dimensions to a concept based on the maintenance of strategic stocks/reserves and basic consumption levels. Most recently it has become based centrally upon sustainable access and capacity to acquire food. The concept of food security was defined by the World Food Summit in 1996 as "*All people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life*". By definition, food security encompasses longer-term concerns as it stretches across various periods and applies to all segments of a population. Food security could be addressed on the national, local and household levels. However, achieving food security at the national level does not guarantee the same at the household level. Given these aspects of food security, the Food Security Program needs to address the following issues:

- Food availability: food of sufficient quantity and quality must be available in the right place and at the right time. Availability is determined by the domestic production capacity and import capacity based on comparative advantage. Food availability should not mean self- sufficiency in a manner that promotes irrational and unsustainable usage of sector resources. In essence, producing a low-quality low-yield crop at any cost is not a rational option
- Food access: reflects the access of households and individuals to the resources required for producing and/or acquiring needed food. Access is determined by income, access to productive resources, as well as formal and informal social safety nets
- Stability: reflects variability in the availability and access to food over time. The stability dimension initially focused on aspects such as weather variability and price fluctuations. More recently, however aspects relating to environmental risks and political stability have also been considered, particularly in protracted crisis situations. Building commodity/grain reserves is an option that needs to be well

assessed in terms of cost and management. It needs to be combined with other market-oriented risk management measures as will be discussed below

- Food utilization: incorporates aspects such as adequate diet, clean water, sanitation, and health care, which highlights the importance of non-food aspects of food security. It is particularly relevant for integrated food and nutrition security frameworks

(iii) Production Oriented Measures without Linkage to the Longer Term Policy Priorities and Pillars

It is of great importance NOT to loose sight of these strategic pillars while formulating and implementing the Food Security Program in Azerbaijan. The basic guiding principles in preparing the Food Security Program should be stated clearly and include at least the following policy pillars and directives[1]:

- Sound and Sustainable Incentive Structure: includes a sound approach to fiscal and trade incentives, a sound enabling rural investment environment, targeted subsidies justified in all cases by the application of rigorous cost/benefit analysis principles, without distorting input and output markets (in order to promote sustainable sector development objectives and to meet WTO accession requirements and principles)
- Enhanced and Sustainable Food Security: consists of sound approaches to grain reserves and their management and associated emergency interventions, and most importantly, establishing a medium and long-term strategy for promoting sustained increased agricultural productivity, and more efficient access to international commodity markets
- Reformed and Stakeholder-driven Agricultural Technology System and Services: These should be demand-driven by key stakeholders, and seek to complete and implement needed reforms in agricultural technology systems and services, working with and through farmer organizations
- A more Efficient and Competitive Market Structure, System and Supporting Services: for domestic and international markets, enhanced services, in support of promoting improved vertical coordination of agro food production systems/chains and enterprises. There should be a close link with the incentive structure theme
- Ensured WTO Accession Requirements and Implementation Plan: Ensure smooth WTO accession, including reduction of distorting subsidies in the agro-food (production and processing) sector, maintaining a liberalized trade regime, including steps to reduce high transaction costs, completion of the WTO compatible legislation, and preparation and implementation of a sound and transparent implementation plan
- Enhanced Access to Sustainable Rural Finance: promote market-based approaches to enhance rural access to formal and semi-formal sources of finance on a sustainable basis; enhanced harmony of directed credit lines offered by Government programs with the sustainable provision of commercial finance, in support of the sustainable development of agro-processing chains; with reduction/elimination of interest rate

[1] Based on comments made earlier by R. Anson, on the "Strategy for the Development of the Agro-Industrial Sector of the Republic of Azerbaijan, December 2007.

subsidies and subsequent phasing out of public sector credit provision programs and of direct and indirect subsidies for "private" goods

- Increased and More Efficient Public Investments for the Agriculture Sector: focus on "public goods", strategic rural infrastructure (especially irrigation, roads, energy), enhanced prioritization criteria and more transparent and rigorously formulated public investment policy and program processes (in line with the proposed forthcoming PIP regulations currently under review), and an enhanced monitoring and evaluation system
- Transformed and Strengthened Sectoral Institutional Arrangements, Roles and Capacities: includes the appropriate delineation of public and private sector roles and arrangements, including the effective strengthening of institutional capacities of the relevant sector institutions (e.g., Strategy, Investment Planning, & Performance Monitoring Dept. of MOA), enhancing public-private sector partnerships, and introducing and ensuring effective and appropriate intersectoral coordination arrangements (e.g., Agro-Industrial and Food Security high level commission and functioning working group). These institutional arrangements would need to play an active role in addressing relevant "transitional" issues in the effective implementation of the strategy

(iv) Dependence on Subsidies

The following subsidy measures described in the Plan of Activities should be analyzed with caution: no. 3.5 on the sale of wheat seeds, 3.7 on the issuance of subsidies to grain producers, 3.8 on land insurance for grain production, 3.20 on seed subsidies, 3.22 on the state insurance seed fund, 9.3 on increasing volume of compromised/subsidized credits; 9.11 on subsidies to cattle breeding; 9.12 on the 400 kg of free mineral fertilizers per hectare for agricultural production, and 9.14 on increasing the subsidies to fuel and motor oils per cultivated hectare. The objective of enabling small-scale and poor farmers to plant for the next season under the prevailing international prices and current national distorted policies should be separated from the strategic orientation for food security in the country and the ultimate need to adopt policies conforming with WTO requirements and leading to sustainable and efficient resource utilization and maintenance.

Again, the implementation of this type of subsidy will likely delay WTO accession for Azerbaijan. It will also have longer-term negative impacts due to the resulting inefficient utilization of limited and already deteriorating land and water resources for producing low quality crops that enjoy no comparative advantage; and will thus impose high opportunity costs to the rest of the economy of Azerbaijan. The society in general will be better off and farmers will have higher income if such resources are utilized efficiently. This will also lead to the maintenance and improvement of these resources for the subsequent generations. Expanding subsidies and hence enforcing production of grains will prevent the country from enjoying its comparative advantage and finding/exploiting appropriate competitiveness niches. Several market oriented options and measures (with fewer or no distortionary impacts) are readily available to deal with the soaring international and unstable prices and food security issues in both the short and longer runs. Examples such as market information services, commodity exchange, innovative

methods for crop and livestock insurance are used in several developing countries at present.

Cash transfers represent a valid policy option. Non-targeted subsidy schemes are expensive and as a result can crowd out other government priority expenditures, such as primary health care and education programs that can also directly benefit the poor. Historical experience shows that a large part of the subsidies often end up being redirected towards relatively well-off households, while well-targeted cash transfers could help those who most urgently need them.

In the very short run, in order to support the poor and small farmers in planting for this season, an implementation of *'market-smart and agronomically-intelligent'* subsidies for agricultural inputs targeted at small scale farmers should be studied.[2] In such a context, well-designed subsidies aimed at poor and small-scale farmers, who would not otherwise use agricultural inputs, could be introduced for a limited period to boost yields. However, to control fiscal costs, these targeted subsidies should be time bound, have a built-in "exit strategy" and need to be part of an overall package of actions, which includes investment in extension, research and rural infrastructure.[3]

International experience clearly and consistently shows that disappointing results have been achieved by programs based upon non-targeted and non-time-bounded subsidy schemes in which wasted resources heighten pressures on the Government budget and achieved limited results in relation to stated objectives. In many countries, these systems effectively added to food insecurity and worsened poverty in the longer run.

(v) Market Based Risk Management

Establishing strategic stocks of wheat for three months is proposed in the Food Security Program to deal with market instability. An assessment should be made to ensure that the proposed stockpiling program satisfies the criteria for exempting Government expenditure on such state food security stock under the WTO rules. Other market based low-cost risk management measures such as warehouse receipts, futures and options and weather-based insurance products need to be considered to reduce farmers' exposure to commodity price and weather-related risks.

(vi) Measures that May Delay WTO Accession[4]

The Program contains elements that will likely cause concerns and potential delays to the WTO accession process for Azerbaijan.

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[2] Group of Eight, Meeting of Finance Ministers, Osaka, June 13-14, 2008, Addressing the Food Crisis: The Need for Rapid and Coordinated Action, June 2008, World Bank

[3] See World Bank (2008) 'World Development Report: Agriculture for Development'

[4] Prepared by F. Youwakim Farhat, Economic Integration Forum Inc., June 26, 2008

The Program promotes significant domestic support in the agriculture sector. It is recommended that Azerbaijan avoid any subsidies that will further increase its currently high Aggregate Measurement of Support (AMS) under the WTO Agreement on Agriculture. Careful structuring of some programs will be required to direct them from the Amber box to Green Box. In other words, investments should be directed toward:

- Infrastructural projects (e.g. irrigation, energy efficiency)
- Agricultural research (e.g. seeds, animals, technology)
- Agricultural extension and advisory services (e.g. technical schools in rural areas focusing on how to produce specific crops that are best suited to the soil/climate/water/market conditions)
- Incentives to producers to invest in their land (e.g. efficient and transparent cadastre system)
- Development of the land market, which is critical for farm size expansion and subsequent economies of scale

Amber box subsidies, outlined in the Plan, which lead to increases in the AMS and which are likely to lead to suboptimal investment decisions from a sustainable sector development and food security strategy perspective, should be avoided. These include:

- Extending period of tax concessions for producers of agricultural products until 2015
- Price support subsidies to wheat and subsidies to grain producers
- Sale of seeds to farmers at 10% discount
- Support to the development of a number of agricultural products in Table 3 (e.g. tea-growing)
- Subsidized credits to producers of agricultural and food products (Table 9; 9.3) and other subsidies in Table 9 (e.g. subsidies to cattle breeders; free mineral fertilizers per hectare for production of agricultural products)

The Plan calls for satisfying domestic needs (e.g. vegetables potato) through domestic production. The Plan should clearly indicate that no trade barriers or distortive measures be used to achieve such objectives and that all measures be consistent with Azerbaijan's commitments to the WTO.
Furthermore, the Program calls for protecting domestic producers from unfair competition through regulating customs policies while taking into account relevant WTO requirements. It is important to note that increasing customs duties above bound rates can only take place in the case of application of safeguard measures after a thorough investigation and determination of serious injury in accordance with the rules specified under the WTO Agreement on Safeguards.

Last, the Plan (Table 6; item 6.4) calls for adjusting the legislation in the field of veterinary and sanitary science to safety the requirements of the European Union for food products and incorporating EU standards on food products into national standards (10.3). Note that EU food safety requirements may not be adopted without conducting risk assessment if higher protection levels are not established than those consistent with international recommendations. Conducting a risk assessment is very expensive,

complicated, and difficult to defend. As such, we suggest that the program should strictly focus on harmonization with OIE, IPPC, and Codex Alimentarius.

III. GAPS IN THE ELEMENTS OF PROGRAM FORMULATION

The following comments are related to the design of the FSP and are aimed at providing recommendations that ensure compliance with international best practices for sustainable agricultural development and food security strategy formulation in a manner consistent with the framework of the Paris Declaration of Aid Effectiveness. This will also promote effective monitoring and evaluation and accountability for effective program implementation. It will also facilitate an effective dialogue with potential donors and international partners.

(i) Absence of Focused Strategic Framework (Vision, Mission and Objectives)

The FSP does not link to the Government agricultural policy framework as stated in other strategic documents. The FSP needs to be consistent and in line with the Government vision and mission as articulated in previous Presidential Decrees and Order stipulating the country's reform orientation and determination. The overall goals stated in the FSP need to be consistent with broader government reform strategy. It is also worth noting that the stated main goals (expected outputs) for 2015 are only related to production and do not establish concrete performance indicators.

(ii) Lack of Program Implementation Arrangements

There does not appear to be any concrete implementation arrangements specified in the FSP document. The Food Security Program is designed to be implemented over the next 7 years (actual implementation may start in early 2009 and continue through 2015). Four major factors will influence the phasing of implementation, namely:

- Availability of funds
- Capacity of Ministries, Programs, and Rayons to disburse and use funds effectively
- Accorded to different outputs and/or interventions
- Need for sequencing of activities/interventions

The FSP should clearly spell out an effective oversight mechanism to manage, supervise and monitor the program. The establishment of an "Inter-ministerial Coordination Committee" or "Food Security Commission" was suggested in earlier strategic sector policy documents for Azerbaijan. Such should be reflected in the FSP. The program management unit will be responsible for monitoring the implementation of the FSP at the national level to ensure that its goals are being achieved. Similarly, a Technical Inter-ministerial Committee should be established to monitor the implementation of FSP at the local and rayon levels. Establishing a Secretariat and Technical Advisory Teams related to the Committee/Commission should be considered and indicated in the FSP. An implementation schedule would be necessary to facilitate monitoring the implementation of the Program.

(iii) Lack of Prioritization within the Operation Plan

The program should lay out appropriate prioritization criteria for resources of the various components of the FSP and distributing investments across economic regions. A number of key points should be considered at this stage:

- Given the scope and the resources required to implement the FSP at the regional level, a phased approach is necessary. This is required to facilitate effective implementation (the need for capacity building particularly at the local level) and to scope out resource needs
- The envisaged Food Security Committee/Commission should be the main advisory body in charge of allocation/prioritization of resources
- Line ministries should establish technical committees to plan and prioritize the projects/activities under their mandate

Possible criteria for resource allocation, sequencing and prioritization may include:

- Food security level for beneficiary growth and areas of intervention
- Existing implementation capacity at the local level
- Consistency with overall macro and sectoral policy framework
- Relevance to MDGs
- Links and synergy with other initiatives
- Geographical equity considerations
- Sectoral balance
- Relevance of each activity with respect to cross cutting issues such as gender, environment and social protection
- The initiative/activity/project should complement ongoing programs and projects and avoid duplication

(iv) Monitoring and Evaluation of Implementation and Impact of the Operation Plan

There is a need to clearly and explicitly define the mechanisms for monitoring implementation and evaluating overall impact. Indicators, which are adequate and measurable in a cost-effective manner, should be selected and regularly tracked.

There are a number of fundamental criteria for monitoring a food security program. These include: (1) Adherence to implementation schedules; (2) Observation and fulfillment of relevant national standards; (3) Consistency with national development goals; (4) Cohesiveness and consistency among the priority areas in the FSP and specific actions within each area, and (5) Performance of various actors at the regional and rayon level in achieving the objectives.

(v) Lack of Risk Analysis and Mitigation Measures

Potential risks for the implementation of the FSP should be identified and alternatives for mitigating them should be elaborated at early stages. A risk management plan should be

incorporated in the overall design and implementation plan. Potential risks may include lack of adequate capacity in the regions and rayons; poorly organized farmers and agro-industry stakeholders; and changes in the policy, legal and institutional framework.

(vi) Suggested Framework

Attachment 1 and Attachment 2 lay out suggested outlines for the Food Security Program and the Operational Plan respectively.

IV. CONCLUSIONS

The review of the program concluded that there is a need to systematically revise the document and introduce major changes before its submission for approval. The program in its current form is deficient and does not meet norms of international best practices in relation to sustainable agricultural development and food security program perspectives. A sound and comprehensive program can be developed in July 2008.

The Plan of Activities/Operation Plan needs complete revision and should be based on the revised program. The Plan needs to include core components/pillars of the Program. Each Component of the Operation Plan needs to include the following:

- Strategic Problem to be addressed
- Link with other Initiatives
- Beneficiaries and Geographical coverage
- Sub-program Objectives
- Benefits/Outcomes
- Expected Outputs
- Identified Sub-components or Projects
- Activities under each Sub-component or Project
- Participating Stakeholders (Institutions) and Implementation Modalities
- Indicative Budget (core program cost)
- Budget (Government and Private/others)
- Prioritization and Sequencing of different Initiatives
- Implementation Modalities of the Operation Plan
- Monitoring and Evaluation for Implementation and Impacts
- Risk Managements/Mitigation and Assumptions for implementing the Plan

The revision of the Food Security Program could be finalized by end of July 2008. A broad Operational Plan that defines major tasks related to program implementation could be developed during July; while a more detailed and time framed implementation timetable and program should be developed by September 2008. The Multi-year PIP plan will require the application of sound cost-benefit analysis principles to major project proposals. It is suggested that this work be undertaken in the fall 2008 period and that a realistic timeframe for a sound overall PIP is the end of 2008. The following chart reflects the proposed time schedule for the activities.

Suggested Timeframe

	Tasks	July	August	September	October	November
1	Redrafting and finalizing Food Security Strategy					
2	Preparing Initial Operational Plan					
3	Preparing detailed Implementation Plan to support the FS strategy					
4	Prepare Multi-year PIP plan and submit it by the end of 2008					

ATTACHMENT 1

Proposed Outline for the Formulation of the Food Security Program

1. Introduction
2. Background
   2.1. Macroeconomic Setting
   2.2. Role of the Agriculture Sector in the National Economy
   2.3. The Sectoral Policy and Institutional Framework
3. Conceptual Framework for Food Security in the Context of Azerbaijan
4. Food Security Analysis and Trends
5. Strategic Framework for Food Security Program
   5.1. Vision
   5.2. Mission
   5.3. Objectives
   5.4. Guiding Principles
6. Program Components/Sub-programs
7. Prioritization and Sequencing of different Initiatives (Technical Assistance)
8. Implementation Modalities of the Program
9. Monitoring and Evaluation for Implementation and Impact (Technical Assistance)
10. Risk Managements/Mitigation and Assumptions (Technical Assistance)
11. Next Steps

Statistical Tables

References

ATTACHMENT 2

Outline of the Broad Operational Plan

- Introduction
- Program Components/Sub-programs
- Critical objectives/Goals Associated with Major Components/Sub-programs
- Outline of Critical Tasks Associated with Attainment of Core Objectives/Goals of each Program Component/Sub-program

ATTACHMENT 3

Outline of the Detailed Implementation Plan

- Introduction
- Program Components/Sub-programs
- For each Component/Sub-program
  - Strategic Problem to be addressed
  - Link with other Initiatives
  - Beneficiaries and Geographical coverage
  - Sub-program Objectives
  - Benefits/Outcomes
  - Expected Outputs
- Activities under Sub-components or Projects
  - Participating Stakeholders (Institutions) and Implementation Modalities for activities/Projects
  - Indicative Budget for Activities/Projects
- Budget
- Prioritization and Sequencing of different Initiatives in the Program
- Implementation Modalities of the Program
- Monitoring and Evaluation for Implementation and Impacts
- Risk Managements/Mitigation and Assumptions
- Next Steps

ANNEX D

Summary Information Note: Recent International Experiences with Food Security Programs

(I) THE CONCEPT AND FRAMEWORK

As declared in the World Food Summit of 1996 and the UN MDG in 2000, food security is achieved when "All people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life."

Based on international experience and the extensive national and international efforts in formulating and implementing food security program in several developing countries, the following key points are of relevance to the case in Azerbaijan and can be used as guiding principles:

- By definition, food security encompasses longer-term concerns as it stretches across various periods and caters to all segments of the population. Accordingly, it needs to address sustainable resources utilization, economic incentives, and major policy and investment issues supporting sustainable agriculture and rural development in the agriculture and other related sectors
- There is always a need to identify the poor, food insecure and vulnerable groups in order to properly design and implement analysis based on targeted support schemes.
- Food security could be addressed on the national, local and household levels. Achieving food security at the national level does not guarantee the same at the household level
- A food security program needs to cover aspects related to availability, stability, access and utilization of food. This ensures dealing with food security issues within a developmental framework and stresses on the options available using market based measures
- The most cost-effective method for increasing price stability probably is to remove destabilizing government distortions. Government efforts to nationalize grain markets and to regulate prices across both space and time have the effect of eliminating the private marketing and storage sector. Government efforts should be aimed at enhancing private markets through improving transportation, enforcing standards and measures in grain and other agricultural products' transactions, and implementing small-scale storage technology
- In many countries, the food security program is an integral part of the overall strategic framework for sustainable agricultural and rural development
- A food security program should not be based on expectations for non-market approaches and subsidies. The important short-term safety net measures, to satisfy the needs of the targeted poor and food insecure segments of the population, should not

overcome the longer-term strategic orientation for sustainable agricultural development benefiting from the prevailing comparative advantages and competitiveness in the sector

- Safety net measures within food security program typically include: food aid; budget support; nutritional supplements; school feeding programs; input distribution through vouchers; food or cash for work, cash transfer, and targeted maternal-child health care programs
- Most of the food security programs in developing countries typically include four components (with different emphases and under different titles) dealing with (i) rationalizing water resource utilization, (ii) intensification of production; (iii) diversification of production and income sources; and (iv) participatory socio-economic impact and constraints analysis including policy and institutional reform at different levels

II. SELECTED EXAMPLES IN FOOD SECURITY PROGRAMMING AND IMPLEMENTATION:

According to FAO sources, about 106 countries had been engaged as of 2007 in the programming and implementation of food security related strategies, programs and plans. Successful cases were supporting the need for the food security program to be directed toward efficient utilization of available natural resources based on comparative advantage while catering for the poor and insecure segment of the population. It is also clear that the effectiveness of the formulation and implementation of food security programs are better guaranteed when the programs are designed as part of an overall strategy for sustainable agricultural development. Four cases (Nigeria, Mexico, and Kenya) representing differences in scope and results are presented below:

(i) Nigeria

Background:

- An initial special program for food security was designed and implemented covering 3 sites in Kano State (prior to 2001)
- Based on the successful experience, a 5 year nationwide National Special Program for Food Security was launched in 2001 with the objective of reaching some 30 000 poor farming families
- The Government of Nigeria decided to implement the national program with its own institutional and financial resources (US$45 million). Additional resources to cover other related components were funded from the African Development Bank, the Islamic Development Bank and the Arab Bank of Economic Development in Africa
- A Program Coordination Unit in the Federal Ministry of Agriculture and Rural Development was established and charged with the task of launching field activities in all 36 Nigerian states, involving a total of 109 sites and 30 000 families

Goals:

- Improve household food security and income though increases in productivity, diversification and sustainable use of natural resources
- Enhance food security to consumers through improved access to, and availability of, food and also increase income of producers through more efficient marketing
- Enhance farmers' and consumers' access to support services such as extension, credit, nutrition and health education
- Foster participation of the poorer segments of the rural population in the development of the local economy

Measures:

- Water Use and Control including introduction of water saving techniques and establishment of water user associations

- Crop intensification and Farm Mechanization was an important component of the program where technical assistance was provided to support research and extension. Pilot mechanization parks were introduced in two sites
- Animal Production and Health was also an important component and several legislative acts and organizational decisions were made to reform the sub-sector with special efforts on privatization of veterinary services and animal health and improving laboratories and organization of animal quarantines
- Policy measures and regulations to enhance private sector involvement in agro-processing and investment in on-farm storage facilities were introduced, based upon the results of pilot program implementation

Results:

- The program played a central role in achieving the Government's agricultural policy goals of boosting agricultural production for certain priority crops and commodities such as cassava, millet, rice, sorghum, vegetables and yams
- The program substantially improved food security and productivity, especially in marginal areas

(ii) Mexico

Background:

- This is an example of the food security program being part of the overall reform measures and strategic framework. Mexico has adopted a food security program within the Agricultural Adjustment and Food Policy Reform during the mid-nineties
- Agriculture provides more than a fourth of employment but contributes less than 10 percent of GDP. Production is dualistic. Commercial farmers use modern technology, achieve high yields, compete in international markets, and earn high incomes. Small-scale farmers produce mainly rain fed crops whose yields are well below those with irrigation. They do not generally compete in international markets, and earn subsistence incomes often supplemented by seasonal work on commercial farms
- Before the implementation of structural reform, government agricultural policy sought to encourage production by protecting the major food crops and cotton through high guaranteed prices. Since the same guaranteed prices applied throughout the country, producers near production centers received lower subsidies than those located at greater distances. Simultaneously, non-targeted food subsidies were provided to urban consumers

Goals:

The major goal was to increase agricultural growth while alleviating the poverty of the most vulnerable groups through better targeting of food programs.

Measures:

- Introduce food vouchers (tortibonos) to safeguard the food consumption of the urban poor, with purchase values that were designed to increase with inflation
- Replace guarantee prices with a price band based on world market prices, for some key commodities
- Abolish quantitative restrictions on many agricultural imports
- Reduce the role of agricultural parastatals, including selling and closing some enterprises and limiting the government's coverage of parastatal operating losses
- Liberalize domestic agricultural trade
- Eliminate subsidies on farm inputs
- Increase the efficiency and volume of public investment in agriculture
- Decentralize and reduce staff of the agricultural ministry
- Establish a more targeted food subsidy program with adequate funding

Results:

This is considered by the World Bank to be a major success story. It reduced the share of agricultural and agro-industrial output protected by quantitative restrictions from 18 percent in 1986 to 13 percent in 1988. Arbitrary and costly trade restrictions were reduced. This program reached a significant fraction of the nutritionally at-risk population at an acceptable cost. The value of urban food assistance was reduced by more than half.

(iii) Kenya:

Background:

- Kenya is a fertile, soil-rich country and one of the world's leading exporters of tea, coffee and vegetables. Despite its high-production capacity, many of Kenya's 32 million people live on US$1 per day and suffer poverty and malnourishment. About one-third of the population is chronically undernourished. Limited or no access to independent food production resources and the effects of the HIV/Aids pandemic and other chronic diseases such as TB and malaria put additional pressure on people's ability to lead healthy and productive lives
- In 2004, the Government of Kenya prepared a national food security program to help poor households improve their access to food
- The Program named "Ban Hunger in Kenya” was formally endorsed by the Kenyan Government in late 2004 and still ongoing

Goals:

- Contribute to the reduction of poverty, hunger and food insecurity among poor communities
- Increase food security initiatives by supporting resource poor communities
- Support health and nutrition interventions that target the poor and vulnerable

- Strengthen and support private sector participation in food security and livelihood innovations

Activities:

- Support to Community Driven Food Security Improvement Initiatives: these activities focus on empowering community groups through capacity building and provision of small grants for scaling up agricultural activities that focus on hunger, poverty reduction and income generation
- Support to Community Nutrition and School Meals Program: as hunger reduces a child's ability to learn and grow, school meals programs began in 2005 (using local food purchases that provide financial and market support for increasing productivity among farmers). Given that 30% of the nutritional value of food is lost when a child suffers from illness, de-worming programs were also begun in schools. For adults, food-for-work programs during low labor-demand period have also been developed
- Support to Private Sector Food Security Innovations: these activities focus on supporting registered community based organizations and private sector organizations to scale up hunger and poverty reduction innovations which have potential for replication. The program has supported the issuance of needed legislation to improve the environment for private sector investment in agriculture and to engage directly and effectively in marketing and trade of agricultural products

Results (preliminary):

- Major pieces of legislation related to food quality have been prepared and 3 Ministerial Decrees related to food inspection, establishment of animal quarantines offices, and the reorganization of the veterinary services under the Ministry of Agriculture have been prepared and issued
- Introduction and application of water saving techniques have been piloted in 4 sites and efforts are underway to support their application at the national level.
- Intensified involvement of youth in agricultural production has been encouraged through school garden projects
- Increased production of high value crops through improving marketing of vegetables and fruits that have led to improvements in farm income, access to food and improved allocation of scarce water resources

ANNEX E

Summary Information Note: Market Based Agricultural Finance and Risk Management

Establishing strategic stocks of wheat for two months is proposed in the Food Security Program for Azerbaijan to deal with market instability. An assessment should be made of all aspects related to this option. Building grain reserves to cover consumption needs for 1-2 months is still considered a viable measure for risk management. However, experiences in developing countries show that it is costly and difficult to manage. In addition, the volume, location and rules for building and replenishing these stocks need to be carefully assessed and planed in advance.

Recent international experience has been oriented towards adopting less costly and reliable market-based risk management measures. Several measures have been developed, and widely applied for a number of years (e.g. agricultural insurance and commodity exchange), while other innovative measures are primarily used in developed countries and being piloted in developing countries (e.g. weather based indexes, structured financial instruments, securitization). In many cases, it is recommended that a combination of these measures be used to achieve the desired results. The following provides a brief introduction to selected market based measures for future considerations. Under each measure, a brief description of the underlying principles is provided with an indication of available information on country experiences.

(I) Market Information Services (MIS)

The establishment of an efficient Market Information Service (although not a risk management measure by itself) facilitates the adoption of other measures such as commodity trading instruments and agricultural insurance.

A market information system is a service that involves the (1) collection, on a regular basis, of information on prices and, in some cases, quantities of widely traded agricultural products from rural assembly markets and/or wholesale markets and (2) dissemination of this information on a timely and regular basis through various media to farmers, traders, government officials, policy-makers and others, including consumers.

Efficient market information services can provide many benefits. The information provided by such services can be useful in at least three different ways: (1) immediate commercial decisions: improving the bargaining position of farmers with traders and processors; reducing risks; equalizing prices in different markets; and identifying distant markets; (2) longer-term decisions by farmers and traders: facilitating efficient allocation of productive resources; helping farmers to adjust their marketing practices; facilitating contractual arrangements; facilitating storage decisions; developing trade; and facilitating extra and intra-regional trade; and (3) statistical and planning purposes: assisting in government planning; and identifying food security problems.

Establishing an efficient MIS is an important initial step towards improving marketing and trade information structure; and hence for establishing commodity exchanges[5].

Country Experiences:

Several countries have established reliable and efficient MIS. Within Central and Eastern Europe, a large number of countries, including Albania, Bulgaria, Croatia, Estonia, Moldova, Poland, and Romania, have implemented MIS systems that disseminate weekly market information. Typically, the published weekly bulletins in these countries include information on fruits and vegetables; livestock, meat and dairy products; poultry and eggs; and cereals. The information has been disseminated also through radio, TV, newspapers and internet in most of these countries.

(II) Commodity Exchanges

A commodity exchange is an exchange where various commodities and derivatives products are traded. Most commodity markets across the world trade in agricultural products and other raw materials (such as wheat, barley, sugar, maize, cotton, cocoa, coffee, milk products, pork bellies, oil, metals) and contracts based on them. These contracts can include spots, forwards, futures and options on futures. Other sophisticated products may include interest rates, environmental instruments, swaps, or ocean freight contracts. Commodity exchanges usually trade futures contracts on commodities such as trading contracts to receive something, for example maize, in a certain month. A farmer growing maize can sell a future contract on his or her maize, which will not be harvested for several months, and guarantee the price that he or she will be paid upon delivery; a breakfast cereal producer buys the contract now and guarantees the price will not go up when it is delivered. This protects the farmer from price drops and the buyer from price increases. Speculators also buy and sell the futures contracts to make a profit and provide liquidity to the system.

Currently, contracts opened on international commodity markets are enforceable, and a hedge against downside price risk is available by purchasing wheat delivery options rather than simple future contracts. An option contract is a commodity futures price and delivery guarantee with insurance against downside price risk included for a small additional premium[6].

Given the current situation in the world market and the expected unlikely delivery of additional supplies from the traditional CIS suppliers (Kazakhstan, Russia, and Ukraine) in the near future, the Government of Azerbaijan currently has little choice but to import wheat from other countries to sustain consumption levels. Over the medium term,

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[5] Market information Systems and Agricultural Commodity Exchange: Strengthening Market Signals and Institutions, Technical Centre for Agricultural and Rural Cooperation (ACP-EU), Amsterdam, 2005.

[6] The Development of Commodity Exchanges, UNCTAD, June 2007, TD/B/COM.1/EM.33/2.

Azerbaijan should consider purchasing 3-6 months futures or options, as explained above.

Country Experiences:

Futures contracts are becoming widely used risk management tools in developing countries, in addition to reliance on the maintenance of a moderate-sized reserve. Developing countries now account for over one-third of the number of contracts traded. Around one half (9 out of 22) of the leading commodity exchanges are located in developing countries (India, China, Malaysia, Brazil, and South Africa).

In terms of institutional innovations, Commodity Exchanges have been created in several Eastern European and Central Asian countries including Romania, Bulgaria, Ukraine, Kazakhstan, Turkey and Uzbekistan. Efforts are underway to establish one in Kyrgyzstan.

Most of these focus on organizing trade for immediate physical delivery. Future contracts have been traded in Romania since 1992. The Kazakhstan Stock Exchange deals in a small number of future contracts in foreign currencies, while there are four operational commodity exchanges organized on a regional basis. The Uzbek Commodity Exchange trades cotton, metals, oil products and other raw materials via auctions. While Egypt maintains wheat reserves for 2-3 months, the private sector is engaged in futures and options trading to reduce undesirable impacts related to fluctuations in international prices. The experience of Turkey has been particularly instructive: about 20 of the exchanges are engaged in the active spot market and, to some extent, forward trades. Currently, some of these exchanges are studying the possibility of introducing more sophisticated forms of trading, based on warehouse receipts and future contracts. The Turkish Derivatives Exchange of Izmir was granted regulatory approval to introduce futures contracts in February 2005.

(III) Innovative Insurance Measures

Farmers are exposed year round to a variety of risks, both market-related (e.g., price variations) and non-market-related (e.g., unfavorable weather, pests, and diseases). These risks render agricultural production unstable from year to year, affecting the income and welfare of agricultural producers.

Agricultural insurance is a financial tool to minimize the adverse effects of these agricultural risks and has been devised to address agricultural production or yield risks that are mainly due to adverse climatological factors. Agricultural insurance permits reduction in risk costs by spreading risks in three ways: (1) among farmers; (2) to other sectors of economy; and (3) across time[7].

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[7] Financing Agricultural Marketing: The Asia Experience, Food and Agriculture Organization of the United Nations, Rome, 2004.

However, as agriculture is becoming more sophisticated, producers, marketing companies and bankers are demanding insurance to cover a greater number of risks. In order to comply with this demand and to help overcome the limitations of traditional agricultural insurance that originates from the unique characteristics of agricultural risk (applying over a wide geographical area during a given period of time, etc.), new insurance products, schemes and alternatives are continuously being developed[8.]

Innovative agricultural insurance products and schemes include:

- Revenue insurance
- Whole-farm insurance
- Livestock price insurance
- Index-based insurance
- Area-based yield insurance
- Weather-based index insurance

Additional innovative risk management tools – i.e. alternatives to core insurance instruments - include**:**

- Self-insurance through preferential savings
- Market-based commodity price risk management instruments
- Weather derivatives
- Insurance securitization
- Area-yield reinsurance and options

WTO regulations exempt "payments made by way of government financial participation in crop insurance schemes" from reduction commitment obligations. Eligibility for such payments follows specific requirements including that they should be applied only following a formal recognition by government authorities that a natural disaster or related occurrence (including disease outbreaks, pest infestations, nuclear accidents, and war on the territory of the Member concerned) has occurred or is occurring. It should be associated with a production loss which exceeds 30 per cent of the average of production levels during the preceding three-year period, or a three-year average based on the preceding five-year period, excluding the highest and the lowest annual production levels. Also, the WTO regulations state that payments made following a disaster shall be applied only with respect to losses of income, livestock (including payments in connection with the veterinary treatment of animals), land or other production factors due to the natural disaster in question. Meanwhile, payments should compensate for no more than the total cost of replacing the aforementioned losses and shall not require or specify the type or quantity of future production.

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[8]Innovative agricultural insurance products and schemes, Food and Agriculture Organization of the United Nations, Rome, 2007.

An Example of the Application of Innovative Financial Instruments - Weather Index Based Insurance:

Weather based index insurance represents an increasingly popular alternative to the traditional yield based insurance systems. This product is based on local weather indices, and the indemnification is triggered by pre-specified patterns of the weather index, not by yields. In contrast with traditional crop insurance, weather-based index insurance is less expensive to administer since contracts are uniform and no on-farm inspections or loss assessment is required. The successful introduction of such programs, however, requires better weather stations, higher quality weather data, and a sound regulatory and institutional environment. None of the weather based insurance products that were sold so far, in the countries adopting the system, are subsidized. The premium typically ranges between 8-10% of insured amount. Because the insurance is based on reliable and independently verifiable index, it can be reinsured by allowing insurance companies to transfer part of the risk efficiently to international markets. The World Wide Weather Derivative Market is a huge market with over $28 billion transacted as of December 2006.

Country Experiences:

Most of the above referenced innovative insurance measures are being piloted primarily in Eastern and Central Europe. Many developing countries would benefit from additional support in creating a conducive policy environment for further expansion of such activities. Also, agricultural/rural companies, financial intermediaries and/or farmers need training on the availability and use of such products. In this regard, weather based index insurance has recently been successfully introduced in India. Other programs are either ongoing or planned for implementation in Ukraine, Mongolia, Ethiopia, Malawi, Kenya, Tanzania, Thailand and Central America. Innovative approaches related to the use of seasonal precipitation forecasts for risk reduction (e.g. choosing seed varieties that can perform well for expected rainfall conditions), and the use of innovative financial instruments for risk sharing (e.g. index-based weather insurance bundled with micro-credit for agricultural inputs), have been effectively integrated in Malawi into an ongoing pilot insurance scheme for small-holder farmers. The program adjusts the amount of high yield agricultural inputs given to farmers in accordance with expectations related to favorable or unfavorable rainfall conditions for the upcoming farming season. Efforts are now being mounted with the support of the EU to generalize the application of this approach.

ANNEX F

PLAN OF ACTIVITIES

I. SUB-PROGRAM 1: IMPROVING FOOD AVAILABILITY
1.1. ACTIVITIES FOR IMPROVING INFRASTRUCTURE

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATIVE- REGULATORY-INSTITUTIONAL STRENGTHENING ACTIVITIES			
1.1.1	Establishing a reliable and efficient Market Information Services (MIS)	Development of information and communication systems that support timely dissemination of market information for agricultural and food products	The Ministry of Communication and Information Technologies, The Ministry of Agriculture	2008-2009
1.1.2	Design and implement an investment strategy for gas infrastructure based on an analysis of the current and future needs in the regions.	Improving gas supply	The Ministry of Agriculture, “Azerigas” CSC	2009
1.1.3	Design and implement an investment strategy for electrical infrastructure based on the current and future needs in the regions	Improving electricity supply	“Azerenergy” OSC, “Sumgayıtelektrikshebeke” OSC	2009-2010

1.1.4	Design and implement an investment strategy for improving water and sewerage supply in the regions	Improving water and sewerage supplies	“Azersu” SC	2008-2015

1.2. ACTIVITIES DESIGNED TO INCREASE THE EFFICIENCY OF LAND AND WATER USE

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATIVE – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
1.2.1	Establish Geographical Information System (GIS) including the development of electronic (digital) land- maps	Increasing the agricultural productivity and land resources	The State Land and Cartography Committee, The Ministry of Agriculture, local executive power and municipal authorities	2008-2010
1.2.2	Encourage the organization of voluntary cooperatives in the areas of agricultural inputs and marketing	Developing a rural agricultural organizations	he Ministry of Agriculture, local executive power and municipal authorities	2008-2015
1.2.3	Encourage the creation of Water Users Associations	Increasing the efficiency water utilization	The Melioration and Water Economy OSC, The Ministry of Justice, local executive power and municipal authorities	2010 - 2015
	POLICY FRAMEWORK REFORMS			
1.2.4	Designing a comprehensive land use policy	Enhance efficient use of land resources	District, city executive power authorities, The State Land Committee, The State	2009-2010

			Committee for the Management of the State Property	
1.2.5	Develop and implement an efficient cost recovery payment system based on usage of irrigation water	Increasing the efficiency of water utilization	The Cabinet of Ministers, The Ministry of Economic Development, The Ministry of Finance, local executive power and municipal authorities	2011-2015
	SPECIFIC ACTIVITIES			
1.2.6	Rehabilitation and improvement of the national irrigation system and marginal agricultural lands including a specific evaluation and plan for rehabilitation of salinated soils	Increasing the efficiency of the water utilization and improving productivity	Melioration and Water Economy OSC and other relevant public agencies	2008-2015

1.3. ACTIVITIES FOR ENHANCING CROP PRODUCTION

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
1.3.1.	Assessing the appropriate cropping patterns for key crops, as defined by the comparative advantage analysis, in regions and provide this information to farmers and agro-businesses	Increase the efficiency of crop production and utilization of resources	The Ministry of Agriculture, local executive power and municipal authorities	2009-2011
	POLICY FRAMEWROK REFORMS			
1.3.2	Design and implement a food security strategic framework based on sectoral food balance analysis	Develop a food security program which is based on a sound assessment of the supply/demand balance in key basic grain sectors	The Ministry of Agriculture, local executive power and municipal authorities	2009-2015
1.3.3.	Assess subsidy system on an annual basis to suggest the most appropriate support measures	Support small farmers and the poor based on non-distortive subsidies in compliance with WTO rules	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance, «Agro leasing» OSC	2008-2010
1.3.4	Implement yearly support system based on a detailed socio-economic and technical analysis of the economy	Support small farmers and the poor based on non-distortive subsidies in compliance with	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry	2008-2010

	and the population of Azerbaijan	WTO rules	of Finance, «Agro leasing» OSC	
1.3.5	Encourage the private sector to increase investment in establishment of greenhouses and other tools/infrastructure for growing vegetables based on food balance analysis	Increase production of vegetables	The Ministry of Agriculture, local executive power and municipal authorities	2008-2015
1.3.6	Encourage the private sector to increase the production and processing non-traditional crops and products where Azerbaijan has a comparative advantage.	Increasing the production and diversity of Azerbaijan's agriculture	The Ministry of Agriculture, The Ministry of Economic Development, local executive power and municipal authorities	2008-2015

1.4. ACTIVITIES FOR ENHANCING LIVESTOCK PRODUCTION

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
1.4.1	Legislation to enable private sector involvement in artificial insemination and application of veterinary medicines in cattle and other animal breeding programs	To increase meat and meat product production, quality and safety.	The Cabinet of Ministers, The Ministry of Agriculture	2009
	POLICY FRAMEWORK REFORMS			
1.4.2	Encourage the private sector in developing animal breeding programs for livestock (cattle, poultry, and ruminants) and fisheries.	To increase animal and animal based product production	The Ministry of Agriculture The Ministry of Economic Development, local executive power and municipal authorities	2008-2011
1.4.3	Encourage the private sector to increase the production of animal forage and animal feed materials such as lucerne, corn, feed beet, barley and soya	To increase animal and animal based product production	The Ministry of Agriculture, local executive power and municipal authorities	2008-2015
1.4.4	Encourage private sector investment in the development of aquaculture	To increase the production of fish and fish products	The Ministry of Ecology and Natural Resources	2009-2011
1.4.5	Encourage private sector investment in the development of apiculture	To increase the production of honey and production of fruits and vegetables dependent on pollination for production.	The Ministry of Ecology and Natural Resources, The Ministry of Agriculture, local executive power and municipal authorities	2008-2015

II. SUB-PROGRAM 2: INCREASING THE ACCESS TO SAFE QUALITY FOOD

2.1. ACTIVITIES FOR IMPROVING THE EFFECTIVENESS OF THE STATE VETERINARY SERVICE

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
2.1.1	Implementation of practical activities for the creation of farm animal identification, registration, and traceability system.	Strengthening the control over the quality and safety of animal and animal based products	The Ministry of Agriculture, The Ministry of Finance	2009-2010
2.1.2	Ensuring the adjustment of veterinary measures and veterinary certificates to the recommendations of the Terrestrial and Aquatic Health Codes of the World Organization of Animal Health (OIE), in order to strengthen the control over the safety of animal and products of animal origin, as well as feeds and feed additives.	Strengthening the control over the quality and safety of animal and aquatic animals and animal based products	The Cabinet of Ministers, The Ministry of Agriculture	2009
2.1.3	Adjusting veterinary legislation to meet the guidelines of the Terrestrial and Aquatic Health Codes to facilitate the modernization of veterinary services	Strengthening the control over the quality and safety of animal/aquatic and animal/aquatic based products	The Cabinet of Ministers, The Ministry of Agriculture	2009
	Adjust the veterinary medicine	Strengthening the control over	The Cabinet of Ministers,	2009

	legislation to support the development of a robust private veterinary service which includes the provisioning for private veterinarians to perform artificial insemination, conduct disease surveillance, and administer veterinary medicines and vaccines	the quality and safety of animal and animal based products	The Ministry of Agriculture	
	POLICY REFORM FRAMEWORK			
2.1.4	Development of compensation mechanism for animal owners and producers products of animal origin to support emergency disease control.	Strengthening the control over the quality and safety of animal and animal based products	The Ministry of Agriculture, The Ministry of Finance	2009
2.1.5	Encourage the private sector to invest in activities that support agro-businesses such as leasing, maintenance, equipment sales and product marketing.	Improve the access to key agro-business supporting activities	The Ministry of Agriculture, The Ministry of Finance, The Ministry of Economic Development, «Agroleasing» OSC The Ministry of Industry and Energy, The State Committee on Managing the State Property, The Ministry of Economic Development	2008-2010
	SPECIFIC ACTIVITIES			
2.1.6	Supporting the protection of population from dangerous infectious (Zoonotic) diseases, encourage the private sector to construct private animal slaughtering houses (abbitors) to provide the population with high	Strengthening the control over the quality and safety of animal and animal based products	The Ministry of Agriculture	2008-2015

	quality and safe meat and meat products			
2.1.7	Rehabilitation/Refurbishment of the Republic Veterinary Laboratory which includes rehabilitation of the facilities, equipping the laboratories, and training of personnel.	Modernization of veterinary services laboratory	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2009-2011
2.1.8	Providing the Azerbaijan (Goygol district) Biological Enterprise with the proper equipment, facilities, and training to produce vaccines and other veterinary materials.	Production of animal vaccines and other veterinary preparations meeting modern requirements	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2009-2011
2.1.9	Rehabilitation of appropriate number of laboratories in the regions.	Improving veterinary services to animal producers further strengthening the state veterinary control	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2009-2012
2.1.10	Strengthening border crossing stations and railroads veterinary control administrations by building facilities, provisioning the facilities with equipment, high speed computer networks, vehicles, and training personnel to support the prevention and control of transborder animal diseases specifically targeted at those diseases that are reportable to OIE	Improving the veterinary service	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2009-2010
2.1.111	Allocation of funds from the state budget to conduct activities (inspection, surveillance, and quarantine) for the protection of animals from dangerous diseases and	Improving the veterinary service to support increased animal production	The Ministry of Agriculture, The Ministry of Finance	2009-2010

	to improve the quality animal products produced			
2.1.12	Strengthening of field veterinary offices and stations by building or rehabilitating facilities, provisioning the facilities with equipment, high speed computer networks, vehicles, and training personnel to support the prevention and control of animal diseases.	Improving veterinary service to support increased animal production and further strengthening the state veterinary control	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2010-2011

2.3 ACTIVITIES FOR INCREASING THE EFFICIENCY OF STATE PHYTOSANITARY CONTROL

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
2.2.1	Improving phytosanitary legislation in accordance with the requirements of the International Plant Protection Commission (IPPC) regulations and recommendations. Developing international cooperation, and participation in international forums related to plant and plant products	To ensure that the Plant Protection Services meets international requirements as outlined by WTO under the IPPC Guidelines	The Ministry of Agriculture	2009

	such as Codex Alimentarius and European Plant Protection Organization (EPPO)			
2.2.2	Ensure through legislation and regulation the implementation of science based phytosanitary measures taking necessary measures regarding personnel development and professional development for these purposes	To ensure that the Plant Protection Services meets international requirements as outlined by WTO under the IPPC Guidelines	The Ministry of Agriculture	2009
2.2.3	Creation of a national information system (GIS coupled with a database) that reflects the phytosanitary situation in Azerbaijan.	To ensure that the Plant Protection Services meets international requirements as outlined by WTO under the IPPC Guidelines	The Ministry of Agriculture	2008-2015
2.2.4	Strengthening the legislation of public control over the quality and application of pesticides, herbicides and chemical based nutrients including registration, application and disposal.	To protect the public from the dangerous application, storage, and disposal of pesticides, herbicides, and chemicals	The Cabinet of Ministers, The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance, The State Customs Committee	2009
	POLICY FRAMEWORK REFORMS			
2.2.5	Encourage the development of private sector plant protection extension services and enterprises.	To ensure that the Plant Protection Services meets international requirements as outlined by WTO under the IPPC Guidelines	The Ministry of Agriculture	2008-2015
2.2.6	Implementation of Phytosanitary regulations and programs of national and regional importance on	To ensure that the Plant Protection Services meets international requirements as	The Ministry of Agriculture	2009-2010

	plant protection and quarantine	outlined by WTO under the IPPC Guidelines		
	SPECIFIC ACTIVITIES			
2.2.7	Create and implement a system of integrated disease control activities (inspection, surveillance, and disease monitoring)	To ensure that the Plant Protection Services meets international requirements as outlined by WTO under the IPPC Guidelines	The Ministry of Agriculture	2009-2010
2.2.8	Providing border plant quarantine control stations and inter-regional plant quarantine stations with administrative buildings	Conducting quarantine review, examinations to imported and exported materials that are under quarantine control	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2008-2010
2.2.9	Reinstitute the Jengi pesticides polygon and disposable program	To protect the public through the safe disposal of pesticides, herbicides, and agro-chemicals.	The Ministry of Agriculture, The Ministry of Emergency Situations, The Ministry of Economic Development, The Ministry of Finance	2008-2009
2.2.10	Improving the facilities, equipment, and human resources of National Control Toxicology and National Plan Quarantine Examination laboratories	Ensuring the protection from harmful disease and pests of plant and plant based products produced in Azerbaijan	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2010
2.2.11	Improvement of the facilities, equipment and human resources at the Plant Protection Centers	Ensuring the protection from harmful disease and pests of plant and plant based products produced in Azerbaijan	The Ministry of Agriculture, The Ministry of Finance	2008-2009

2.3 ACTIVITIES FOR IMPROVING FOOD SAFEY AND QUALITY

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
2.3.1	Development of legislation and regulations that eliminate the overlapping and redundant functional authorities of various agencies with regards to the quality and safety of foodstuffs and implementing necessary changes in the legislative base	Providing efficient control over the quality and safety of food products	The Cabinet of Ministers, The Ministry of Economic Development, The Ministry of Health, The Ministry of Agriculture, The Ministry of Foreign Affairs, The State Agency on Standardization, Metrology and Patent	2009
23.2	Become members of the Codex Alimentarius Commission and create a secretariat and National Codex Commission in accordance with the Codex Alimentarius Commission guidelines.	Improving the control over the quality and safety of food products	The Ministry of Health, The Ministry of Economic Development, , The Ministry of Foreign Affairs	2008
2.3.3	Development of Azerbaijan standards in accordance with the Codex Alimentarius on the application and certification of food safety systems (HACCP or HACCP-Based) and incorporating including them in the system of national standards	Improving the control over the quality and safety of food products	The State Agency on Standardization, Metrology and Patent	2008-2009

2.3.4	Conducting public education of enterprises and organization that apply HACCP and HACCP-based systems	Improving the control over the quality and safety of food products	The State Agency on Standardization, Metrology and Patent, The Ministry of Economic Development, The Ministry of Health, The Ministry of Agriculture	2008-2013
2.3.5	Taking relevant measures with the purpose of improving facilities, equipment and human resources, particularly regional and national laboratories in the Ministry of Health to meet international norms.	Improving the control over the quality and safety of food products	The Ministry of Health, The Ministry of Economic Development, The Ministry of Finance	2008-2011
2.3.6	Implementation of a program to establishment of an electronic network for the registration and certification of food stuffs at customs points	Improving the control over the quality and safety of food products	The State Customs Committee, The Ministry of Economic Development, The Ministry of Finance	2008-2010
2.3.7	Making additions and amendments to “Administrative Mistakes Code” and “Criminal Code” regarding increasing entrepreneurs’ responsibility against the cases of violation of the legislation on foodstuffs	Improving the control over the quality and safety of food products	The Ministry of Justice, The Ministry of Economic Development, The Ministry of Health, The Ministry of Agriculture, The State Agency on Standardization, Metrology and Patent	2008
2.3.8	Development of laws and regulations for the evaluation, testing, and approval of seeds, plant stock, and animals that contain genetically modified materials consistent with international guidelines and the requirements of	Improving the control over the quality and safety of food products	The Cabinet of Ministers, The Ministry of Health, Ministry of Agriculture, Ministry of Economic Development, The State Agency on Standardization, Metrology and Patent	2009-2010

	the WTO.			
	POLICY FRAMEWORK REFORMS			
2.3.9	Coordination of the activities of relevant agencies and companies in the area of applying HACCP or HACCP – Based food safety management systems in enterprises and organizations, as well as determining the authorized agency for the inspection and certification of HACCP and HACCP-based food safety systems.	Improving the control over the quality and safety of food products	The Cabinet of Ministers, The Ministry of Economic Development, The Ministry of Health, The State Agency on Standardization, Metrology and Patent	2008
2.3.10	Strengthening the control over the quality and safety of infant formula and infant food stuffs.	Providing children with healthy safe food	The Ministry of Economic Development, The Ministry of Health	2008-2015
	SPECIFIC ACTIVITIES			
2.3.11	Translation of the relevant Codex Alimentarius, ISO, and other relevant standards on food and agricultural products and include them into a system of national standards	Providing efficient control over the quality of food products	The State Agency on Standardization, Metrology and Patent, The Ministry of Economic Development, The Ministry of Health, The Ministry of Agriculture, The Ministry of Finance	2008-2010
2.3.12	Creation of information portal and database that brings together all of the agricultural and food product standards and provides the standards in an easy to use format for entrepreneurs	Improving the control over the quality of food products	The State Agency on Standardization, Metrology and Patent, The Ministry of Economic Development, The Ministry of Health, The Ministry of Agriculture, The	2008-2010

			Ministry of Finance	
2.3.13	Complete the modification of the certification system for foodstuffs to meet the guidelines of international bodies such as Codex Alimentarius Commission and ensure compliance with WTO.	Improving the control over the quality and safety of food products	The State Agency on Standardization, Metrology and Patent, The Ministry of Health, The Ministry of Economic Development, The Ministry of Justice	2008-2009
2.3.14	Establishment of "Central Food Testing Laboratory" according to international standards (ISO-17,025) on controlling the quality and safety of foodstuffs	Improving the control over the quality and safety of food products	The Ministry of Economic Development, The Ministry of Finance	2010-2011
2.3.15	Strengthening the monitoring and control of imports of seeds, plant stock, and animals that incorporate technologies based on genetic modification.	Improving the control over the quality and safety of food products	The State Customs Committee, The Ministry of Health, The Ministry of Agriculture, The Ministry of Ecology and Natural Resources	2010-2011
2.3.16	Strengthening sanitary-quarantine standards in accordance with the Codex Alimentarius Commission guidelines for the sanitary protection of the country's territory.	To protect the population from the imports of products that are potentially dangerous for human health in all border control points of the Azerbaijan Republic	The Ministry of Health, The Ministry of Economic Development, The Ministry of Finance	2008-2009

III. SUB-PROGRAM 3: RISK MANAGEMENT AND CREATING A STABLE FOOD SUPPLY

3.1. ACTIVITIES FOR EMERGENCY PREPAREDNESS AND THE CREATION OF FOOD RESERVES

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
3.1.1	Improving the legislative base regarding the establishment and management of state reserves for grains and other major food products	Ensuring food security	The Cabinet of Ministers, The Ministry of Emergency Situations, The Ministry of Economic Development, The Ministry of Agriculture	2008-2011
3.1.2	Determination of the managerial measures and rules for food reserves	Ensuring food security	The Ministry of Economic Development, The Ministry of Emergency Situations	2009-2010
3.1.3	Registration of existing elevators and grain storages	Creating wheat reserves	The Ministry of Emergency Situations, The Ministry of Economic Development, The Ministry of Finance	2009-2010
3.1.4	Establishment of regulations and facilities for fire protection of grains elevators	Strengthening protection of materials from fire.	The Ministry of Emergency Situations	2008-2015
	SPECIFIC ACTIVITIES			
3.1.5	Development and implementation of the plan for constructing new elevators and grain storages, taking into consideration the country's current and perspective needs	Creating wheat reserves	The Ministry of Emergency Situations, The Ministry of Economic Development, The Ministry of Finance	2009-2012
3.1.6	Assess and pilot market-based risk	Ensure stability in local market	The Ministry of Emergency	2009-2015

	management measures	through cost-effective measures that creates no market distortions and compatible with WTO requirements	Situations, The Ministry of Economic Development, The Ministry of Finance, Ministry of Agriculture	

IV. SUB-PROGRAM 4: INSTITUTIONAL SUPPORT

4.1 ACTIVITIES FOR IMPROVING RESEARCH, EXTENSION AND AGRICULTURAL EDUCATION SYSTEM

№	Activity name	Activity purpose	Executors	Execution period
1	2	3	4	5
	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
4.1.1	Formulate and implement a strategy to rehabilitate the research, extension and education system and set priorities measures and investment activities to support sustainable agricultural development	Ensuring harmony and consistency between research, extension services and education within a comprehensive strategic framework	The Ministry of Agriculture, The Ministry of Economic Development, The Ministry of Finance	2009-2011
4.1.2	Improve provision of research and extension services based on a sound analysis of the appropriate role of the Government and that of the private sector in that regard	Effective research and extension services	The Ministry of Agriculture, The Ministry of Finance	2009 - 2011

4.1.3	Develop a strategic plan to improve the capacity of Academic Institutions to provide internationally accredited agriculture and veterinary education	Strengthening the state veterinary control	The Ministry of Agriculture, The Ministry of Finance	2009 – 2011
4.1.4	Develop a strategic plan to improve the capacity of Academic Institutions to provide extension/ outreach to farmers and producers.	Increasing agricultural and food production	The Ministry of Agriculture, The Ministry of Finance	2009 - 2011
4.1.5	Improving higher education programs, development of modern professional specialties and ensuring the application of advanced forms of education; with the purpose preparing competitive personnel in the area of inspection and certification of HACCP and HACCP-Based food safety systems.	Improving the control over the quality of food products	The Ministry of Education, The Ministry of Economic Development	2009 - 2011
4.1.6	Establish an “Information System for Food Security and Vulnerability” and link it to the food security policy formulation process	Improve continuous monitoring of the food security situation in the country and suggest timely solutions	Ministry of Agriculture, Ministry of Economic Development, Ministry of Health, Ministry of Emergencies, Statistics Agency	2009-2015

4.2. ACTIVITIES FOR ENCOURAGING ENTREPRENEURSHIP ACTIVITIES IN THE AGRICULTURE SECTOR

№	Activity name	Activity purpose	Executors	Execution period
1	**2**	**3**	**4**	**5**

	LEGISLATION – REGULATORY – INSTITUTIONAL STRENGTHENING ACTIVITIES			
4.2.1	Develop plan to improve investment in agriculture	Achieve sustainable agricultural development and food security	The Ministry of Agriculture, The Ministry of Finance, The Ministry of Economic Development, The National Bank,	2009
4.2.2	Streamline import and export requirements	Developing entrepreneurship	The Ministry of Economic Development	2009
4.2.3	Develop and implement a program to eliminate the cases of false advertisement during the selling/promotion of food products	Developing entrepreneurship	The Ministry of Economic Development	2008-2015
4.2.4	Improve monitoring of food stuffs to reduce counterfeiting of food products' trademarks	Developing entrepreneurship	The Ministry of Economic Development	2008-2015
4.2.5	Undertake an analysis of the organic fertilizer industry to enhance future investment	Increasing the productivity of agricultural plants, improving their quality, meeting the need for improving the fertility of lands	The Ministry of Industry and Energy, The Ministry of Economic Development, The Ministry of Agriculture, The Ministry of Finance, «Azerkimya» State Company, Azerbaijan Investment Company	2008-2010
4.2.6	Supporting the establishment of modern wholesale markets in Baku,	Improving marketing of food products	The Ministry of Agriculture, The Ministry	2008-2009

	Sumgayit, Mingechevir, Ganja, Shirvan cities		of Economic Development, The Ministry of Finance	
4.2.7	Undertake food balance analysis for milk and meat in a manner which clarifies future investment needs	Improving milk and meat industries and availability of safe food	The Ministry of Agriculture, The Ministry of Economic Development and The Ministry of Finance	2008-2009

ANNEX G

Draft for Discussion

Remarks:
(1) Highlighted Sections are to be removed and replaced by the suggested text in the following Box.

(2) Section (1) of the original program (Current Situation of the Azerbaijan Republic in the Area of Provision with Food Products – pages 4 to 27) is removed and replaced by the SWOT analysis (3 pages).

(3) Section 7 on Sub-programs and Components provides a narrative for the Plan of Activities. It reorganized the activity groups as follows:

- Sub-program 1 includes old activity groups 2; 3; 4; and 8
- Sub-program 2 includes old activity groups 5; 6; 7; and 10
- Sub-program 3 includes old activity group 11 (and a new component on risk management)
- Sub-program 4 includes old activity groups 12 and 9

(4) The list of activities in the Annex (Table for the New Plan of Activities) follows the new sub-programs classification. Under each sub-program, the activities are divided into policy/legislation; and specific activities.

THE STATE PROGRAM

ON RELIABLE PROVISION OF THE POPULATION

WITH FOOD IN THE AZERBAIJAN REPUBLIC

(2008-2015)

SUSTAINABLE FOOD SECURITY PROGRAM FOR THE AZERBAIJAN REPUBLIC (2008-2015)

BAKU-2008

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Summary

Azerbaijan's agricultural sector faces several challenges and constraints that hinder its capacity to meet its ever increasing demand for food and agricultural products. This is exacerbated by developments in the international food market where price increases and supply shortages impact on the ability of countries to meet food demand, particularly for vulnerable groups. In recognition of these issues, the President has issued Order 2786 dated May 1, 2008 that mandates the Government of Azerbaijan (GOAJ) to develop a comprehensive food security program to cover the 2008 to 2015 period.

The ultimate goal of the program is to meet the internationally agreed-upon **concept of food security** so that "All [Azerbaijani] people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life". The program will incorporate objectives across various periods and for all segments of the population and will address availability, stability, accessibility and utilization at the national, local and household levels. In addition, the program will focus on market-based, sustainable agricultural and rural development measures to increase agricultural productivity in targeted areas where Azerbaijan enjoys a comparative advantage, create employment opportunities and increase incomes.

The program incorporates the following **specific objectives**:

Food production will be increased on a resource sustainable basis in areas where Azerbaijan enjoys a competitive advantage to promote food supply self-reliance;
Food supply stability will be promoted by building reasonable reserves for the major food staples and by adopting market-based risk mitigation measures;
Food safety measures will be strengthened to ensure safe, healthy food for all segments of the population;
Food supply accessibility will be enhanced so that food is available to those segments of the population who through poverty, vulnerability or other reasons currently do not have access to adequate food supplies. These measures will be designed to target these populations while avoiding market distortions.

The food security program is **guided by the following principles:**

All the policies and measures to support food accessibility to vulnerable groups will be consistent with a market-based reform process.
The program is designed to be comprehensive covering food security issues at the national, local and household levels
The program will be in compliance with WTO rules, support accession negotiation objectives, enhance agricultural sector competitiveness, reduce distortions by minimizing and/or eliminating subsidies in the agro-food

(production and processing) sector, and maintain a liberalized trade regime including taking steps to reduce high transaction costs.

The implementation of agricultural subsidies will be programmed in a manner which will de designed to avoid delays in the WTO accession process. The strategy reflects an understanding that subsidies based on mechanisms which qualify them as trade- and production-distorting subsidies will fall under the Amber Box established under the WTO Agreement on Agriculture, and will be sugject to restrictions in terms of their volume as a proportion of the sectoral contribution to GDP. In particular, current fertilizer and fuel subsidies and the recently introduced wheat subsidy clearly fall under the Amber Box and would be subject to limitations under WTO membership terms. The currently implemented tax exemptions also contribute to the Aggregate Measure of Support as a category defined as revenues foregone under the WTO Agreement on Agriculture. Moreover, the exemption of agricultural producers from VAT directly contravenes the national treatment principle and would need to be modified for WTO accession/implementation purposes..

All short, medium and long term measures will include natural resource sustainability measures and support the rational utilization of these scarce resources on a comparative advantage basis.

The program will support an **efficient public investment process** for the agriculture sector that focuses on “public goods”, strategic rural infrastructure, and research and extension programs consistent with the draft PIP regulations. It will also support a transparent process that is subject to an enhanced monitoring and evaluation system.

The program will clearly delineate public and private sector roles and arrangements emphasizing private sector development. It will strengthen the institutional capacity of the relevant sector institutions, **enhance public-private sector partnerships**, and introduce and ensure effective and appropriate intersectoral coordination arrangements

Policies will be adopted that support an **efficient and competitive market structure** that promotes domestic and international market development policies using sustainable and market consistent incentive structures.

The program will promote access to **sustainable rural finance** programs. The finance programs will be market-based. It will promote the development of commercial lines of credit to complement the Government’s direct lines of credit. It will reduce and eventually eliminate interest rate subsidies and phase out the public sector credit provision programs and direct and indirect subsidies for private goods.

Based on the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and other criteria, the program has identified the following **priorities**:

Ensure food availability and access (economic and physical) based on sustainable agriculture development;

Ensure food safety and improved nutrition for the population with special reference to the most vulnerable segments of the population and in compliance with WTO rules;
Ensure food stability by reducing seasonal and annual food supply fluctuations and adopting risk mitigation measures to protect against crises and shocks.

The program will establish specific **targets** to be achieved by 2015. These targets will be used together with other indicators to assess the performance of the program. These targets are market-based. They are designed to promote appropriate Government interventions which improve the quality and cost-efficiency of sectoral infrastructure services and improve the enabling environment for agricultural producers; provide well-targeted and cost-effective subsidies designed to improve agricultural production capacity and promote short-term food availability for vulnerable groups; and to avoid/discourage market distortions which misdirect agricultural investment towards low-productivity investment activities. The targets should be developed only after in-depth analysis of the comparative advantage of the targeted products to ensure sustainable and optimal utilization of resources and maximized returns for the producers and the economy. The products that are selected should also reflect dietary priorities, small farmer developmental concerns and should not be directed to benefit a limited number of economic agents.

The program will include policy, institutional and legislative measures and specific activities to be implemented in accordance with the guiding principles elaborated in the strategy. The sub-programs and components will be inter-related to ensure consistency in implementation. The program will deploy results-based management using an objective program monitoring and evaluation plan. A detailed “Implementation Plan” will be developed for these sub-programs. The implementation plan will prioritize, schedule and allocate resources, budget and activities. When developing the implementation plan, policy analysis will assess the direct-indirect and short-long term impact of respective initiatives, the beneficiaries and losers, advantages and limitations, and the implementation mechanisms. The analysis will include feasibility studies the results of which will aid in prioritizing implementation over the 2008-2015 period. The major sub-programs are: (1) Food Availability and Support to Production Capacities and Base; (2) Food Access, Quality and Safety; (3) Stability and Risk Management; and (4) Institutional Support.

Sub-Program 1 (**Food Availability and Support to Production . Capacities and Base)** aims at enhancing food availability by improving the rural infrastructure, enhancing the efficiency of land and water utilization, increasing productivity and intensification of major crops based on comparative advantage principles, and diversifying production by enhancing the productivity of alternative crops, livestock and fish. This sub-program includes measures to enhance productivity and income generating activities for small farmers. It includes rehabilitation of irrigation systems and reconstruction of drainage networks. The

components under this sub-program cover the following: (1) Improving Infrastructure; (2) Increasing Efficiency of land and water resources; (3) Enhancing Crop Production; and (4) Enhancing Livestock Production.

Sub-Program 2 (**Food Access, Quality and Safety)** addresses physical and economic barriers to food access. It promotes the development and implementation of quality control systems and mechanisms across all segments of the food chain. The measures under this sub-program that will be incorporated into the Implementation Plan promote a stakeholder-driven agricultural technology system and demand-driven services. It promotes reform to agricultural technology systems and services, working with and through farmer organizations. The resulting more efficient and competitive market structure, with WTO compatible sanitary and phytosanitary standards/systems and supporting services, will contribute to achieving sustainable food security by enhancing domestic and international trade and promoting the vertical coordination of the agro food production systems/chains and enterprises. It includes the following components: (1) Improving Agricultural and Market Services; (2) Improving Veterinary and Phytosanitary Services; and (3) Improving management of Safety and Quality of Food.

Sub-Program 3 (**Stability and Risk Management)** deals with market-related (e.g, price variations) and non-market-related (e.g, unfavorable weather, pests, and diseases) risks. These risks cause agricultural production instability which affects the income and welfare of agricultural producers. This sub-program supports reform of the institutional, legislative and infrastructural base so that emergency food reserves policies and other market-based risk management measures can be implemented to ensure cost-effective food stability at all times for the population. The sub-program comprises institutional and legislative measures, policy directives, and investment activities for establishing wheat reserves and piloting selected market-based financial risk management instruments designed to stabilize basic grain availability and reduce price fluctuations.

Sub-Program 4 (**Institutional Support)** focuses on efficient sector management led by dynamic research and extension services and supported by an aggressive and enabling private sector. The sub-program will enhance the efficiency of the existing agricultural institutions and services while creating the enabling environment for the private sector to lead the growth in the agriculture sector and food related activities. Agricultural research and extension services require special attention and their reform and development will have a direct impact on achieving the sustainable food security goals.

One of the most efficient tools in ensuring food security, reducing poverty and encouraging the economic growth in both mid- and long-term periods is to **stimulate private sector development** in rural areas, especially in agricultural production and processing activities.. This sub-program focuses on creating a

favorable environment for attracting local rural investment. The sub-program includes the following components: (1) Developing Research and Extension Services; and (2) Supporting Entrepreneurship Activities.

To oversee the implementation of the program, an “Inter-ministerial Coordination Committee for Food Security” should be established under the leadership of the Ministry of Economic Development to act as a “Program Management Unit”. This Committee will be responsible for monitoring the implementation of the program at the national level to ensure that its goals are being effectively achieved. A Technical Secretariat should be established that will monitor the implementation of the program at the local rayon level. The Committee will provide advisory services and functions. The Committee will also be mandated to design a schedule for phased implementation of the program based on:
availability of funds
the capacity of Ministries, Programs, and Rayons to disburse and use funds effectively in accordance with major planned outputs and/or interventions; and
the need for sequencing of critical activities/interventions

The activities specified in the detailed Plan of Activities will be monitored and evaluated both for intermediate and final outcomes. A **monitoring and evaluation** system will regularly track the selected indicators using the criteria of measurability, adequacy, and cost effectiveness of data collection. In addition, an evaluation indicators system that identifies the quantitative and qualitative measures of sustainable agricultural development and food security in Azerbaijan will be developed and used in the detailed Implementation Plan. A detailed **budget** will be prepared as part of the Implementation Plan.

In preparing this program, the possible **risks** have been identified and analyzed and mitigating measures have been identified. Risk monitoring will also be a key part of the Implementation Plan and the actual implementation.

Introduction[s1]

Reliable food provision is a precondition to preserving a country's sovereignty, independence, economic stability and social sustainability.
Since the 1940's, the issue of reliable food provision and adequate nutritional standards has been a global and evolving issue. The food and agriculture conference held in Hot Springs, USA in 1943 accepted the concept of "reliable provision of each member of the society with enough food products". In the following years, reliable food supply became a main component of economic security on international and national levels and a leading political issue.
Although food production significantly grew as a result of the "green revolution" in the 1980s, food demand, food shortage, and hunger continued to be issues tied to the purchasing power of the population. Thus, the idea of food security was broadened to cover welfare indicators for the population.

In the 90s, a person's right to a minimum acceptable nourishment level was accepted by the international community. Concrete programs were adopted to sharply reduce the cases of hunger or malnutrition, and to take preventive measures regarding food provision in poor countries.

So, reliable food provision means wholly covering the needs of each member of the society based on his/her minimum physiological requirements for food products and constant economic and social activities must be conducted on a national level for these purposes[s2]. At the same time, it is necessary to conduct a politics that is coordinated on the international level in this area.

According to the World Food Summit in 1996, food security is achieved when "*All people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life*". The current food security program adopts this definition and recognizes that food security encompasses longer-term concerns as it stretches across various periods and applies to all segments of a population. Food security will be addressed at the national,

Overcoming extreme poverty and hunger was identified as one of the main targets in the Millennium Development Goals adopted with the participation of 147 countries in 2000, in New York. Participating countries established the target of reducing extreme poverty and hunger to half its existing level by 2015.

But in the last few years, the prices of the main food products have started to increase in the world's markets. Food shortages threaten more countries. This has arisen

through a combination of factors. There have been sharp increases in fuel prices, volatile financial markets, and conversion of land use from food to biofuel. The fast economic development of China, India and several other countries, as well as the rise in the demand for food products as a result of population increases have further increased food supply demands. Climate change, limited water reserves, rapidly diminishing ocean resources and other reasons have contributed to less than optimal food production levels. Recently, protects over food cost and availability have occurred in countries such as Egypt, Cote Devour, Haiti, and the Philippines. Meanwhile, Russia, Kazakhstan, India, China, the Philippines, and Vietnam are applying serious limitations on exports of transitional agricultural products. These measures have aggravated the food provision problem.

According to the forecasts of the Food and Agriculture Organization (FAO) of the United Nations, in 2008, the value of food imports will grow by 26% compared to 2007 to become more than 1 trillion US dollars primarily due to the sharp increase in food prices.

According to the FAO, the annual growth of food production was 30 million tons between 1950-1985 and 12 million tons between 1985-1995. However, by 2030 the annual growth rate is projected to fall to 9 million tons. But the growth in the world population will be 90 million people a year and will reach approximately 8,5-9 billion persons in 2030 (6,6 billion person in 2007). This means that there will be a 526 million ton wheat shortage, a 40 million ton meat shortage, and a 68 million ton sea-food shortage.

Economists have already started to use the term “aginflation” to describe the above combination of factors. This means that the tendencies that are currently observed in the world’s food market could prove to be of long duration.

Reliable food provision is a priority economic policy of the the government of the Azerbaijan Republic. In the mid-1990’s, on the initiative of the national leader Heydar Aliyev, agrarian reforms, unprecedented in the CIS region, were carried out. Mechanisms for assisting agricultural producers were formed and the implementation of important projects with international organizations in this area were started. “The Program for food security of the Azerbaijan Republic” was approved by an order of the president in 2001. As a result, an increase in agricultural and food products was achieved in the country.

In addition to this, the implementation of the “State Program on poverty reduction and economic development (2003-2005)”, “The State Program on the development of small and medium entrepreneurship in the Azerbaijan Republic (2002-2005)”, “The State Program on the social-economic development in the regions’ (2004-2008)” and other adopted documents, as well as rendering financial and technical assistance to farmers, development of entrepreneurship, and implementation of infrastructure projects in the regions have ensured significant increase[s3] in the local product’s special weight in the consumption of the population.

have resulted in enhancing production levels for several agricultural and food products and have paved the way for longer term sustainable development in the agricultural and rural sectors.

But[s4], wholly covering the country's demand for food products on the account of domestic production has not been possible yet.

However, the agriculture sector is still facing several policy challenges and constraints that hinder its capacity to meet the ever increasing demand for food and agricultural products by the Azeri population.

Azerbaijan's reliance on food imports subjects it to the instability of the world's food markets and impacts the pricing of food products in Azerbaijan. The current situation requires complex approach to the issue maximum reduction of the dependence of domestic food market from imports and creation of food reserves[s5].

The "State Program on the reliable provision of the population of the Azerbaijan Republic with food products[s6]",

Effective policies and measures must be adopted to support small farmers, to ensure that the food supply is secure and that it is accessible to poor segments of the population. This effort must also formulate and adopt policies to increase food production and ensure sustainable agricultural and rural development based on the comparative advantages of the

developed in accordance with Order 2786, dated May 1, 2008, of the President of the Azerbaijan Republic, is directed at implementing activities that will support the above objectives over the 2008-2015 period.

I. Current[s7] **situation in the Azerbaijan Republic in the area of provision with food roducts**

1.1. Macroeconomic stability and people's income.

In order to ensure the population's reliable food provision, the general macroeconomic conditions must be favorable to it and citizens' incomes must meet the requirements based on physiological norms.

The analysis of economic indicators of the last 5 years shows that, our country not only could preserve macroeconomic stability during these years, but also became one of the leading countries for economic growth. Between 2003-2007, the GDP has grown by 2, 6 times. This growth has been possible thanks to dynamic development of both oil-gas sector and non-oil sector. The real growth of non-oil sector in the last 5 years has made up 159%.

During these years, per capita GDP has increased by 4,7 times and reached USD 3692,9.

Naturally, economic growth has created large opportunities for improving the populations' social welfare. During 2003-2007, average monthly wages nominally increased by 3,4 times and 2,2 times in real indication. People's monetary incomes increased by 3,3 times.

The increase of incoming transfers obtained from oil exports has significantly enlarged our country's financial opportunities. Now Azerbaijan participates in the financing of large transnational projects both within the country and in other countries.

Thanks to the increase in financial resources, it was possible to increase the income of the state budget by 5 to 6 times. The income of the state budget has been more than 7 billion dollars in 2007.

Per capital monthly income of the population continuously increases in the country as a result of increasing minimum wages, pensions and allowances, wages in organizations that are funded from the budget, as well as application of addressed social aid mechanisms. In 2007, per capita average monthly income of the population that remain in their disposal has made up 92,2 manats (besides taxes, social security and voluntary membership fees, deposits and resources directed to increase the capital; including them 140,9 manats), as well as 97,6 manats in urban areas, 86,5 manats among rural population; in Baku the population's income has been more than all economic regions and made up 111,2 manats.

Compared to 2006, the incomes obtained from employment and self-employment both in urban and rural areas, as well as the size of pensions and allowances has increased significantly in 2007. The mentioned activities made gave an opportunity to decrease the poverty level by 15,8%.

Thus, the obtained achievements conditioned further strengthening of the state's economic bases and created new opportunities in increasing business activity, development of non-oil sector, accelerating regions' social-economic development, reducing poverty, conducting more effective activities in ensuring food security and solution of other such problems. Complex activities in this area will be carried on within the "State Program on poverty reduction and continuous development in the Azerbaijan Republic between 2008-2015".

1.2. Current situation in agrarian sector.

During 2003-2007, the real growth in agrarian sector has made up 28,6%. As a result of reforms conducted in this area:

- A legislative base in complying with the principles of market economy was established in first place to develop agrarian-industrial complex, improve food provision;
- Agrarian reforms were conducted;
- 1191 collective, 156 agricultural production cooperatives, 2651 family rural economies and other private entities were created, 842,1 thousand families started to act as natural persons on the basis of the privatized land and properties of state farms, collective farms and inter-economy enterprises, the activities of which have been stopped as a result of reforms;
- Starting 1999, the producers of agricultural products were exempted from all taxes, except the land tax;
- In the districts that were abolished as a result of agrarian reforms, as well as in the occupied districts, the debts of the economic subjects were forgiven and other concessions were made;
- The process of granting subsidies to farmers for wheat sowings, paying part of the money spent for purchasing fuel and motor oils was started, "Agroleasing" open stock company was established for improving technical provision and machinery is provided to producers for reduced prices through leasing;
- The share of private sector in agricultural production has increased to make up 99,7%.
- Important projects have been implemented in the countries agrarian sector with the assistance of influential donors and organizations, such as the World Bank, the International Development Association, the International Fund for the Development Agriculture, United State Agency for International Development, German Technical Cooperation Society, UN International Development Program and UN Agricultural and Food Organization.

The share of agrarian sector in the Azerbaijani economy has changed as following between 200-2007.

Table 1. Agriculture's special weight in Azerbaijani economy.

Indicator	**Years**		
	2000	*2005*	*2007*
Agriculture's share (in %):			
- In GDP	16,1	9,2	5,8*
- In main funds	14,4	8,8	7,5*
- In investments directed to main capital	0,7	0,7	3,3*
- In average annual employment	41,0	39,2	38,8*
- In state budget expenditures	4,5	4,5	4,1*
The proportion of average monthly wage in agriculture to average monthly wage in industry.	16,1	19,7	24,3*

* Based on primary information.

Source: State Statistics Committee's information.

1.2.1. The existing situation in the utilization of land and water.

Utilization of land. The total land fund of the Azerbaijan Republic makes up 8641,5 thousand hectares and 4528,3 hectares of it or 52,4% is fit for agriculture. 1432,8 thousand hectares or 16,6% of the total territory is irrigated land. 1641,0 thousand hectares of the area that is fit for agriculture in the land balance is sowing area. From this area 188,4 thousand hectares are under occupation. 155,5 thousand hectares of the plot of land that is fit for agriculture are long-term plantings, 109,6 thousand hectares are hayfields, 2576,5 thousand hectares are pastures, 45,7 thousand hectares are areas that are left for resting. Courtyards make up 255,6 thousand hectares (225,6 thousand hectares of which is fit for agriculture) and forests make up 1213,0 thousand hectares in the country.

Analysis reveals that, per capital sowing areas decrease year after year. When the sowing area per capital was 0,36 hectares in 1959, in 1970 this figure was 0,23 hectares, in 1979 0,21 hectares, in 2003 0,195 hectares. In Nakhchivan Autonomous Republic, Lenkaran, Astara, Absheron districts, this area is 0,04-0,12 hectares. This is related to allocation of lands for non-agricultural economic objects and private buildings, the growth of population, on the one than, and land's erosion, insufficient melioration activities, violation of farming technology, etc. on the other hand.

Also, as a result of the rising level of the Caspian Sea, the level of underground waters has risen, more than 47% of the 1432,8 thousand hectares of irrigated arable land that gave 85-90% of agricultural products have become salty in difference degrees. It is necessary to conduct land-reclamation activities in 657,0 thousand hectares of the irrigated plots of land.

Up to 40% (3,4 million hectares) of the land in mountainous areas has been subject to erosion of various degrees and erosion is observed in more than 20% of the territory. 15% of the lands have been subject to weak, 11% to average, 14% to severe degree of erosion. However production of minerals, industrial development and extension has caused the spoilage and deterioration of more than 50 thousand hectares. These are mainly lands that became dirty with oil and oil products, deteriorated as a result of mineral production, spoiled with industrial, construction-economic and domestic garbage, as well as lands of stone-sand quarries and other destroyed areas. Lands, the upper layer of which is spoiled with oil and oil products cover 11 thousand hectares and deeply spoiled lands cover more than 8 thousand hectares. As a result of exploitation of stone-sand quarries, more than 2500 hectares of lands has been destroyed. At the same time, the lands that are fit for sowing and other agricultural purposes are allowed to be utilized for other purposes.

Utilization of water. The country's water resources are limited. Only 10 bln. m^3 or 30% of the surface water resources are developed in its own territory, the rest 70% is formed in the territory of neighbor countries. The main waste of water flow of domestic rivers happen in summer season. Flood water can not be fully utilized as most of their flow is not cleaned and these waters flow to the sea. Thus, 3,2 bln m^3 of quality irrigation water is lost annually. 21,5 bln. m^3 of water reserves can be collected in existing artificial water storages. Most of this water is used for hydro-power engineering and irrigation purposes. Underground water resources make up 10,6 bln. m^3 per day and currently about one third of them is used.

11-12 bln. m^3 of water is used annually in the country and 67% of this is used for agricultural needs, 20-25% for industrial needs and the rest is used to cover the needs of economy and for drinking water. 1432,8 thousand hectares of land is irrigated of the 3200 thousand hectares of land that can be irrigated.

135 water storages, 16 hydro-junctions have been built on rivers to prevent non-proportionality of flows in rivers and to efficiently use water resources in the country's economy, 7212 sub-artesian wells have been dug to meet domestic needs. 132 km. of stone-concrete and concrete, 1644 km earthen dams were built to protect sowing lands and settlements from flood and stream waters of rivers.

The construction of 31 km-long part of the Mail Mil-Mugan collector, reconstruction of the 50 km-long part of the Samir-Absheron channel and 185,7 km long inter-farm channels together with installations, the construction of 67,2 km-long

Khanarkh channel was completed, 49325 km long riverside-fortification works have been conducted in flooding and streaming rivers located in Balaken, Zagatala, Gakh, Sheki, Oghuz, Gebele, Gouychay, Ismayilli, Aghsu, Gusar and Astara districts, as well as Araz river in Sherur district of the Autonomous Republic of Nakhchivan.

Currently, the construction of Takhtakorpu water storage, the total water capacity of which is 268 million cubic/meters, and Takhtakorpu-Jeyranbatan channel is underway.

Repair-reconstruction works of irrigation-drainage networks in Goranboy, Guba, Sabirabad, Nakhchivan Autonomous Republic's Babek and Sharur districts and Bahramtepe hydro-junction on Araz river have been started.

However, certain problems remain in this field. 757 thousand hectares of irrigated lands fit for agricultural purposes have become salted, 388 thousand hectares poorly salted, 165 thousand hectares mildly salted, 104 thousand hectares have become severely and very severely salted. According to the slope depth of underground waters and the degree of lands' saltiness, the land-reclamation situation of irrigated areas fit for agriculture is good in 396,1 thousand hectares, satisfactory in 663,7 thousand hectares, unsatisfactory in 385,1 thousand hectares.

Thus, there is a need to repair domestic networks that were in the balance of collective and state farms and bring them to fully operational condition, to build new water storages, repair of long exploited physically worn-out irrigation systems, improving land-reclamation condition of lands.

1.2.2. Current situation in the field of plant-growing.

As a result of agrarian reforms, the production of agricultural products has dynamically developed in recent years. A growth is observed in the production of food products in accordance with the market's demand and the amount of per capita food products has increased.

The conducted reforms have caused changes in the structure of the production of plant-growing products as in many areas. This has influence the country's planting structure in the first place and gave opportunities for its formation in accordance with the requirements of domestic and foreign markets.

As a result of completed activities, annual dynamic development has been ensured in the production of plant-growing products starting 1999. Wheat production was increased from 1093,3 thousand tons in 1999 to 2004,4 thousand tons in 2007, cotton from 96,8 thousand tons to 100,1 thousand tons, potato from 394,1 thousand tons to 1037,3 thousand tons, vegetables from 670,8 thousand tons to 1227,3 thousand tons, water-melon from 206,3 thousand tons to 417,6 thousand tons, fruits from 436,5 thousand tons to 677,4 thousand tons.

The balance of food provision in the country started to change towards positive direction. The annual requirement of the population for potato (334 thousand tons),

vegetables and water-melon products (640 thousand tons) and fruits (396 thousand tons) is over fulfilled with domestic production and export potential increases.

The country needs 3,4 million tons of grains, as well as 1,5 million tons of wheat. 1150 thousand tons of the wheat produced in 2007 has been fit for utilization as food. And this makes up 75,2 % of the need. However, current production indicators of such plant-growing products are considerably lower than potential resources.

Average productivity for main food product of wheat makes up 26,6% in Azerbaijan. This is the biggest indicator in CIS region after Belarus (28,5 s/ha). However, the level of productivity in such advanced countries (67 s/ha in USA, 45 s/ha in European Union, 31 s/ha for the world) shows that, there is an opportunity to significantly increase food production in our country through applying modern technologies without enlarging sowing areas.

Product growth opportunities based on intensive farming in the area of producing potato, vegetables, sugar beet and other agricultural products is extensive.

Seed-growing. Seed-growing has a special importance in increasing the productivity of agricultural plants, raising their quality and improving food provision. Experience shows that high quality seeds of regionalized new sorts cause at least 25-30% increase in productivity.

Currently, more than 300 legal and natural farming subject as well as 20 State Agricultural Production Enterprise deal with seed and sapling production. Only 7-10% of the volume of wheat seed annually required for the country is produced in the mentioned farms. However, there is a need to build the seed-growing works in public and private farms engaged in the seed and sapling production from the standpoint of modern requirement.

Although there is certain development in the seed-growing of grain-crops and grain leguminous plants, the problems in seed-growing of feeds, vegetables, potato and water-melon plants, as well as in the field of sapling-growing has not found its solution yet. Another one of the problems is related to the difficulties in the sales of produced seeds. This can be explained with the entrance of the seed introduced from foreign countries, as well as non-organized importation of the seeds of non-regionalized plants, especially vegetable plants.

The processing and sale of plant-growing products. The organization of the processing and sale of produced goods is an important issue. As a result of reforms, opportunities were established for agricultural producers to sell their products freely to processing enterprises and in markets. In recent year, major creative works were implemented in wine-making, tea-growing, fruit and vegetables, canning industries, new small and large enterprises were restored and launched in these industries. However, main characteristics, infrastructure of the market fitting new economic relations for the purchasing-sale of products.

Wholesale markets of agricultural products were not created in Baku and other cities of the country. Former "Kolkhoz markets" function only as a place for product exchange and they lack material-technical bases on preservation, refrigeration, quality control, etc.

As there is no procurement-sale markets, the procurement, preservation and selling of fruits and vegetables in the field is not organized in the necessary level. According to calculations, 30-40% of the produced fruits and vegetables are lost each year because of the weakness of the market, processing, selling infrastructure.

Sorting, packaging, storing, advertising, reputation issues must be solved in order increase exports of agricultural products and sell competitive products in foreign markets and activities must be conducted that stimulate exports. The lack of enterprises for processing some agricultural products in the country and others' lagging behind modern requirements negatively influence the delay in growth level of agricultural production, loss of some part of products, full provision of producers with variety of local products, as well.

Besides the enterprises that have been launched or modernized in recent years, most of the enterprises are physically and morally worn-out and their production technology is not able to produce competitive products. They are material and labor intensive and require a lot of unnecessary expenditures.

1.2.3. Current situation in the area of production, processing of cattle breeding products and pedigree stock-breeding.

Reforms in cattle-breeding started from 1994. It is necessary to conduct reforms in this field. Because, since 1990, production of 25-30 thousand cattle, 200-300 thousand sheep, 30-40 thousand tons of meat, 40-50 thousand tons of milk have decreased annually. Thus, reforms were started in cattle-breeding in the first place and covered all districts. 80% of livestock were given to shareholders as property.

As a result of reforms, the number of livestock and the production of cattle-breeding products started to increase with a stable acceleration starting 1996.

Of 2511,8 thousand long-horn animals that existed in January 1, 2008, 1216,8 thousand were cows and buffalos. 48,4% percent of the long-horn animal herd in the country is made up of cows and buffalos. There are 8,1 million head of sheep and goats in the country. The number of animals per each 100 family farms also increased.

Among cattle-breeding products, 99,3% of milk, 88,4% of meat, 66,3% of egg, 96,7% of wool is produced in private sector.

Currently 26 poultry enterprises function in the country. The poultry produced in these enterprises make up about 70% of the per capita production in the country, the rest is imported.

Thus, there still is shortage from the standpoint of meeting demands in the field of meat production in the country.

Feed-industry. One of the main reasons of this situation is that feed-industry does not meet modern requirements. There are 3,4 million heads of conventional cows in the country. For each conventional cow, instead of 31,2 quintals, 9,3 quintal of feed or 29,8 % of the requirement is produced. The main reason for low milk production is also shortage of feed.

Precious feeds such as "senaj" and "silage" have left animals' feed ration. In 2007, only 6426 tons of green corn and 2400 tons of root-fruits were produced. Cows and buffalos are kept mainly on the account of pastures around villages. Grass coats of these areas have considerably become thin, dry grass productivity of winter pastures has decreased to 3-4 quintals.

Pedigree cattle-breeding. The fact that 1110 kg of milk was produced from each cow and buffalo in 2008 shows that, the pedigree cattle-breeding work among long-horn animals is not conducted up to required level, measures against barrenness is weakly performed, feeding lags behind zootechnical requirements.

Pedigree cattle-breeding has a significant place in the development of cattle-breeding. Currently, more than 80 very large private pedigree farms have been launched in the country, Additionally, the establishment of 120 private pedigree farms is intended. In the meantime, 11 regional, 60 city and district artificial fermentation, 900 rural and town artificial fermentation stations were established. In 2007-2008, 255 new fermentation technicians were prepared, they were provided with artificial fermentation equipments, liquid nitrogen.

In 2007, 17360 cows, buffalos and heifers were artificially fermented and 12931 calves were received as a result of this work.

Conducted calculations show that, 472500 head or 39,2% of cows and buffalos will be artificially fermented in 2010. However, works related improving species composition of long-horn livestock must be extended.

Processing of meat and meat products. Extending the network for processing cattle-breeding products is one of the main tasks. There are 45 meat, 127 small milk processing enterprises in the country. 180 thousand tons of milk, 15 thousand tons of meat is produced in these processing enterprises annually. As a result of limitation of milk processing industry, at least 150 thousand tons of milk loses its quality each year.

Thus, relevant works must be conducted in the country to enlarge the network of meat and milk processing enterprises that meet modern requirements and that has exports potential.

1.2.4. Current condition of the material-technical base of the agrarian sector.

Technical provision. Provision of agricultural producers with modern equipment is one of the main conditions for increasing food production.

Unfitness of equipment creates obstacles for conducting agro-technical measures in optimal period, impedes timely and without loss harvesting, creates serious obstacles for production processes.

Calculations show that, works conducted with old equipment are of bad quality and allows considerable losses. Thus, the necessity for creating service enterprises arises.

"Agroleasing" Open Stock Company was established with the Order 468, dated October 23, 2004, of the President of the Azerbaijan Republic "On additional measures in the field of extending leasing in agrarian sector", in order to accelerate the implementation of service works intended in the agrarian sector, facilitating entrepreneurs' work, providing them with necessary equipments timely and with compromised terms. 10 selling service bases were established of "Agroleasing" OSC in the regions, with the Order 314S, dated October 21, 2005, of the Cabinet of Ministers of the Azerbaijan Republic. Currently, technical service centers were established in 55 districts. Most of the equipments sold to farmers through leasing are imported.

But it is possible to organize the production of part of the equipments used in agriculture. For these purposes, there are enterprises that have production capacities, experienced personnel resources and experience. In previous years, the production of 19 agricultural machines and mechanisms, such as plough, cultivator, grass-mowing machines, grass rakes, water pump equipments, grain-loaders, potato pullers, tractor halters, manure digging transporters and 80 spare parts was mastered in several enterprises and considerable amount of them has been produced.

Currently, it is possible to put the production of those machines and mechanisms, equipments in order, fulfill the requirement and save considerable resources.

Provision with fertilizers and plant protection resources. Productivity and size of production in plant-growing is directly linked to food substances in the soil. When average of 740 thousand tons of mineral fertilizer (in physical weight) was used annual until 1990, in 2001 this figure was only 40 thousand tons or 5,5 percent of the requirement. Considerable resources are required each year for conducting internal quarantine activities (American white butterfly, golden bindweed, etc. harmful quarantine organisms).

The shortage fertilizers and plant protection resources significantly damage the plant-growing field. Generally, at least products worth of 30,0-40,0 million manats is lost annually in the field of plant-growing because of the weakness of material-technical base.

A series of activities must be implementing for meeting the field's needs for fertilizer and plant protection resources in order to increase the production of plant-growing products.

For these purposes, it is necessary to build a plant in the country that produces nitrogen fertilizers and to reconstruct existing Sumgayit superphophate plant, establish wholesale and retail networks of fertilizers and plant protection means in the regions, strengthen the material-technical base and activities of agrochemical, plant protection and quarantine, seed-growing services.

1.2.5. Current situation in the area of organizing the state veterinary service.

According to the Order 467, dated October 23, 2004, of the President of the Azerbaijan Republic, the Sate Veterinary Service established under the Ministry of Agriculture conducts a series of activities in the area of the country's veterinary-sanitary health, prevention of hazardous infectious diseases, production of cattle-breeding products that is fit and safe for human health, as well as protection of population from diseases that are dangerous for humans and animals.

Specialists that work in its 64 city, district veterinary offices and 783 field veterinary stations conduct preventive and mandatory vaccinations on the account of public funds against anthrax, foot-and-mouth disease, rabies, sheep smallpox, leptospirose, birds' Newcastle disease, swine plague, brucellosis of long and small horn animals, cattle tuberculosis and horses' mango diseases in average of 32,7 million heads of agricultural animals and bird each year. Specialists that work in 162 diagnostic and veterinary-sanitary examination laboratories conduct on average 5,2 million diagnostic examinations against 24 infectious diseases, veterinary-sanitary examinations in 2,1 million samples of food products of animal origin.

But veterinary activities are not implemented fully and efficiently, because not-enough resources are allocated for complex activities for fighting against dangerous diseases.

Shortage of veterinary personnel in the country is one of the elements that impact the organization of activities against epizootics, protection of exotic diseases and weakness of control over the quality of food products of animal origin.

While there are 3760 veterinarian and as much veterinary technician to render veterinary service to 3,2 million head of conventional cattle that exist in the country, only 1656 veterinary specialists work in all the structures of the State veterinary service and this covers only 22% of the need.

Specialists are older than 60 years on average. There is a shortage of scientists on veterinary microbiology and virusology, bacteriologists and virusologists in veterinary oriented scientific-research and diagnostics centers.

The level of professional training of veterinary specialists and existing personnel with higher and medium specialty education in the Agricultural Academy of Azerbaijan and technical schools is still low. There is a need to solve their social-welfare problems and preparation and implementation of activities for making this profession attractive in rural areas.

Another one of important factors that create difficulties for conducting the State Veterinary Service up to modern requirements is the fact that 927 Veterinary-sanitary examination laboratory (BSEL), 90-95% of border veterinary control points, field veterinary points in villages and towns, 137 city (district) veterinary offices and 40-45% of diagnostic laboratories don't have buildings. On the other hand, the shortage of refrigerators, thermocases for storing bio-preparations, animals' fixation benches, disinfection equipment in these entities also negatively impact the conduction of mass veterinary activities.

Although the regulations for compensating for the damage caused to animal owner as a result of mandatory rendering harmless of the animals that are infected with brucellosis and tuberculosis is approved with the Order 104, dated July 8, 2002, of the Cabinet of Ministers of the Azerbaijan Republic, the struggle against dangerous infectious diseases get harder and harder as the payment of compensation to the owners of animals that are rendered harmless is not on the necessary level. As a result of this, on average about 400 people gets infected with brucellosis annually, in recent years.

Certain works have been done in the area of enlarging private veterinary service, as well. 307 veterinary specialist deals with the purchase-sale of treatment-preventive preparations used in veterinary throughout the country, 25 private veterinary service centers function.

But it is necessary to develop private veterinary service regarding the development of entrepreneurship in cattle-breeding and processing industry and attention to this field must be increased.

Intensification of imports and exports of animals, cattle-breeding products and raw-materials and enlargement of its geography, a number of other elements makes it necessary to select targets directed to the improvement of food provision in veterinary service and to implement relevant activities.

1.2.6. Current situation in the area of organization of state phytosanitary control.

The State Phytosanitary Control Service was created under the Ministry of Agriculture with the order, dated October 23, 2004, of the President of the Azerbaijan Republic and its Regulations were approved with the Decree, dated April 20, 2005, of the President of the Azerbaijan Republic. After this entity was established, the structure of the service was improved, legislative acts were re-developed and new laws were adopted.

According to the calculations of international organization, 25-50% of product is lost because of harmful organisms during a plants vegetation period and products' storage. Thus, the protection of agricultural products from diseases, pests and weeds is important for increasing their productivity.

In order determine the diagnostics and development intensity of harmful organisms for conducting proper fighting activities, besides phytosanitary diagnostics, phytosanitary examination of the field must be conducted, all the elements that impact the development of harmful organisms must be analyzed, the forecast and danger level of mass spreading of harmful bio-object must be determined, a protection system that is biologically and economically efficient for the farm must be selected.

Nowadays, a system of integrated activities for fighting against pests, diseases and weeds of agricultural plants in developed countries and in this activity, the use of pesticides is minimized and their harmful impact to environment and agrobiosenoz is fully eliminated.

As an irreplaceable part of the integrated fighting system is biological struggle method, the material-technical base of biological laboratories must be strengthened for the development of this advanced struggle system in Azerbaijan, scientific-experimental

works in bringing, increasing and applying perspective biological struggle agents in the country must be extended.

1.2.7.Current situation in the scientific provision of agrarian sector.

Food and raw material markets that function based on various property forms, competition mechanisms are being established in the agrarian sector of the country, the country is increasingly involved in regional and international integration processes. These processes require constant improvement of the competitiveness of private production and service entities and this can be achieved through the application scientific achievements.

Conducting changes in the agricultural scientific-research system that provide agrarian-industry complex with new technologies to meet this demand has become an important requirement of the day. Thus, parallelism in this area must be eliminated, single strategic directions must be formed in scientific works, scientific results must be applied in production.

26 scientific-research institute, as well as 14 scientific research institute under the structure of Agrarian Science Center of the Ministry of Agriculture, "Araz" Science Production Union (Nakhchivan Autonomous Republic), 8 Regional Agrarian Science Center and about 40 experimental-production bases of scientific-research institutes function in this area in the country.

86% of doctors of science, 52% of candidates of science that currently function in the field of agrarian research are older than 61 years. This situation shows that care to agrarian science must be increased and fundamental reforms must be conducted.

The strategic goal of the agrarian science is to ensure the compliance of regional farming activities to priority directions, to form thematic plans based on entrepreneurs' demands, to improve the system of applying and spreading results of researches, to strengthen material technical base and personnel potential of the science. Thus, the system of planning and financing researches must be improved.

In order to get scientific results that meet the requirements of market economy and international standards, normal working conditions must be established in institutes and they must be provided with modern laboratories, equipment and devices, highly effective agricultural equipment and other modern technical means according to their area of activity.

1.2.8. Current situation of personnel preparation for agrarian sector.

The existence of personnel potential that meets modern requirements in the field of country's population's reliable provision with food products has a big significance. Currently, specialists in the production, processing, storing and economies of agricultural and food products are trained in 30 specialties in higher education institutions, 6 in medium specialty schools, 23 in technical vocational schools of the Azerbaijan Republic.

Preparation of specialists in “technology of storing and processing of plant-growing products”, “economy and management of agrarian production”, “marketing”, “management” (German program) specialties in the area of agriculture and processing, economy and marketing of its products is conducted in the Agricultural Academy of Azerbaijan.

Student admissions plan for these specialties was increased in 2008 and 12 persons were intended for “the technology of storing and processing of plant-growing products” specialty, 56 persons were intended for “the economy and management of agrarian production” specialty, 25 persons were intended for “marketing” specialty and 25 persons were intended for the “management” specialty.

But the condition of material-technical base for the preparation of specialists up to modern requirements in these areas does not confirm to necessary standards. Existing training equipment and machines are physically and morally worn-out and new ones have not been purchased. Thus, the issues of preparation of professional staff for new agrarian production enterprises that have been launched in the regions of the country with state and non-state resources and that are based on modern technologies, management and marketing methods has not been solved.

1.3. Current situation in the area of infrastructure provision for the production of food products.

In Azerbaijan Republic, almost all agricultural products and most of the processing products fall to the share of regions. Successful execution of the “State Program for social-economic development of regions (2004-2008)” has caused the increase of production and processing enterprises in the regions, significant improvement in their infrastructure provision.

Between 2004-2007: 139.6 km of new highways were built in the regions; 488.4 km highway, 536.3 km road of country importance and 1193.3 km road of local importance was repaired; 42 new bridges were built; 17 bridges were repaired; 1041.9 km long new electricity lines were set; 228 substations were built; 491 power transformers were installed; 1 024 586 pagon/meter gas pipes were built; 31927 pagon/meter gas pipes were repaired; 412.8 km long new water pipes, 120.1 km long sewerage pipes were built; 19 water storages were built; 132 artesian wells were dug; 6.61 km long new heating pipes were built, 1.84 km long heating pipes were fundamentally repaired; 22 new boiling-houses were constructed; 30 boiling houses were fundamentally repaired; 356 Automatic Telephone Stations (ATS), 528 new postal buildings were opened; 1042 ATS were fully electronized.

Regarding the improvement of transportation infrastructure, restoration and development of intra-district and inter-district roads, Nakhchivan and Ganja airports were reconstructed and opened for utilization, the construction of airports in Lenkaran and Zagatala is on-going.

Additionally, in the past period, Ganja-Dashkesen-Khoshbulag, Lenkaran-Lerik, Masalli-Yardimli, Guba-Khinalig motor ways, 75 km long part of Hajigabul-Kurdemir motor way was built up to modern standards and opened for utilization.

For the purposes of improving provision with electricity, 87 MVt module type power stations were launched for utilization in Astara, Sheki district and Nakhchivan, delivery of natural gas to Nakhchivan Autonomous Republic was restored after thirteen years break, Lerik, Yardimli, Aghjabedi districts were provided with natural gas.

Relevant projects are implemented in the regions on the account of public investments, as well as involving international financial organizations, in order to improve water and sewerage systems.

But, still there remain number of problems for forming fully normal environment for stimulating people's life in villages. Although all households have access to electricity network, rural population considers breaks in electricity supply as the main problem. Because, the lack or intervals in the delivery of electricity does not let to use lighting and home appliances, as well as halts the work of subartesian wells, water pumps, creates problems in the supply of drinking water and irrigation water. And this negatively impacts the increase in production.

Problems remain in reliable gas and water provision of people as well.

Currently, 19% of the families take water from rivers, lakes, irrigation channels and 11% use drainage water as a source of drinking water.

Almost all villages of the country have year-long working roads. But 80% of the inter-village roads do not meet standards, intra-village roads are devastated. Unfitness of the roads impedes transportation to villages, increases expenditures for the transportation of produced agricultural products, products can not keep their competitiveness. These factors limit entrepreneurs' wishes to invest in a village.

Certain part of current education and medical facilities in villages does not meet modern requirements, sometimes these institutions can not efficiently function in winter times, as they are not heated and provided with power. The activities of a number cultural, service objects located in rural areas are also limited for this reason.

The low level of income in agriculture, shortages of social infrastructure as compared to cities caused to the decrease of private house construction of young families in villages. In 2007, average monthly wages of agricultural workers make up only 24,3% of those that works in industry. This strengthens young people's inclination to move to cities. Thus, the enlargement and acceleration of demographic processes, inclination of the number of the old in the structure of rural population to dominance, impedes the potential for forming labor resources in villages, normalizing the overall agrarian economy and growth speed of the production.

1.4. The current situation of the entrepreneurship activities regarding food provision.

The development of entrepreneurship is one the main conditions of the population's reliable food provision. In connection with this, constant improvement of entrepreneurship environment in the country forms one of the important directions of the state's economic policy.

In recent years, significant works have been done in the simplification of licensing and permissions system, admission and firing, giving compromised loans, protection of investors' interests, reduction of taxes, liberalizing foreign trade, ensuring the execution of contracts, preventing baseless examinations and other areas.

After the application of "One stop shot" system, in accordance with the decree of the President of the Azerbaijan Republic, procedures for starting a business was decreased from 15 to 1 and the time spent for this was decreased from 30 days to 3 days. As a result of this, the number legal bodies that registered have significantly increased in the passed period.

The number of legal persons that engage in entrepreneurship activities has increased by 6.2% to become 79147 units and 9521 of them function in agricultural field and 6148 are enterprises that function in processing field. The number of natural persons that engage in individual entrepreneurship without establishing a legal person has growing by 6,7% and reached to 260 thousand on January 1, 2008.

In addition to this, work is continued in the establishment of special economic zones, business-incubators, industrial towns, business centers, strengthening of the provision of entrepreneurship information, organization of the entrepreneurs' international business meetings and rendering of other technical assistance.

Regular monitoring are conducted and relevant measures are taken in necessary cases in order to protect just competition in the production and selling of agricultural and food products, to prevent abuse of monopolist position, particularly the cases of artificial price inflations.

In order to extend entrepreneurship activities in the field of production of agricultural and food products, the state's financial support activities are being successfully implemented. Between 2002-2003 and the past period of 2008, in total, 271 389.2 thousand manats of compromised loans were given to finance investment projects of 6 738 entrepreneurship subjects in 63 city and districts of the country, through representative credit organizations, on the account of the National Fund for Assistance to Entrepreneurship. 147 004.7 thousand manats of those resources was directed to the production and processing of agricultural products, as well as the financing of foodstuff production oriented 5431 projects. Among them:

- 25 545.3 thousand manats for financing 239 projects oriented to the production of various food products;
- 42 504.8 thousand manats for financing 238 projects oriented to the processing of various agricultural products;

- 78 954.6 thousand manats was allocated for financing 4954 projects oriented to production of agricultural products, particularly the development farming and cattle-breeding.

As a result of the implementation of these activities, between 2004 and April 1st of 2008, 22711 new enterprises were created and more than 40 percent of them function in the regions (01.01.2004 – 01.04.2008). Among these enterprises 2048 are created industrial (9.0%), 2235 are agricultural (10.0%), 3353 are construction (15.0%), 8270 are trade and service (36.4%), etc. fields.

In addition to gained achievements, there is a serious need to extend entrepreneurship activities in the field of food provision, taking additional stimulating measures regarding this.

Particularly important measures are to establish store-houses, refrigeration cells, elevators for the storage of food products, as well as enterprises for the production of agricultural equipments and fertilizers, packaging enterprises, to extend the production of grains, feed, meat and meat products, fruit and vegetables, rice paddy, honey and other food products, to develop processing industry.

1.5. Current situation in the area of organization of the security and quality control of food products.

A lot of positive works have been done in our country in the area of ensuring food security, improving the quality of main food products, increasing export potential in recent years. In the past period, modern laboratories with high material-technical base and staff potential were established in Baku city, as well as Nakhchivan, Jalilabad, Ganja, Khachmaz, Sheki and Saatli cities among the coutries regions in the area of providing the population with quality and safe foodstuffs and those laboratories were accredited by the State Agency on Standardization, Metrology and Patent of the Azerbaijan Republic. The establishment of these laboratories is very important in ensuring the protection of consumer rights, prevention of bad-quality goods' access to the market. Quality and safety indicators of a number of food products (wheat, flour, bread, macaroni foods, meat and milk products, alcoholic and non-alcoholic beverages, oils of vegetable and animal origin, tea, fruit and vegetables, meals prepared in public-catering enterprises, seed, mixed feed, etc.) undergo organoleptic, physical-chemical, toxic, microbiological tests in accordance with the requirements of national and international standards and relevant comments are issued.

Laboratories' personnel have participated in trainings in conducting laboratory work in accordance with the requirements of international standards in a number foreign countries and received international certificates.

Equipments and laboratory devices that are controlled by modern computers and that have several international certificates were purchased for increasing control over the

quality and safety of food products, as well as to reveal toxic elements, nitrides, nitrates, microorganisms. Specialists are regularly invited from foreign countries for strengthening laboratory works.

A number modern laboratory equipment and devices that comply with international standards have been purchased within various projects for the reconstruction of laboratories.

However, various foodstuffs in trade, public catering, welfare and other services areas do not meet requirements of normative-technical documents, storage period and conditions of foodstuffs are not observed, foodstuffs with unknown sources are revealed in the market.

In order to eliminate these cases, there is a need to improve the management system over quality control, making relevant amendments to the legislative framework regarding this, full compliance of national standards to international requirements, extension of the network of modern laboratories, deepening of cooperation with international organizations.

1.6. Preparation for emergency situation and current situation in the field of creation of food reserves.

One of the main conditions of food security is the organization of state and mobilization food reserves, efficient management of these reserves, ensuring high level preparation for emergency situations, the country's possession of necessary material-technical base and personnel potential for removing the results of the natural disasters in a short time.

In recent years, important resolutions have been adopted in this field in Azerbaijan, as well as the Ministry of Emergency Situations was established, its authorities and functions were determined, the process of forming its material-technical base was started with the orders of the President of the Azerbaijan Republic. However, work in the formation and improvement of public and mobilization reserves, creation and management of the State Wheat Fund are continued.

Currently, the improvement of relevant legislative base in this field, creation of necessary infrastructure with the purpose of improving the State Wheat Fund, as well as construction of new elevators and warehouses, implementation of the mechanism for conducting commodity intervention to wheat market in necessary cases, forming reserves for main food products, implementing preventive activities for stopping emergency situations from happening, efficiently eliminating results of disasters are among the main tasks.

1.7. Main indicators of the provision of the population with food products in the Azerbaijan Republic.

Per capita consumption of main food products in the Azerbaijan Republic continuously increases in recent years.

Table 2. Actual per capita consumption of main food products (kg/year)

Main food products	**Actual consumption**					**For minimum consumer basket 2007**
	1980	*1990*	*2000*	*2005*	*2007*	
Bread and rolls and buns	160	153	158	182	182	150
Meat and meat products	43,4	32	22,1	29,4	29,2	30
Milk and dairy products (liter)	450,4	292	154,3	274,8	280,2	190
Egg (unit)	191	143	112	126	123	127
Fish and fish products	6	4,2	2,7	6,6	6,6	5
Sugar	30,2	36,4	16,8	30,8	31	17
Vegetable and water-melon products	72	68	129	175	192	80
Fruit and berry, grapes		33	60	61	71	38
Potato	25	27	47	91	97	40
Vegetable oils and margarine	1,6	2,5	3,1	8,3	8,4	10,3

Source: State Statistics Committee's information.

As seen from the table, actual consumption of meat and meat products, eggs and oils in 2007 was lower than the norms determined in the minimum consumer basket.

Besides this, the indicators of consumption of several food products in 2007 significantly lacks behind per capita consumption for 1980-1990.

In several countries per capital consumption of main food products has been as following.

Table 3. Per capital consumption of food products in several countries (kg/year).

Country	**Meat**		**Potato**		**Vegetables**		**Fruit**		**Bread**	
	2000	*2006*	*2000*	*2006*	*2000*	*2006*	*2000*	*2006*	*2000*	*2006*
Russia	41	53	118	132	86	106	34	51	118	121
Kazakhstan	44[1]	63[1]	66	111	86	158	15	14	105	-
Ukraine	33[1]	42[1]	135	134	101	127	29	35	124	120
Great Britain	81[3]	-	112[3]	-	-	-	100	-	-	-

Germany	86	-	73	-	93	-	156	-	80	-
Italy	81[2]	-	-	-	217[2]	-	192[2]	-	129[2]	-
USA	116	-	57	-	153	-	117	-	102	-
France	94	-	84	-	136	-	93	-	83	-
Azerbaijan	22,1	29,2[4]	47	97[4]	129	192[4]	60	71[4]	158	182[4]

[1] including fat and offal.
[2] 2001.
[3] 2002.
[4] 2007.

Source: State Statistics Committee's information.

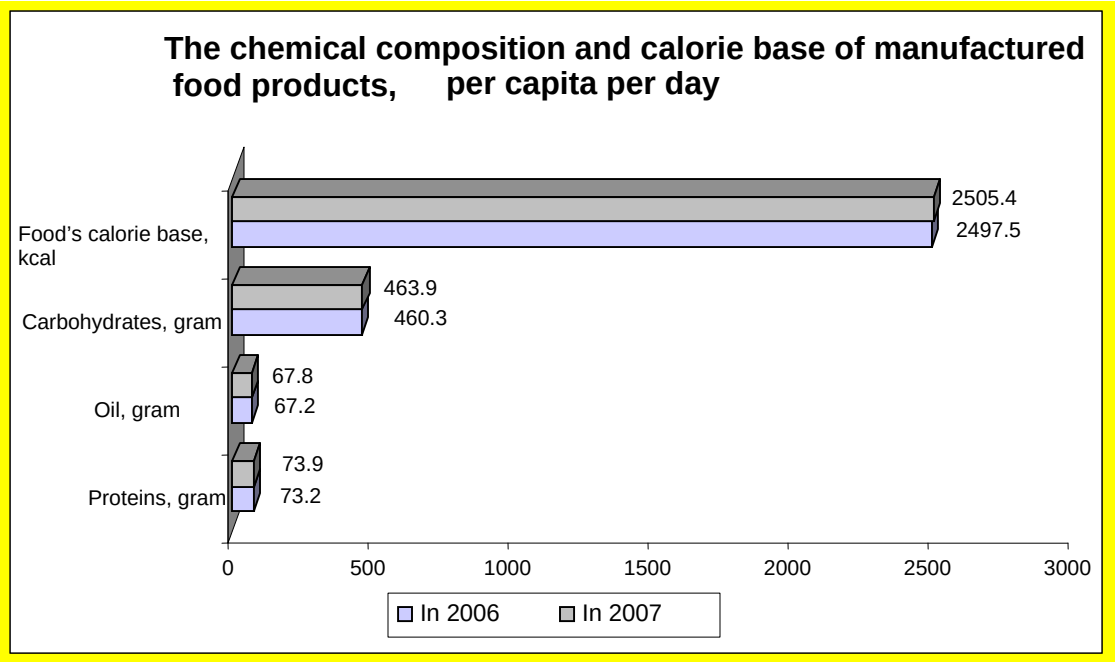
In the provision of population with food, one of the positive tendencies observed from economic security point of view is the decrease of import products' special weight in consumption.

Table 4. Special weight of import products in per capital consumption of main food products in Azerbaijan (kg/year).

Food products	*2000*			*2007*		
	Consumption					
	Total	As well as imports	Imports' special weight in %	Total	As well as imports	Imports' special weight in %
Meat and meat products (except poultry)	16,5	0,6	3,6	21,7	1,5	6,9
Poultry	5,6	2,9	51,8	7,5	2,2	29,3
Vegetable oil	3,1	1,2	38,7	8,4	6,7	79,8
Milk and dairy products	154,3	1,1	0,7	280,2	3,4	1,2
Egg (unit)	112	10,3	9,2	123	2,3	1,9
Sugar (sugar and confectionery)	17	10	58,8	31	6,6	21,3
Potato	47	5,4	11,5	97	9,6	9,9
Vegetable	129	1,1	0,9	192	6,9	3,6
Fruit and berry	60	1,1	1,8	71	4,2	5,9
Rolls and buns	158,3	0,8	0,5	182	2,4	1,3

Source: State Statistics Committee's information.

It should be noted that, the calorie base of daily food ratio in 2007 increased by comparison to the previous year and made up 2505,4 kilocalories per capita per day and this is 247,4 kilocalorie, or 10,9 percent more (22558 kilocalorie per capita per day) than minimum level of foodstuffs collection determined within the minimum consumer basket.



The increase of foodstuffs consumption by population has changed the structure of food ratio and changed it to a multi-calorie protein model the composition of which is rational and rick. In the composition of consumed products, per capita per day protein substances made up 73,9 grams, oils made up 67,8 grams, carbohydrates made up 463,9 grams. The levels of protein, oil and carbohydrates in the composition of food products consumed by population were as following.

Table 5. Chemical composition and calorie base of per capita per day consumption in 2007.

	Total for country	**Urban areas**	**Rural areas**
Proteins, gram	**73,9**	**72,4**	**75,5**

Proteins of animal origin, gram	25,3	24,7	25,8
Proteins of vegetable origin, gram	48,6	47,7	49,7
Oils, gram	**67,8**	**68,0**	**67,5**
Oil of animal origin, gram	37,3	37,2	37,4
Oils of vegetable origin, gram	30,5	30,8	30,1
Carbohydrates, gram	**463,9**	**439,4**	**490,0**
Carbohydrates of animal origin, gram	5,1	4,6	5,6
Carbohydrates of vegetable origin, gram	458,8	434,8	484,4
Food's calorie base, kcal	**2505.4**	**2490,5**	**2511,2**

Source: State Statistics Committee's information.

Besides the positive tendencies mentioned above, it must be noted that, price increases are also observed in the consumer market under the influence of various factors. Based on the results of 2007, compared to year of 2006, the prices of bread and rolls and buns have increased by 16,3%, potato by 47,5%, poultry by 14%, beef and lamb by 7%, milk and dairy products by 20,5%, vegetable oils by 12,3%, oils of animal origin by 22,5%.

These price increases has impacted the level of living minimum as well.

The following results may be driven based on the above statistics:

- Conducted activities positively influence the improvement of the population's food provision and positive tendencies in this are have continuously strengthened in recent years.
- However, as these indicators are compared to minimum collection and calorie base of food products, it is necessary to significantly increase per capital food consumption and gradually bringing it to the level of advanced countries in near future.
- The primary conditions for implementing the mentioned tasks is to increase the production of agricultural and food products on the one hand, particularly conducting activities for increasing productivity in agrarian sector, and creating new work places, eliminating unemployment, increasing the incomes of population groups that need social protection the most, bringing the level of minimum pensions and wages, need criteria to living minimum.

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NEW SECTION TO REPLACE SECTION (1) IN THE DOCUMENT

2. Analysis of the Existing Situation in the Agricultural Sector

The agricultural sector has been analysed using the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. This approach explores the weaknesses and strengths in the performance of the sector, opportunities for development and the threats involved.

3.1. Strengths:

- Commitment to equitable and sustainable socio-economic development.
- Macroeconomic stability with high growth in the oil-gas sector (per capita GDP increased 4.7 times and real wages more than doubled during the period 2003-2007).
- Increasingly affluent population with average annual disposable income of 11,064 manats in 2007.
- Real growth in the agriculture sector averaged 28.6% during the period 2003-2007.
- Progressive legislation to support market oriented reforms and develop the agro-industrial sector.
- Major legislative reforms and strong commitment to accelerate the process of WTO accession.
- Increased availability of financing for investment projects and private enterprise activities (271 million Manats in loans to 6738 enterprises in 63 cities).
- The share of the private sector in agricultural production has increased and reached 99.7% in 2007, with 1191 collectives, 156 agricultural production cooperatives and 2651 family/farm units.
- Initial improvement of infrastructure which helps to promote free market development and sends signals to producers which lead to increased market production and which help increase sector productivity. Between 2004-2007 large numbers of highway roads, bridges, power transformers, water pipes, sewage pipes, boiling-houses and module type power stations were constructed while a large number of automatic telephone stations and postal buildings were built.
- The distribution of agricultural research stations (20 stations, 14 Institutes, 8 Regional Scientific Centers, and 40 Experimental Production-Bases) could provide a sound base for technology transfer and provide trained manpower in all areas of specialization required by the program (after rehabilitation).
- AC omprehensive veterinary service network developed (64 city/district offices; 793 field stations) with prospects to further enhance the efficiency of these services through further privatization progress.
- A Comprehesive plant protection network (57 rayon/district offices, 36 quaratine/borders stations, and 5 regional and 1 central laboratory) that could provide a sound basis for technology transfer and provide trained manpower after rehabilitation and modernization.
- A food control program supported by the Sanitary-Epidemiology Service which has the potential once modernized for effective technology transfer and for providing trained manpower in all areas of food safety monitoring/enforcement.
- Strneghtened state institutional capacity (through the Ministry of Emergency Situations) to effectively deal with natural disasters and risk management.
- Increased production and improved productivity for a range of key products; including potatoes, vegetables and fruits.
- An established "Agroleasing" program which facilitates the availability of agricultural equipment.

NEW SECTION

(3) Conceptual Framework and Approach

Azerbaijan has adopted the agreed-upon definition of food security: "*All people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life*". The food security program in Azerbaijan recognizes the longer-term concerns across various periods and for all segments of the population. Food security as defined will be addressed at the national, local and household levels.

Thus, the food security program addresses the following issues:
Food availability: food of sufficient quantity and quality must be available in the right place and at the right time. Availability is determined by domestic production capacity and import capacity based on comparative advantage. Food availability should not mean self sufficiency in a manner which promotes irrational and unsustainable usage of sector resources. In essence, producing a low-quality low-yield crop at any cost is not a rational option.
Food access: reflects the access of households and individuals to the resources required for producing and/or acquiring needed food. Access is determined by income, access to productive resources, as well as formal and informal social safety nets.
Stability: reflects variability in the availability and access to food over time. The stability dimension initially focused on aspects such as weather variability and price fluctuations. More recently, however aspects relating to environmental risks and political stability have also been considered, particularly in protracted crisis situations. Building commodity/grain reserves is an option that needs to be assessed carefully in terms of cost and management. It needs to be combined with other market-oriented risk management measures as will be discussed below.
Food utilization: incorporates aspects such as adequate diet, clean water, sanitation, and health care, which highlights the importance of the non-food hygiene and health infrastructure aspects of food security. It is particularly relevant for integrated food and nutrition security frameworks.

II. Goals and tasks of the "State Program on reliable provision of the population with food products in the Azerbaijan Republic", main directions of state policy in the area of food provision.

The[s8] main goal of the "State Program on reliable provision of the population with food products in the Azerbaijan Republic" is fully providing each citizen of the country with food products at least in accordance with accepted minimal norms, in order to ensure their sound and productive living patterns.

(4) Strategic Framework for the Food Security Program

4.1. The Vision:

A comprehensive national food security development program led by a dynamic agricultural sector characterized by buoyant and sustainable market driven growth and focused on market-based mechanisms which promote enhanced food security for vulnerable segments of the population.

4.2. The Mission:

The mission of the food security program is to ensure adequate food availability for each citizen, and to ensure the sustainability of this goal through market-based agricultural and rural development. This in turn should result in a sustainable increase in agricultural productivity based upon comparative advantage principles, reducing fluctuations in production and availability of food, enhancing access to food for vulnerable segments of the population, improving the safety and nutritional value of food, reducing poverty, and eradicating hunger. The program would efficiently promote conservation of the natural resource base and protection of the environment.

4.3. Objectives

For these purposes, the following tasks are established within the State Program:

The specific objectives of the food security program are:

- For main products, ensuring the country's food independence[s9] (80% of the need) on the account of local production;

> - Ensuring food self reliance through enhanced food production, based upon the application of comparative advantage principles and the sustainable utilization of natural resources;

- For main products, creation of state reserves in the volume of 3 months per person consumption norm;

> - Ensuring food stability by building reasonable reserves for the major food staples and by developing and utilizing complementary, market-based financial mechanisms designed to reduce food availability risks for the population of Azerbaijan.

- Setting up the control system for providing the population with healthy and quality food products on the level of current requirements;

> - Ensuring safe, healthy food for all segments of the population.

- Meeting the needs of the populations' poor sections for healthy and quality food products.

  - Enhancing accessability of food for the poor and vulnerable segments of the population through the adoption of targeted and well designed subsidy measures designed to ensure the realization of these objectives while avoiding market distortions.

New section

4.4 Guiding Principles

The following basic guiding principles will underline the formulation of the food security program and will guide its implementation:

1. All the policies and measures to support the vulnerable groups are consistent with the commitment to enhance market efficiency and continue the reform process.
2. The design and implementation of this food security program are based on a comprehensive program approach that considers food security in the country at the national, local and household levels
3. All supporting elements and policies are in compliance with WTO rules and will facilitate the negotiation for accession, enhance the competitiveness of Azeri agriculture, reduce distortions through subsidies in the agro-food (production and processing) sector, and maintain a liberalized trade regime including steps to reduce high transaction costs.
4. All short, medium and long term measures focus on the sustainability of natural resources, the rational utilization of scarce resources and their allocation according to comparative advantage principles.
5. The program supports increased and more efficient public investments for the agriculture sector that focus on critical "public goods", strategic rural infrastructure (especially irrigation, roads, and energy) and research and extension programs which are evaluated through the application of rigorous cost/benefit analysis principles and implemented through an enhanced monitoring and evaluation system.
6. Clear and appropriate delineation of public and private sector roles and arrangements, including the strengthening of institutional capacities of relevant sectoral institutions, enhancing public-private sector partnerships, and introducing and ensuring effective and appropriate intersectoral coordination arrangements
7. Adoption of policies that support an efficient and competitive market structure for domestic and international markets as well as a sustainable incentive structure.
8. Enhanced access to sustainable rural finance. This includes promotion of market-based rural access to formal and semi-formal sources of finance on a sustainable basis; harmonization of Government-directed credit lines with the provision of commercial finance in support of the sustainable development of agro-processing chains; reduction/elimination of interest rate subsidies and subsequent phasing out of public sector credit provision programs and direct and indirect subsidies for "private" goods.

   The implementation of agricultural subsidies will be programmed in a manner which will de designed to avoid delays in the WTO accession process. The strategy reflects an understanding that subsidies based on mechanisms which qualify them as trade- and production-distorting subsidies will fall under the Amber Box established under the WTO Agreement on Agriculture, and will be

sugject to restrictions in terms of their volume as a proportion of the sectoral contribution to GDP. In particular, current fertilizer and fuel subsidies and the recently introduced wheat subsidy clearly fall under the Amber Box and would be subject to limitations under WTO membership terms. The currently implemented tax exemptions also contribute to the Aggregate Measure of Support as a category defined as revenues foregone under the WTO Agreement on Agriculture. Moreover, the exemption of agricultural producers from VAT directly contravenes the national treatment principle and would need to be modified for WTO accession/implementation purposes..

In order not to be subject to the limitations imposed on Aggregate Measure of Support and to instead fall under the Green Box, subsidy programs would need to strictly comply with the following guiding principles:

- the subsidy shall not be product-specific and instead farmers should be eligible to receive the subsidy payments regardless of what they produce;
- the payment amount shall not be based on the current land area, the current or future volumes of production;
- the amount of payment should be a predetermined fixed amount that is based on factors not related to land or production, but could be based on factors such as family income level or past production volume for selected base year period;
- provision of the subsidy should not be dependent on specified land utilization patterns.

This program will also entail:

- Creation of an environment conducive to sustainable development of agricultural productivity and production through the implementation of sectoral policies which promote investment, develop infrastructure for water harvesting and irrigation, build feeder roads, and provide marketing infrastructure.
- Building the capacities of producers through institutional reforms, thereby increasing their productive and managerial capacities.
- Resolving land tenure issues which discourage optimal economies of scale , particularly with regard to the application of irrigation services.
- Improving agricultural support services including the development of agricultural research, technology transfer and extension services, improved agricultural education services, establishment and upgrading of market information services, strengthening of information and communication technologies, adoption of market-based measures of risk mitigation and expansion of agricultural insurance services.

~~In order to achieve the above-mentioned goals and tasks, the main public policy directions until 2015 will as~~ following[s10]:

In the area of ensuring macroeconomic stability and stable development:

- Ensuring dynamic development of non-oil fields and agrarian sections in the first place;
- Carrying on the budgetary policy directed to improving infrastructure, increasing the volume and quality of social services in the regions;
- Conducting a tax policy directed to encouraging the increase in food production;
- Regulating the customs policy in protecting the domestic food market from unfair competition, taking into consideration the requirements of the World Trade Organization;
- Conducting preventive activities regarding keeping the inflation in the manageable level;
- Carrying on the policy in the area of protecting ecological balance and biodiversity;
- Continuing the policy on increasing the population's wages, pensions and allowances, as well as addressed social aids;
- Developing the cooperation with international organizations in the area of improving food provision.

In the area of developing agrarian section.

- Carrying on activities on improving the efficiency of land and water utilization;
- Developing plant-growing and cattle-breeding based on intensive farming, improving material-technical supplies of this area, setting the state veterinary, phytosanitary services, seed-growing and stock-breeding works according to current requirements;
- Improving scientific and personnel provision of the agrarian area.

In the area of improving the infrastructure provision of foodstuffs production.

- Carrying on activities in the area of providing the population, especially citizens living in the districts, as well as enterprises with reliable electricity, gas, drinking water, sewerage, heating, communication;
- Reconstruction of roads, intra-village and inter-village roads in the first place.

In the area of organizing control over foodstuff's quality.

- The development and application of national standards taking into consideration the international experience in the area of foodstuffs production;
- The development and implementation of quality control system and mechanism for relevant areas in all stages of the food chain based on the "From field to table" principle.

In the area of developing the entrepreneurship.

- Carrying on activities on further improving the business environment, preventing baseless controls;
- Developing fair competition environment, preventing cases of abuse by monopolist economic subject;
- Increasing compromised credits to enterprises of production and processing of agricultural products on the account of the resources of the National Fund for Assisting the Entrepreneurship;
- Carrying on activities in granting subsidies to farmers, improving their provision with machinery, fertilizers and chemicals;
- Encouraging the increase of competitive product manufacture in processing enterprises;
- Taking necessary measures on the transportation, storage, packaging, export of manufactured products;
- Enlarging the network for rendering consultative-information services to entrepreneurs.

In the area of preparedness to emergency situations and creating foodstuff reserves.

- Creating legislative base regarding preparedness to emergency situations and creating foodstuff reserves;
- Creating an infrastructure that meets modern requirements for keeping reserves in the required level;
- Creation of the State Wheat Fund and its efficient management;
- Creating state reserves for main food products;
- Implementing necessary activities in order to prevent emergency situations.

New Section

5. Program Priorities

Food security program priorities have been developed to limit institutional bottlenecks, recognize the interdependence of food security factors and to continue to support sustainable agricultural development.

Program priorities were identified based on the following criteria:

- Selection of activities that will lead to efficient and sustainable utilization of scarce natural resources.
- Existing implementation capacity at the local level.
- Consistency with the overall macro and sectoral policy framework
- Support for expediting the process of WTO accession.
- Links and synergies with other relevant sector development initiatives.
- Geographical equity considerations.
- Sectoral balance.
- Relevance of each activity with respect to cross cutting issues such as gender, environment and social protection.
- Complementarity of the initiative/activity/project with ongoing programs and specific activities and avoidance of duplication.
- Effective support for the vulnerable and poor segments of the population.

Based on the above, and the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, the highest priorities for food security are identified as follows:

- To ensure that both in economic terms and with respect to physical access, food is available and that availability is based on sustainable agriculture development principles;
- To ensure safe food and improved nutrition for the population, especially the most vulnerable segments of the population and to ensure that food provision is in compliance with WTO rules and guidelines;
- To ensure food stability by reducing seasonal and annual food supply fluctuations and by developing cost-effective and reliable market-based instruments to

effectively address short-term crises and shocks.

These priorities will be translated into activities that will stimulate the private sector, streamline state regulation and support, and enhance availability while promoting and adopting non-market distorting measures.

The suggested Inter-ministerial Committee will identitify further criteria for the prioritization and implementation of specific activities and projects in consultation with the line Ministries. Also, within the process of preparing the detailed Operation Plan for the suggested components and sub-components, specific activities will be selected in accordance with the following additional criteria:

- ***Technical feasibility and sustainability*.**
- ***Financial and economic feasibility*.**
- ***Absorptive capacity*.**
- ***Ease of implementation.***

6. Expected Outputs/Targets in 2015.

The program aims at achieving specific performance **targets** by 2015. These targets will be used with other indicators to assess the performance of the program. These targets support market-based program measures. They are designed to promote appropriate Government interventions which improve the quality and cost-efficiency of sectoral infrastructure services and improve the enabling environment for agricultural producers; provide well-targeted and cost-effective subsidies designed to improve agricultural production capacity and promote short-term food availability for vulnerable groups; and to avoid/discourage market distortions which misdirect agricultural investment towards low-productivity investment activities. The sectoral development priorities reflected through the targets will be determined in a manner which reflects in-depth comparative advantage analysis to ensure that limited land and water resources are utilized in the most efficient way to create the highest sustainable return to producers and to the economy; and which is also consistent with the core rural development goal of maximizing broad-based rural income and employment growth and eradicating hunger.

Modification – Rearrangement of Text

7. Sub-Programs and Components

The program objectives and expected outputs will be achieved through legal, policy, and institutional and reform measures and through related specific implementation activities. These elements are identified within coherent interrelated sub-programs and components to ensure consistency and results-based management through proper monitoring and evaluation. A detailed "Implementation Plan" should be developed for these sub-programs that further prioritizes, schedules and allocates budgetary resources for program activities. Prior to implementation, proposed policies and their related activities should be analyzed to assess direct and indirect as well as short and long term impact, identify major beneficiaries and potential losers, and analyze the practicality and potential cost of related implementation mechanisms. In addition, feasibility studies should be completed to incoproate additional proposed initiatives across the 2008-2015 period. The major sub-programs are:

1. Food Availability and Support for Expansion of Production Capacity.
2. Food Access, Quality and Safety.
3. Stability and Risk Management.
4. Institutional Support.

7.1. Sub-Program 1: Food Availability and Support for Expansion of Produciton Capacity

(i) Objectives and Policy Directives:

This sub-program will focus on enhanced food availability. It will improve rural infrastructure, increase the efficiency of land and water utilization, and increase the productivity of and increase the level of private investment for major crops based on the application of comparative advantage principles. Production will also be diversified using alternative crops, livestock and fish production. Measures and specific activities include rehabilitation of irrigation systems and reconstruction of drainage networks which will enhance small farmer productivity and income growth.

The sub-program will be implemented through targeted institutional and legislative reform measures, related policy directives, and specific program activities (see Annex 1).

The priority sub-program elements are defined as follows:

(1) Improved public budgetary policies which expand the quality and availability of major infrastructure services and increase the volume and quality of major social services in the regions.
(2) Improved land and water resource utilization through strengthened institutional capacity within the public and private sector, improved provision of land use information and land mapping services, improved land use regulations, and through establishment of Water User Associations.
(3) Cost-recovery based water services will be analyzed and implemented to enhance water use effeciency.
(4) Current subsidy/safety net measures are to be implemented in the current season to enable small-scale and poor farmers to plant for the next season under the prevailing international prices and current national policy framework. These measures will be replaced by a more efficient non-distortive support measures decoupled from production of specific crops, beginning in 2009.
(5) Cash transfers will be considered as an option to directly benefit the poor but will be targeted to avoid misappropriation by large farmers and elites in rural areas.
(6) The network of adopted safety net policies will conform to WTO requirements and will be consistent with the goal of sustainable and efficient resources utilization.
(7) The sub-program will enhance wheat productivity while examining competitive niches and potential cropping patterns that diversify and maximize farm incomes.
(8) Livestock, poultry and fish production, and seed industry production, will be enhanced through improved research, extension, and veterinary services.
(11) Market-based analysis will support enhanced milk production given Azerbaijan's comparative advantage in this area.
(10) Policy and legislative reforms will be developed which promote ecological balance and biodiversity.

(ii) Components:

The Sub-program includes the following components:

7.1.1 Improving Infrastructure.
7.1.2 Increasing Efficiency of land and water resources.
7.1.3 Enhancing Crop Production.
7.1.4 Enhancing Livestock Production.

The detailed initial activities suggested under each sub-program/component are listed in Annex 1.

7.2. Sub-Program 2: Food Access, Quality and Safety

(i) Objectives and Policy Directives:

The sub-program activities promote physical access and economic sufficiency to access food. It supports the development and implementation of quality control systems and mechanisms in all stages of the food chain based on the Government adopted principle "From Field to Table". The measures adopted under this sub-program and the further prioritization envisaged under the detailed Implementation Plan in these areas will lead to a market-relevant agricultural technology transfer system and services that are demand-driven by key stakeholders; including a priority focus on working with and through farmer organizations. The resulting more efficient and competitive market structure, with WTO compatible sanitary and phytosanitary standards/systems and supporting services, will contribute to achieving sustainable food security. Domestic and international trade will be promoting market-driven vertical coordination of agro food production systems/chains.

The core policy orientation of this sub-program is defined as follows:

(1) The the program will strictly focus on harmonization of food safety/quality standards with OIE, IPPC, and Codex Alimentarius.principles . In this regard the broad-based application of the EU food safety requirements would require development of risk assessment methods that would be extremely expensive, complicated, and difficult to defend from a WTO consistency prespective.
(2) Economic access to food varies by income level across social groups and geographic areas. Accordingly, specific activities target specific regions and segments of the population.
(3) There is considerable scope for improvement in the supply of key productive inputs. The sub-program pays special attention to seed multiplication and seed production systems, the

machinery repair and maintenance system, and the fertilizer and agro-chemical distribution system. These are all candidates for greater private sector involvement. Other sub-programs and components will support the establishment of market oriented rural credit and financial services, and a responsive research and extension system able to effectively support the emerging private sector over the longer term.

(4) The efficiency of "Agroleasing" should be enhanced. Specific measures and legislation are suggested for that purpose.

(5) The physical, institutional and technical capacities in plant and animal quarantine/facilities at border stations and at the regional level will be further developed.

(6) The technical, human and institutional capacities of the Sanitary-Epidemiology Service and veterinary services should be improved and the privatization of specific activities supported.

(7) Developing a reliable and efficient Market Information Service is a major priority. This service will facilitate more market-based risk management measures as proposed in a related sub-program.

(8) Linkages and technology transfer capacity in agro processing industries will be promoted by enhancing investment in agro-processing, packaging, and transportation facilities. The Government should increase its investment in market infrastructure (decentralized markets – including wholesale markets, growers' markets and retail markets, as well as municipal and local produce markets - in addition to construction of additional slaughter house and facilities).

(9) A comprehensive system for "Integrated Pest Management -IPM" should be established.

(10) Safety measures related to child food safety and nutrition will be a major focus.

(ii) <u>Components:</u>

This sub-program includes the following components:

7.2.1 Improving Agricultural and Market Services,
7.2.2 Enhancing the efficiency of Veterenary and Phytosanitary Services.
7.2.3 Improving management of food safety quality.

The detailed initial activities suggested under each sub-program/component are listed in Annex 1.

7.3. Sub-Program 3: Stability and Risk Management

(i) Objectives and Policy Directives:

Farmers are exposed to a variety of risks, both market-related (e.g, price variations) and non-market-related (e.g, unfavorable weather, pests, and diseases). These risks render agricultural production unstable from year to year, affecting the income and welfare of agricultural producers. Improving food market stability is an important pillar related to ensuring food security. This sub-program will implement the institutional, legislative and infrastructural requirements needed to establish emergency food reserves and other market-based risk management measures to ensure cost-effective food availability at all times for the population.

A prioritized set of actions related to legislative and policy reform measures, and related institutional strengthening activities and measures will be supported in a manner which will support (if warranted) development of a sound wheat reserve management system and strategic programs developed and piloted which facilitate the implementation of market-based risk management instruments which limit price fluctuations and stabilize availability of basic foodstuffs.(Annex 1).

The core elements of this sub-program are defined as follows:

(1) Maintenance of physical reserves with efficient and cost-effective rules and guidelines represents one of a series of strategic measures which can be used to promote price stability and deal with emergency situations in the international food market. An economic assessment will be made to ensure that the proposed state food security stock satisfies the criteria for exempting Government Expenditure related to such stockpiling programs under the WTO rules.
(2) The establishment of an efficient food reserve system requires a modern infrastructure management system that meets complex storage requirements.
(3) An assessment will be completed regarding the establishment of a State Wheat Fund to determine its feasibility and cost effectiveness.
(4) Existing legislation related to the establishment and management of the State reserves for wheat will be reviewed and assessed. Recommendations will be prepared for new and/or amended legislation and for the related institutional reorganization arrangements required for the efficient management of the envisaged reserve maintenance system.
(5) Market based low-cost risk management measures will be assessed and developed; (initially on a pilot basis); including the purchase of grain delivery options-based contracts and/or grain futures; and weather-based insurance products. These measures will be designede to reduce farmer exposure to commodity price and weather-related risks. After initial pilot implermentation, an assessment of the feasibility of using one, or a combination of these measures, on a broader scale will be seriously considered.
(6) The socio-economic implications of agricultural insurance schemes, in the current

institutional context, will be assessed. Agricultural insurance is a financial tool used to minimize the adverse effects of agricultural risks and has been devised to address agricultural production or yield risks that are mainly due to adverse climatological factors.

(7) WTO regulations exempt "payments made by way of government financial participation in crop insurance schemes" from reduction commitment obligations. Eligibility for such payments follows specific requirements that will be assessed.

(ii) Components:

This sub-program includes the following components:

7.3.1 Creating Food Reserves.
7.3.2 Piloting Other Risk Management Services.

The detailed initial activities suggested under each sub-program/component are listed in Annex 1.

7.4. Sub-Program 4: Institutional support

(i) Objectives and Policy Directives:

As indicated earlier, sustainable food security can not be achieved with the current low productivity which characterizes all factors of production in Azerbaijan's agricultural system. Overcoming this requires an improved sectoral institutional framework driven by an effective and well-targeted core constraint and market information efficient sector management. This should be led by well-focused and innovative research and extension services and a dynamic and efficient private sector. This sub-program aims at enhancing the efficiency of the existing agricultural institutions and services while creating the enabling environment for the private sector to lead growth in the agriculture sector. The development of improved agricultural research and extension services will have a direct impact on achieving core food security goals.

Experience shows that one of the most efficient tools in ensuring food security, reducing poverty and encouraging sustainable economic growth is to stimulate private sector development in rural areas, especially in high-value agricultural production and processing. A major focus needs to be placed on the creation of a favorable environment for attracting local investments into rural areas.

The overarching strategic orientation of this sub-program is as follows:

(1) Rehabilitate and further develop the existing network of agricultural research institutes, stations and laboratories.

(2) Adopt needed measures to ensure the timely dissemination and adoption of results through the systematic upgrading of technology transfer and extension services.

(3) Formulate a strategy for reforming and improving the institutional and human capacities of agricultural research and extension services based upon reformulation of research priorities and programs to reflect stakeholder priorities and needs.

(4) Specific attention should be given to measures aimed at capacity building with an emphasis on vocational training and improving the quality of sectoral educational institutes.

(5) The establishment of marketing cooperatives and farmer/trader associations will be facilitated.

(6) The establishment of business incubators to facilitate private sector investment in the agriculture sector will be supported.

(7) Any proposed subsidies to provide incentives to the private sector to invest in particular areas (eg. meat and milk processing, fertilizer production/processing) need to becarried out in conformity with WTO regulations and implemented in a manner which will not delay the WTO accession process. A mandatory WTO assessment of proposed subsidies programs will be performed to ensure compliance.

(8) The local market and private sector will be protected from unfair competition through the application of trade remedy legislation which is in conformity with WTO rules and guidlines.

(9) An "Information System for Food Security and Vulnerability" will be established and linked to policy decision-making processes.

(10) Any proposed food security-related subsidy program will be subjected prior to its adoption to a detailed assessment of its prospective cost-effectiveness and of how efficiently its benfits are targeted to reach intended beneficiary groups; and all programs being implemented will be analyzed on an annual basis in relation to their performance against these criteria.

(ii) Components:

This sub-program includes the following components:

7.4.1 Improving Agricultural Research and Extension Services.

7.4.2. Supporting Entrepreneurship Activities.

The detailed initial activities suggested under each sub-program/component are listed in Annex 1.

New Section

9. Implementation Arrangements

To oversee the implementation of the program, an "Inter-ministerial Coordination Committee for Food Security" should be established under the leadership of the Ministry of Economic Development to act as a "Program Management Unit". This Committee will be responsible for monitoring the implementation of the program at the national level to ensure that its goals are being effectively achieved. A Technical Secretariat should be established that will monitor the implementation of the program at the local rayon level. The Committee will provide advisory services and functions. The Committee will also be mandated to design a schedule for phased implementation of the program based on:

- availability of funds;
- the capacity of Ministries, Programs, and Rayons to disburse and use funds effectively in accordance with major planned outputs and/or interventions; and
- the need for sequencing of critical activities/interventions.

New Section

10. Monitoring and Evaluation

The activities specified in the detailed Plan of Activities (PA) should be monitored and evaluated both for intermediate and final outcomes.

Monitoring will be implemented by regular tracking of the selected indicators using the criteria of measurability, adequacy, and cost effectiveness of data collection to answer the following questions:

- whether the planned activities were carried out,
- whether the forecasted intermediate indicators for food security have been achieved, and
- whether the intermediate results of the policy measures provided in the action matrix satisfy the policy objectives.

The fundamental criteria for monitoring of the food security program are:

i. Adherence to implementation schedules,
ii. Consistency with market-based sustainable agricultural development and food availability principles
iii. Consistency with national development goals as stipulated in the constitution or relevant pieces of legislation,
iv. Cohesiveness to ensure there is consistency between the priority areas in the program and specific actions within each area, and
v. Adherence by the various actors at the Province and Oblast level to their their mandate (i.e. executing their roles and responsibilities and measuring the effectiveness of their activities in delivering services and attaining the stated goals and objectives).

In terms of institutional responsibility, the Inter-ministerial Committee will be responsible for the monitoring and evaluation process using these criteria to monitor the progress made in implementing the detailed implementation plan as a whole, and for monitoring the implementation of the implementation plan by Provinces/Oblasts. Each Ministry could be responsible for providing the major elements for monitoring activities within its mandate.

Many indicators only reveal their importance in comparison with a baseline. The overall monitoring of the program should also draw on the monitoring frameworks established for specific activities.

Evaluation – An indicators system identifying the quantitative and qualitative conditions for sustainable agricultural development and food security in Azerbaijan will be developed and used in the monitoring process.

The system of indicators consists of the following:

(a) National Indicators: The national indicators will be used to reveal specific changes, trends and problems related to food security, as well as to identify weaknesses, strengths, opportunities and threats. For example, indicators related to the current status of the food supply system could include:

- The ratio of actual food consumption per capita to recommended food consumption norms i.e. the food security coefficient or FSC;
- The ratio of food availability (production + import- export-production losses and expenses) per capita to recommended food consumption norms characterized i.e. the food availability coefficient or FAC;
- The ratio of local food production per capita to recommended food consumption norms i.e. food self sufficiency coefficient or FSSC;
- The ratio of food import to local consumption;
- The ratio of actual animal protein consumption to the minimum required norm;
- The ratio of actual caloric intake to minimum recommended levels (indices of minimum and recommended caloric intake values);
- The share of food expenditures in total consumption expenditures, %;
- The share of children 6-59-months with acute and chronic malnutrition, %;
- The share of children 6-59 months of age and women of childbearing age with an iodine deficit, %;
- The share of children 6-59 months of age and women of childbearing age with anaemia, %;
- The share of children 6-59 months with deficit of vitamin A.

In addition, other key indicators are used (or will be used during the preparation of the detailed Implementation Plan):

- % of the rural population living in poverty;
- % of the rural population with access to financial services (possessing a bank account and/or a loan from a financial institution);
- km of rural roads built;
- number of service organizations registered in rural areas;
- number of dams rehabilitated;
- number of new dams constructed;
- number of registered water users' associations;
- km of irrigation canals rehabilitated/built;
- production and yield of major crops;
- average weight of live cattle at point of sale;
- incidence of critical livestock diseases.

(b) Impact Indicators: Impact indicators include qualitative and quantitative evaluation of the changes arising from program activities that will be measured through the impact

assessment; and will serve as an information base for decision making as well as for justifying, identifying and evaluating new priorities.

Data collection for the identified indicators will be implemented on a regular basis, and a systemic approach will be used for data collection processes. Most data, especially quantitative data will be provided by the Statistics Agency and other ministries and agencies, thus the responsibility for data provision will be in accordance with program needs with the relevant public agencies.

Monitoring and evaluation results will be published on an annual basis (in conformity with Government rules) and provided to all stakeholders. This will provide necessary feedback at the political level (decision making level), to direct program executors (ministries and agencies) and to the public at large (the final beneficiary group).

11 . Budget and Financial Sources

The implementation of the activities planned under the State Program will be financed from the following sources:

- State budget;
- State funds;
- Local budgets;
- Local and foreign entrepreneurs' resources;
- Other sources.

A detailed budget will be provided in the forthcoming Implementation Plan.

New Section

11. Risks and Mitigating Measures

The main risks to program implementation and achievement of its objectives are:

RISKS	*RATING**	*MITIGATION*
In some ministries and regions, limited institutional capacity could slow or constrain program implementation	S	• Relevant institutional development needs are being addressed under a special program sub-component program • Technical Assistance support will be provided to targeted institutions
Farmers and agro-industry stakeholders are poorly organized and will have difficulties forming cohesive, democratic organizations to represent their interests	M	On-going efforts to improve farmers' organizations and agro-industry continually building local capacity will promote enhanced support towards operationalyze representative stakeholder organizations
Benefits support to large farmers and processors and resource-poor small farmers are deprived of much needed support	M	Benefits of support effectively targeted towards the poor at community and household levels through targeted, programs
Delays in WTO accession due to higher domestic support than allowed under the di minimus level.	S	All support measures are in conformity with WTO rules and which will measured to deteriorate market incentives and which will encourage investment in production Azerbaijan doesn't have a clear comparative advantage at will be avoided
Size, complexity and variety of recommended measures and projects may contribute to misunderstandings between and amongst responsible line ministries about management and implementation issues	M	Program management and implementation arrangements have been carefully thought through and conceived to mitigate against this risk. Nevertheless, the Inter-ministerial Committee (management unit) needs to be vigilant during execution to forestall potential problems
Overall Program risks	M	

***Risk rating: H=High, S=Substantial, M=Moderate, L=Low**

ANNEX H

Informational Note: Food Consumption and Daily Caloric Intake

The minimum requirements for daily caloric intake differ from one country to another according to: (1) Demographic Structure: Age, Gender, Urban and Rural; (2) Economic Status, Income Class; and (3) Biological and Health Characteristics of the Population. The available data[9] for 144 countries for 2002-2004 shows that world minimum daily caloric intake levels average 1860 calories and range from 1689 to 2031 (e.g. statistical average of 1860 calories with standard error + or – 171 calories). For Azerbaijan the same source indicates that the minimum average caloric intake is 1940 calories/day.

The following table compares the minimum requirement with actual intake for selected countries. The table is derived from detailed data on minimum and actual intakes (Annexes 1 and 2)[10].

Unfortunately, no updated data were readily available for per capita food consumption for 2007. The figures presented in the State Program for Food Security document are the latest available.

Table 1: Minimum Requirement and Actual Daily Caloric Intake for 2001-2003 (kcal/person/day)

Country	*Minimum Requirement*	*Actual Intake*
Russia	1980	3080
Kazakhstan	1950	2710
Ukraine	1970	3030
Great Britain	-	3340
Germany	-	3490
Italy	-	3670
USA	-	3770
France	-	3640
Azerbaijan	1940	2620
World Average	1860	2742

Azerbaijan is ranked 99 out of 168 countries in relation to the level of caloric intake (the median is Moldova, ranked #84). This means that Azerbaijan is in the lower half of the world scale. Given this low level of daily caloric intake in Azerbaijan, increasing caloric intake should be viewed as a key performance indicator under the food security strategy/program.

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[9] FAO STAT – Food Security Tables for different years.
[10] A World Map for Dietary Energy Consumption is attached as a separate file for further clarification.

Dietary Energy, Protein and Fat Consumption Statistics from FAOSTAT Database
Note that more recent figures are not available

COUNTRIES	Caloric Intake (kcal/person/day)			Protein (g/person/day)			Fat (g/person/day)			Rank Based on
	1979-1981	1989-1991	2001-2003	1979-1981	1989-1991	2001-2003	1979-1981	1989-1991	2001-2003	Energy
United States of America	3180	3460	3770	96	101	111	146	156	162	1
Portugal	2780	3410	3750			77			41	2
Austria	3330	3490	3740	71	81	92	79	91	96	3
Luxembourg			3710							4
Ireland	3570	3610	3690	44	44	48	15	19	25	5
Greece	3310	3570	3680	85	96	92	94	108	99	6
Israel	3150	3390	3680			87			99	7
Italy	3560	3600	3670			92			162	8
Belgium			3640	69	64	76	74	64	69	9
France	3390	3540	3640	49	55	62	48	43	48	10
Canada	2930	3030	3590							11
Malta	3280	3260	3530	55	54	57	52	49	58	12
Romania	3210	3020	3520			72			58	13
Hungary	3450	3670	3500	65	69	68	44	57	51	14
Switzerland	3460	3310	3500	64	68	83	65	82	93	15
Germany	3330	3390	3490	72	82	82	55	72	73	16
Norway	3320	3170	3480	104	107	89	107	116	95	17
Denmark	3100	3190	3450	51	67	71	33	46	56	18
Netherlands	3050	3260	3440	68	57	45	16	14	10	19
United Kingdom	3170	3250	3440	39	43	51	13	21	32	20
Spain	3050	3270	3410	57	50	59	48	44	46	21
Lithuania			3370	93	96	106	120	129	147	22
Poland	3530	3380	3370	68	71	76	54	68	99	23
Egypt	2900	3180	3350	36	40	46	64	61	64	24
Turkey	3230	3510	3340	50	51	66	39	44	67	25
Libyan Arab Jamahiriya	3450	3270	3330	71	70	80	60	63	85	26
Tunisia	2820	3120	3250	54	65	82	33	53	90	27
Cyprus	2790	3050	3240	49	54	60	47	56	65	28
Czech Republic			3240	39	44	42	35	43	42	29
Iceland	3300	3110	3240	38	40	43	41	44	54	30
Cape Verde	2540	2930	3220	33	33	25	34	35	26	31
United Arab Emirates	3300	2950	3220	62	68	71	60	70	78	32
New Zealand	3080	3170	3200	59	52	54	50	50	59	33
Cuba	2880	2880	3190			74			87	34
Mexico	3120	3090	3180	70	68	78	78	80	53	35
Lebanon	2710	3140	3170	77	95	105	104	123	132	36
Estonia			3160	99	102		123	131		37
Sweden	2980	2970	3160			93			115	38
Finland	3040	3160	3150	87	102	110	135	132	140	39
Australia	3070	3210	3120	58	76	83	59	83	76	40
Barbados	3040	3130	3110	50	50	49	57	65	78	41

Iran, Islamic Republic of		2730	2930	3090		50	50	57		60	87	99	42
Russian Federation				3080		72	84	93		65	58	58	43
Morocco		2750	3060	3070		56	60	67		50	54	61	44
Brazil		2680	2780	3060									45
Kuwait		2980	2410	3060				47				29	46
Syrian Arab Republic		2950	2800	3060				90				96	47
Kyrgyzstan				3050				54				20	48
COUNTRIES		**Energy**				**Protein**				**Fat**			Rank
		(kcal/person/day)				**(g/person/day)**				**(g/person/day)**			
		1979-1981	**1989-1991**	**2001-2003**		**1979-1981**	**1989-1991**	**2001-2003**		**1979-1981**	**1989-1991**	**2001-2003**	
Algeria		2640	2880	3040		59	48			25	24		49
Korea, Republic of		2990	3020	3040		62	68	74		88	97	97	50
Ukraine				3030		94	99	102		129	127	127	51
Latvia				3020		112	117	118		148	163	170	52
Argentina		3210	2960	2980		76	87	99		91	102	124	53
Slovenia				2970		71	69	73		44	49	55	54
Belarus				2960		43	52	52		40	52	77	55
Fiji		2500	2600	2960				71				52	56
Mauritius		2670	2840	2960		96	98	100		136	142	141	57
Saint Lucia		2360	2690	2960		40	44	55		35	36	38	58
China		2330	2680	2940		105	112	117		124	141	145	59
South Africa		2780	2830	2940		58	59	56		44	44	49	60
Samoa		2460	2650	2910		50	47	51		50	42	58	61
French Polynesia		2760	2850	2900		42	45	39		54	55	51	62
Myanmar		2330	2620	2900		63	58	76		52	31	56	63
Indonesia		2220	2650	2880		48	44	47		34	29	38	64
Malaysia		2760	2770	2870		53	55	57		42	57	65	65
Albania		2690	2560	2860		97	102	95		131	151	149	66
Chile		2670	2540	2860		132	114	124		143	123	130	67
Brunei Darussalam		2590	2790	2850		51	57	57		33	41	52	68
Bulgaria		3620	3460	2850		47	59	64		35	51	61	69
Costa Rica		2510	2730	2850		72	77	83		61	63	61	70
Uruguay		2850	2570	2850		75	78			58	63		71
Belize		2770	2580	2840		112	114	117		137	137	136	72
Slovakia				2830		106	111	124		108	120	149	73
Saudi Arabia		2900	2770	2820		106	111	113		129	151	157	74
Macedonia, The former Yugoslav Republic of				2800		66	63	68		64	64	75	75
Mauritania		2050	2540	2780		87	95	92		69	80	86	76
New Caledonia		2910	2830	2780		67	74	69		62	70	80	77
Croatia				2770				85				80	78
Dominica		2240	2970	2770		62	56	59		42	45	49	79
Japan		2710	2820	2770		74	80	63		37	48	35	80
Trinidad and Tobago		2960	2670	2770		83	82	89		37	57	78	81
Turkmenistan				2750		92	73	84		88	82	113	82
Guyana		2500	2360	2730				101				54	83
Moldova, Republic of				2730		51	51	61		22	23	29	84
Bahamas		2470	2720	2710				83				109	85

Bosnia and Herzegovina				2710		75	79	89		82	102	113	86
Ecuador		2360	2490	2710		69	68	73		33	37	37	87
Kazakhstan				2710		50	42	32		48	47	52	88
Nigeria		2050	2430	2700		90	82	79		109	105	107	89
Saint Kitts and Nevis		2270	2630	2700				110				100	90
Jamaica		2610	2530	2680				118				161	91
Jordan		2610	2800	2680				72				91	92
Gabon		2420	2450	2670		57	50	47		35	31	29	93
Serbia and Montenegro				2670		66	53	55		40	27	33	94
Suriname		2400	2490	2660		59	65	75		78	97	84	95
Ghana		1700	2010	2650		51	62	63		42	49	46	96
Côte d'Ivoire		2830	2470	2630		102	101	118		112	114	110	97
Lesotho		2360	2420	2630		71	79	81		55	61	71	98
COUNTRIES		**Energy**				**Protein**				**Fat**			Rank
		(kcal/person/day)				**(g/person/day)**				**(g/person/day)**			
		1979-1981	**1989-1991**	**2001-2003**		**1979-1981**	**1989-1991**	**2001-2003**		**1979-1981**	**1989-1991**	**2001-2003**	
Azerbaijan				2620		61	69	80		67	72	80	99
Vanuatu		2560	2530	2590		85	81	91		79	81	89	100
Colombia		2290	2410	2580				66				54	101
Saint Vincent and Grenadines		2420	2290	2580		80	75	79		85	80	84	102
Viet Nam		2030	2140	2580		72	85	84		52	59	59	103
Peru		2130	2010	2570		32	32	39		32	38	33	104
El Salvador		2300	2450	2560		60	65	79		35	42	49	105
Benin		2040	2320	2530		68	59	65		42	34	52	106
Paraguay		2580	2470	2530		49	62	62		26	32	38	107
Georgia				2520		93	96	108		130	138	144	108
Burkina Faso		1720	2290	2460		78	78	82		99	103	113	109
Seychelles		2260	2310	2460		98	95	92		124	128	118	110
Nepal		1850	2390	2450		62	55	62		44	45	47	111
Philippines		2220	2320	2450		64	55	57		35	31	39	112
India		2080	2370	2440		48	56	61		55	59	63	113
Sao Tome and Principe		2090	2280	2440		102	98	107		144	130	144	114
Guinea		2230	2040	2420				61				63	115
Thailand		2280	2190	2410									116
Sri Lanka		2360	2250	2390		55	59	59		46	56	69	117
Uganda		2110	2310	2380		57	59	64		67	65	65	118
Honduras		2120	2310	2360									119
Swaziland		2400	2450	2360		75	70	69		70	69	87	120
Venezuela, Bolivarian Republic of		2760	2390	2350		54	50	67		38	41	48	121
Pakistan		2210	2320	2340		51	55	58		36	41	48	122
Antigua and Barbuda		2120	2450	2320		111	103	99		117	113	112	123
Lao People's Democratic Rep.		2070	2110	2320		76	101	119		87	120	141	124
Togo		2190	2180	2320									125
Senegal		2280	2260	2310		98	91	109		95	92	101	126
Dominican Republic		2270	2270	2290				91				83	127
Nicaragua		2270	2230	2290		54	47	49		15	16	15	128

Gambia		1770	2380	2280		62	71	81		67	86	87	129
Cameroon		2280	2090	2270		61	83	95		64	64	81	130
Uzbekistan				2270		55	58	71		59	68	68	131
Armenia				2260		60	71	84		96	116	133	132
Namibia		2230	2070	2260		46	51	48		68	83	73	133
Panama		2270	2270	2260		77	77	76		76	81	82	134
Sudan		2180	2160	2260		67	68	58		54	53	69	135
Mongolia		2380	2210	2250				75				118	136
Solomon Islands		2220	2060	2250		66	68	84		44	53	73	137
Occupied Palestinian Territory				2240		45	42	44		58	56	45	138
Mali		1700	2240	2230									139
Bolivia		2130	2120	2220				77				107	140
Guatemala		2290	2340	2210				102				108	141
Bangladesh		1980	2060	2200		56	52	51		53	45	41	142
Botswana		2030	2240	2180		55	58			64	62		143
Chad		1640	1740	2160		73	73	77		63	66	76	144
Korea, Dem. People's Rep. of		2300	2450	2160		96	104	113		113	140	154	145
Niger		2140	2060	2160		47	48	54		47	45	44	146

COUNTRIES		Energy				Protein				Fat			Rank
		(kcal/person/day)				(g/person/day)				(g/person/day)			
		1979-1981	1989-1991	2001-2003		1979-1981	1989-1991	2001-2003		1979-1981	1989-1991	2001-2003	
Congo		2040	1890	2150		63	67	71		75	59	69	147
Kenya		2250	2020	2150		61	63	60		52	47	71	148
Malawi		2270	1930	2140		63	59	60		41	46	45	149
Haiti		2040	1770	2090		97	95	107		124	123	125	150
Angola		2110	1770	2070		96	95	96		158	151	157	151
Guinea-Bissau		2010	2260	2070		80	72	78		83	81	101	152
Mozambique		1860	1780	2070				48				40	153
Rwanda		2270	1960	2070		54	53	47		31	31	31	154
Cambodia		1710	1810	2060		50	51	57		32	45	52	155
Madagascar		2370	2110	2040		50	52	53		33	44	48	156
Yemen		1970	2060	2020									157
Zimbabwe		2260	2050	2010		78	63	65		73	72	76	158
Tanzania, United Republic of		2190	2120	1960		77	84	89		70	84	94	159
Central African Republic		2300	1870	1940		96	101	96		77	89	90	160
Liberia		2550	2320	1940				85				70	161
Sierra Leone		2110	1980	1930		51	55	57		23	29	32	162
Zambia		2220	1960	1930				84				79	163
Ethiopia				1860		103	104			94	100		164
Tajikistan				1840		104	94	106		130	105	92	165
Comoros		1800	1900	1750		89	94	104		137	137	138	166
Burundi		2030	1860	1640		99	107	114		128	138	156	167
Congo, Democratic Rep of		2110	2190	1610		86	79	86		103	90	86	168
Eritrea				1520				67				64	169
World Average		2154	2198	2742		56	57	71		55	59	74	

Notes:													
Azerbaijan ranks 99 out of the 168 countries for which data has been collected													
The 50% is number 84 or Moldova													

Minimum Dietary Energy Requirement (kcal/person/day)

Country Name	2002-2004 preliminary	
Czech Republic	2030	1
Slovakia	2030	1
United Arab Emirates	2030	1
Croatia	2010	2
Poland	2010	2
Romania	2010	2
Bosnia and Herzegovina	2000	3
Hungary	2000	3
Serbia and Montenegro	2000	3
Slovenia	1990	4
Albania	1980	5
Armenia	1980	5
Barbados	1980	5
Cyprus	1980	5
Kuwait	1980	5
Macedonia,The Former Yug. Republic	1980	5
Russian Federation	1980	5
Belarus	1970	6
Moldova, Republic of	1970	6
Turkey	1970	6
Ukraine	1970	6

Estonia	1960	7
Georgia	1960	7
Latvia	1960	7
Lithuania	1960	7
Kazakhstan	1950	8
Trinidad and Tobago	1950	8
Argentina	1940	9
Azerbaijan, Republic of	1940	9
Bahamas	1940	9
Cuba	1940	9
Haiti	1940	9
Costa Rica	1930	10
Dominica	1930	10

Country Name	**2002-2004 preliminary**	
French Polynesia	1930	10
Jamaica	1930	10
Korea, Republic of	1930	10
Kyrgyzstan	1930	10
Turkmenistan	1930	10
Uzbekistan	1930	10
Chile	1920	11
Dominican Republic	1920	11
Fiji Islands	1920	11
Lebanon	1920	11
Netherlands Antilles	1920	11
New Caledonia	1920	11
Grenada	1910	12
Mauritius	1910	12
Saint Kitts and Nevis	1910	12
Suriname	1910	12
Tajikistan	1910	12
Uruguay	1910	12
Brazil	1900	13
Brunei Darussalam	1900	13
Bulgaria	1900	13
Egypt	1900	13

Korea, Dem People's Rep.	1900	13
Libyan Arab Jamahiriya	1900	13
Mexico	1900	13
Saint Lucia	1900	13
Saint Vincent/Grenadines	1900	13
Mozambique	1890	14
Tunisia	1890	14
Guyana	1880	14
Algeria	1870	15
Mongolia	1870	15
Morocco	1870	15
Samoa	1870	15
Thailand	1870	15
Botswana	1860	16

Country Name	**2002-2004 preliminary**	
Cameroon	1860	16
Ghana	1860	16
Saudi Arabia	1860	16
Sri Lanka	1860	16
Côte d'Ivoire	1850	17
Gabon	1850	17
Gambia	1850	17
Iran, Islamic Rep. of	1850	17
Lesotho	1850	17
Malaysia	1850	17
Paraguay	1850	17
Senegal	1850	17
Venezuela, Boliv Rep of	1850	17
Indonesia	1840	18
Kenya	1840	18
Maldives	1840	18
Mauritania	1840	18

Sudan	1840	18
Swaziland	1840	18
Syrian Arab Republic	1840	18
Viet Nam	1840	18
Zimbabwe	1840	18
Colombia	1830	19
Comoros	1830	19
Congo, Dem. Republic of	1830	19
Congo, Republic of	1830	19
Guinea	1830	19
Namibia	1830	19
Nigeria	1830	19
Panama	1830	19
Togo	1830	19
Ecuador	1820	20
India	1820	20
Liberia	1820	20
Myanmar	1820	20
Nicaragua	1820	20
Peru	1820	20

Country Name	**2002-2004 preliminary**	
Sierra Leone	1820	20
Zambia	1820	20
Belize	1810	21
Chad	1810	21
Jordan	1810	21
Kiribati	1810	21
Nepal	1810	21
Philippines	1810	21
Seychelles	1810	21
Tanzania, United Rep of	1810	21
Angola	1800	22
Benin	1800	22
Burkina Faso	1800	22

Burundi	1800	22
Central African Republic	1800	22
El Salvador	1800	22
Guinea-Bissau	1800	22
Madagascar	1800	22
Mali	1800	22
Niger	1800	22
Malawi	1790	23
Vanuatu	1790	23
Bangladesh	1780	24
Bolivia	1780	24
Honduras	1780	24
Solomon Islands	1780	24
Cambodia	1770	25
Djibouti	1770	25
Pakistan	1770	25
Sao Tome and Principe	1770	25
Uganda	1770	25
Yemen	1770	25
Guatemala	1760	26
Rwanda	1750	26

Country Name	**2002-2004 preliminary**	
West Bank/Gaza	1740	27
Eritrea	1730	28
Lao People's Dem Rep	1730	29
Ethiopia	1720	30

Mean	1860
Std Deviation	172

Note variations are due to mainly to a countries age and geographical (urban & rural) distributions.

ANNEX I

Informational Note: Determining Strategic Wheat Stock Levels

A strategic reserve is generally maintained for price stabilization and emergency purposes, and this should be distinct from the operational stock to be used for regular releases to market during transitional events, targeted allocations for specific groups (e.g. military) and targeted food for the poor. In the future, the operational stocks should be reduced in size as the private sector role is prioritized, such that the main focus of public agencies is on maintenance of strategic reserve stocks.

It is suggested that setting the initial level of strategic stocks should be prioritized as one of the major initial tasks to be undertaken through the envisioned "Inter-Ministerial Committee for Food Security-IMC-FS."

It is recognized, , that there is no well- known or internationally agreed upon formula for determining the size of the strategic stocks. However, providing policy options for determining the initial level of the strategic stocks requiresin-depth analysis of several factors including: (1) production and its yearly variation; (2) yearly total utilization; (3) human consumption needs; and (4) imports.

A methodological practice for determining the size of the strategic stocks, which has been employed internationally, entails statistical analysis of yearly variations in local production. Based on this analysis, the estimated standard error can be used as a guide for determining alternative options for the level of stocks according to the desired degree of food consumption stability. FAO data on wheat production, consumption and trade for the period 1995-2006 have been analyzed to assess the variability of each (Attachment 1). Thus, average production level for the period 1995-2006 equaled 1.126 million tons with standard error of 96,318 tons. Average production for the period 2000-2006 was about 1.46 million Tons. Average consumption for the period 2000-2006 equaled 2.28 million This means that average monthly consumption was 190,000 Tons. Thus. if the Government decided to cover about two times the standard error (a typical norm) then the required level of stocks would be about 192,000 tons, which is equivalent to one month of consumption needs. Alternatively, if the Government decided to apply a higher food security support standard, in expectation of deteriorating international circumstances, a three standard error estimate should be used as a guide. In this case, an amount of about 288,000 Tons would be maintained, making it sufficient for 1.5 months of consumption. This would provide a robust level of stability in food availability against future short-term price shocks or emergency situations.

This again should be interpreted as a purely hypothetical example, and any specific proposal would, of course, require very detailed expert analysis.

Attachment 1

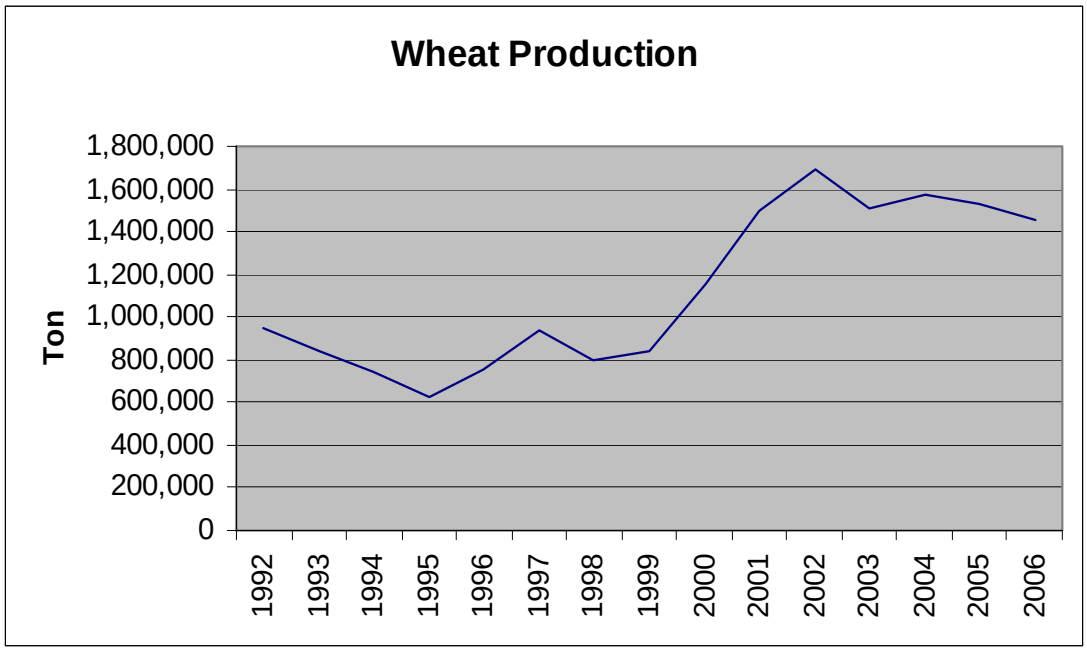
Wheat Production
1992 - 2006

PRODUCTION OF WHEAT

Year	*Tonns (mt)*
1992	943,300
1993	841,000
1994	739,200
1995	625,600
1996	758,861
1997	935,186
1998	798,262
1999	846,030
2000	1,150,281
2001	1,493,741
2002	1,692,818
2003	1,509,560
2004	1,573,006
2005	1,527,026
2006	1,460,303

STATISTICS

Item	*Value*
Mean	1,126,278.27
Standard Error	96,318.73
Minimum	625,600.00
Maximum	1,692,818.00



WHEAT PRODUCTION BY YEAR
Wheat Consumption
1992 - 2005

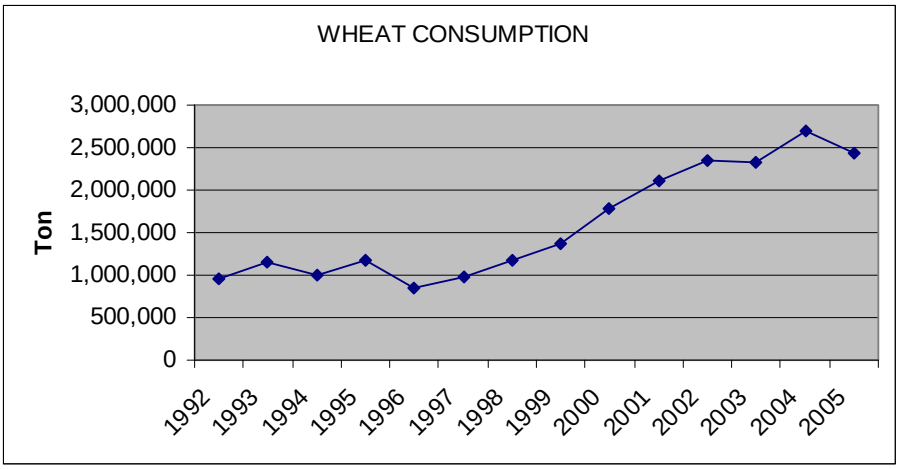
WHEAT CONSUMPTION

Year	Tonnes (mt)
1992	958,850
1993	1,160,290
1994	999,220
1995	1,175,830
1996	844,031
1997	988,376
1998	1,180,972
1999	1,373,090
2000	1,785,771
2001	2,108,881
2002	2,349,988
2003	2,317,170
2004	2,703,406
2005	2,436,376

STATISTICS

Item	Value
Mean	1,598,732.21
Standard Error	175,493.23
Median	1,277,031.00
Mode	#N/A
Minimum	844,031.00
Maximum	2,703,406.00

WHEAT CONSUMPTION BY YEAR



Wheat Imports
1992 - 2006

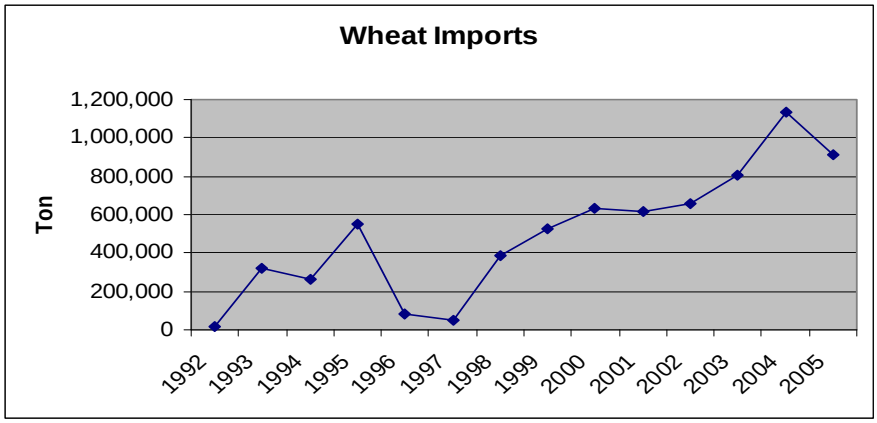
WHEAT IMPORTS

Year	Tonnes (mt)
1992	15,550
1993	319,290
1994	260,020
1995	550,230
1996	85,170
1997	53,190
1998	382,710
1999	527,060
2000	635,490
2001	615,140
2002	657,170
2003	807,610
2004	1,130,400
2005	909,350

STATISTICS

Item	Value
Mean	496,312.86
Standard Error	88,621.80
Minimum	15,550.00
Maximum	1,130,400.00

WHEAT IMPORTS BY YEAR



ANNEX J

Response to Ministry of Agriculture Comments on USAID /TIRSP Analysis of Draft Proposed Food Security Strategy

The following note responds to the comments made recently by the Ministry of Agriculture (MOA) with regards to comments made by USAID Trade/Investment Project (TIRSP) experts on key aspects of the proposed food security strategy proposals. The response is sequenced in accordance with the structure of the comments received:

1. "With the invitation of the Ministry of Economic Development of the Republic of Azerbaijan, the conclusions and proposals to the draft State Program presented by USAID/TIRSP representative have been reviewed.

This is to inform that those conclusions and proposals deal with the need for improvement given the shortcomings and gaps in the presented document. The conclusions indicate that the drafted Program does not meet the norms of the best international practices. It is not clear what the commentator considers as the best international practice. The Action Plan Components are proposed."

Response:

The best international practice cited refers to the "Results-Based Development Strategies" included in the framework of the "Paris Declaration of Aid Effectiveness" and the WB's recent review of 19 strategies and report on major elements to be included in a sound food security strategy. This was included in the WB 2008 report on agricultural development. It also refers to the frameworks adopted by FAO in formulating Special Programs for Food Security –SPFS-, National Programs for Food Security –NPFS- and Regional Programs for Food Security –RPFS- for over 100 countries all over the world.

2. "The vague proposals which do not conform to the national context by their nature and envisioned for preparation in September of this year and until the end of current year cannot be considered as satisfactory."

Response:

The proposed timing for completion of a detailed implementation plan by September stemmed from the need to ensure proper preparation and analysis for the proposed activities and actions. The Operation Plan/Implementation Plan needs to include more in-depth analysis of the ensvisioned socio-economic and institutional development impact of the proposed measures. More detailed information on expected results, budget requirements, and the relative role of the public and private sector in achieving the postulated outcomes is needed.

Providing adequate time for preparatory analysis is important for 2 reasons:

(1) the envisionedoperation plan/implementation plan will be a major input into the preparation of the Multi-year Public Investment Plan.
(2) the envisionedanalyses will be critical for making sound decisions on program prioritization from a sustainable agricultural development impact and from a budgetary cost-efficiency perspective.

3. "We are providing the following with respect to proposals shown as shortcomings and weaknesses:
the maximum decrease of independence of the food market from imports does not contradict with the agrarian policy of the country and the decree and instructions of the Head of State"
.

Response:

What appears to contradict Presidential Instructions are strategic directions and proposed policy measures related to subsidies. These meansures may raise serious issues in relation to the WTO-consistency of the strategy and may run counterpart to the long-term sustainable development interests of the agricultural sector.

4. "The concept of food security is related to self-sustainability and production targets are emphasized for the reason that they are based on the efficient use of productive resources."
The food strategy is adjusted to the development strategy of agrarian-industry complex and opportunities of obtaining food; primarily family-household economy is drawn to the forefront."

Response:

It appears that the strategy is focused on traditional concepts of food self-sufficiency and maximizing local production of foodstuffs. This could lead to the adoption of distortive policy measures which misdirect sector investment away from areas of comparative advantage. Therefore, this strategy would not be in the long-term interests of consumers or of the vast majority of agricultural producers. In addition, numerous production targets (e.g. tea, sugar) cannot be related to the requirements of a sound food security strategy. Overall, the utilization of these targets leaves considerable uncertainty as to the intended role of the state.. This could be clarified by stating outright in the strategy (as is proposed in our recent comprehensive comments on the strategy which were provided to MOED on July 9) that the state intends to play no production/processing role in any of the sectors for which indicative production targets are referenced.

5. "In order to efficiently use the resources necessary for meeting the "basic consumption needs basket," risk mitigation-based insurance measures will be developed.".

Response:

It is not clear that this approach is endorsed in the original version of the strategy. It is again explicitly discussed and endorsed in our July 9 proposed comments on the strategy.

6. ”The provision on subsidies is not aimed at creating distortions in the market; according to agrarian policy, these are targeted at stimulating the growth of farmers’ production that are disadvantaged.”

Response:

Existing and proposed subsidies do not appear to be effectively targeted towards the disadvantaged. They are geared to input subsidies for seeds, fertilizers, and to wheat producer payments in a manner which is not effectively targeted in accordance with economic need; and which (in the case of the wheat subsidy) distorts investment/production decisions in a manner which does not reflect the long-term sustainable development interests of the sector.

7. “. The role of state and private sector in the implementation of actions will be established through specific implementation mechanisms.”

Response:

This is not clear in the version of the strategy we reviewed. Again, this can be simply clarified in the text of the strategy with a statement emphasizing thatthe state intends to avoid any direct role in production/processing activities.

8. “In fact, there are no elements in the program that might delay the WTO accession. The issues mentioned by the commentators in fact do not serve the interests of producers.”

Response:

The estimated AMS is already higher than the allowed *di minimus* level (5% for developed countries and 10% for developing countries. Currently, the estimated AMS is about 15%-18%). References made to protecting local producers against unfair foreign competition could also raise serious WTO-consistency concerns (as reflected in our more extensive July 9 comments) This could effectively be addressed by stating that concerns in this area will be addressed through the establishment and implementation of WTO-compliant trade remedy legislation. Moreover, the proposal y to directly link local good safety/quality standards directly to EU requirements would potentially raise consumption costs significantly. In addition, the proposal would require costly and time-consuming compliance/risk analyses to be undertaken to justify application of these standards and could significantly

complicate the WTO accession process. It is hard to see how these results could be described as primarily benefiting consumers.

9. "Regarding implementation gaps:
The goal of the program has been defined by taking into account the sustainable development of the agrarian sector.

There is no need to create a committee or commission for implementation of the program.

The reason is that the implementation period and concrete executor for each action has been determined. Other mentioned "gaps" can, in fact, be eliminated through the description of implementation mechanisms in the action plan."

Response:

Establishing an Inter-ministerial Committee will clearly facilitate more effective coordination, implementation, monitoring, evaluation and reporting processes for this critically important sector development strategy. In its absence, effective implementation of such a far-reaching and multi-faceted strategy will likely prove extremely difficult to keep on track at the national, regional, and local levels.

10. "The issues of considering the food security are noted. In fact, the program has been geared to the existence of food security needs, and improved access to food and use of food resources."

Response:

This critical orientation and driving principle behind the strategy requires much greater and clearer emphasis since many of the proposed foci of the strategy seem either tangentially related to or run counter to the long-term sustainable achievement of food security aims.

11. "Regarding the link to longer term policy priorities and rules, it should be mentioned that the main principles of the Program have been clearly stated and it is based on those principles that sustainable policies are elaborated and will be pursued."

Response:

The principles laid out in the strategy document were stated so generally as to be consistent with an extraordinarily wide range of intervention programs/activities. A number of those mentioned in the strategy document would appear to run counterpart to sustainable market-based food availability concepts/approaches.

12. "The actions related to dependency on subsidies are associated with the existing situation in agriculture, requirements for sustainable development and creation of

momentum for expanding production. It is envisaged to establish subsidies in conformity with strategic targets aimed at the food security of the country and consistent with financing availability. This can in turn pave the way for efficient provision of food security in the country. This is also related to the support of priority directions."

Response:

It is critically important that subsidies be effectively targeted to the poor and vulnerable segments of the population in a manner that preventsthe creation of significant market distortions. They should be designed in a manner that incorporates a clear time-framed exit strategy. Thus, the framing of subsidy programs will achiev their distributional goals in a maximally effective and cost-efficient manner. The subsidy strategy laid out in the referenced document does not come close to meeting these criteria.

13. "The four factors given as shortcomings with respect to program implementation relate to the lack of budget figures, expenditure priorities, specific actions, and details regarding their consequent implementation. It can be noted that in the action plan, implementation mechanisms, concrete targets and organizations responsible for implementation are all specified."

Response:

The Action Plan includes a broad array of measures (policy, regulatory, institutional reform-oriented, investment-related) which are not prioritized, and for which expected results and budgetary requirements are not clearly established. This will make it extremely difficult to effectively monitor and evaluate their impact and cost-efficiency and severely reduce the prospects for ensuring institutional accountability on the part of organizational entities in charge of implementing these programs/actions.

14. "We think that there is no need for establishment of a technical committee to be made responsible for implementation of the program and conduct its monitoring."

Response:

We have proposed the establishment of a technical secretariat to the proposed Inter-Ministerial Commission This body h would support effective implementation of a comprehensive, food security/sustainable agricultural development strategy. Without this institutional mechanism in place, it is very difficult to envisage how an ambitious strategy could be effectively implemented

ANNEX K

Summary Implementation Plan for the FSP 2008-2015

Sub-Programs/ Components and Projects	Government/Executing Agency	Objectives	Expected Outputs	Location Regions or Central	Duration Years	Total Cost (000) USD	Proposed Donors/ Investors	Donor /Investor Contribution (000) USD	Government Contribution 000 USD
Sub-Program: 1 Food Availability									
Component 1.1: Improving Infrastructure									
Component 1.2: Land and Water Resources									
Component 1.3: Crop Production									
Component 1.4: Livestock Production									
Sub-Program 2: Food Access, Quality and Safety									
Component 2.1: Ag and Marketing Services									
Component 2.2: Veterinary - Phytosanitary									
Component 2.3: Safety and Quality of Food									

Sub-Program 3: Stability & Risk Management									
Component 3.1: Wheat Reserves									
Component 3.2: Piloting selected market-based measures									
Sub-Program 4: Institutional Support									
Component 4.1: Research and Extension									
Component 4.2: Entrepreneurs									-
									-
Total investment									

Narratives for each Measure/Project will be included in the text