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Evaluation of Trade and Investment Reforms Support Program (TIRSP)

FINAL REPORT

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November 23, 2010

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Trade and Investment Reform Support Program (TIRSP) Evaluation Response

January 6, 2011

Chemonics is grateful for the opportunity to comment on the TIRSP evaluation, which we have thoroughly reviewed and shared with the ex-TIRSP project team. We believe evaluations offer unique opportunities to both assess USAID's development impact and contractors' implementation progress through an objective lens; a process which ultimately builds a stronger foundation for USAID assistance and for our own corporate performance.

As noted in the evaluation report, the evaluation itself was undertaken during the last week and a half of project implementation, a fact that we feel regrettably has made some of the evaluation team's comments and recommendations redundant, particularly in light of the fact that TIRSP's follow-on project had already been designed and awarded. However, Chemonics is grateful for the efforts of the evaluation team, with whom we enjoyed a collaborative process. Our field and Washington-based teams made every effort to ensure that all project documents were ready and accessible to evaluators, as well as to facilitate meetings with local counterparts and shareholders.

After careful consideration, we have decided to keep our comments on the evaluation at a more general level, rather than responding to the rather considerable number of cases where we regrettably disagree with the evaluation team's assessment. Our comments are organized into two main areas dealing with both the focus of and detail included in the evaluation report:

Inappropriate focus on project design rather than implementation. On the whole, our fundamental disagreement is with what appears to be the evaluation's primary basis and assertion – that TIRSP paid insufficient attention, time and resources to addressing policy contexts and policy advocacy, or in the words of the evaluation, that the TIRSP project suffered from an “[a]bsence of a clear policy narrative as to why various tasks undertaken through TIRSP would benefit the Azerbaijani economy; and thus [i]nadequate explanation of the importance of tasks, leading to a number of initiatives on law, regulation, and policy that could not be completed successfully.”¹ As acknowledged by the evaluation team itself, the principle and underlying critique of the TIRSP program therefore appears to be that the program *was not adequately designed* to address public advocacy, and that policy work did not take a large enough role during implementation.² We note at the outset that the evaluation team was not tasked with assessing USAID's design of TIRSP, although that appears to be the thrust of the evaluation as written. However we may tend to agree with the underlying principle of the assertion that TIRSP could have been better designed to address public advocacy and undertake more policy work, we disagree with the team's overall critique of USAID's design and take

¹ TIRSP Evaluation Report, November 23, 2010, page 1.

² Id.



strenuous exception with using this as a legitimate basis upon which to measure Chemomics' performance under this contract, which the evaluators were tasked with doing.³

The evaluation's almost singular focus on the lack of sufficient policy work throughout the report and the references to USAID's original project design result in the project being measured against a "straw man" that fails to reflect the actual work contracted by USAID and performed collaboratively by Chemomics with USAID support. As a result, the report provides only broad-brush assertions that the outputs were not as effective as they might have been if the project had been structured to undertake policy development as a fundamental activity/output, instead of being required to perform the specified tasks within the contract scope of work.

The statement at the beginning of the Recommendations section, for example, that "[t]he most significant gap as to TIRSP contract compliance is between policy and task, with far too much implementation of tasks and far too little regard for policy"⁴ does not reflect an accurate or fair assessment of Chemomics' performance because it assumes a mandate for TIRSP *that did not exist and was not contracted*. The observations in this regard, while perhaps useful as a reflection of USAID project design in general and how ACT, TIRSP's successor program, is to be progressed, are essentially beside the point insofar as TIRSP is concerned, since they were made after the project had closed. Likewise, the statements made by the evaluation team in the Overall Contract Compliance Conclusions that "[t]he lack of a precise economic policy to provide guidance in assisting the government of Azerbaijan produced a disparate approach to selecting reform opportunities, particularly under Component Two"⁵ are both unjustified and beyond the point, as they fail to address Chemomics' compliance under the *actual TIRSP contract*. This is made abundantly clear and is acknowledged by the evaluation team itself, which states that "assessments of contract compliance *should go beyond the language of contracts between USAID and Chemomics/TIRSP* and analyze the established pattern of communication between USAID, contractor Chemomics and TIRSP and patterns of conduct in dealing with each other"⁶. We wholeheartedly disagree with any "contract compliance" assessment that claims to move "beyond the language of contracts".

³ See Scope of Work for the Evaluation of the Trade and Investment Reforms [sic] Support Program, page 1, indicating that the purposes of the evaluation were to "[d]etermine the effectiveness, progress, impact and sustainability of USAID-Azerbaijan Government funded Trade and Investment Reform Support Project (TIRSP) implemented by USAID contractor Chemomics; [d]etermine the level of reforms being achieved in GOAJ institutions that have participated/benefited from TIRSP as of October 2009 to present; [i]dentify the various factors and conditions in the country that have enhanced or limited the effectiveness and impact of TIRSP assistance in Azerbaijan, and [c]arefully examine activities of Chemomics as per Work plan/contract and determine whether or not deliverables outlined in their work plans have been achieved" (emphasis added).

⁴ TIRSP Evaluation Report, November 23, 2010, page 17.

⁵ Id., at 13.

⁶ Id. (emphasis added)



To the extent that the report focuses on TIRSP implementation, the evaluators have attempted to paint a picture that conforms to the report’s claim that the project was exclusively task-oriented, without regard for the larger policy environment. The evaluation team asserts, for example, that “[i]nterviews and meetings with USAID and TIRSP during the weeks of September 20 and 27 suggest that both parties engaged *in a process of trial and error*, rather than justifying reforms at policy level.”⁷ We respectfully reject and disagree with this characterization of TIRSP’s implementation process – including USAID’s technical oversight and direction – and Chemonics’ contract performance. TIRSP project activities were always conceived of and developed with USAID within the confines of well-defined policy objectives. The evaluators overlook these objectives when they state in Appendix I that “[i]n self-evaluation, contractor Chemonics admits that the quantification of impact is difficult to ascertain as to many of the TIRSP reforms. This reflects the way TIRSP has conceived itself, as a task-oriented exercise with loose connections to policy questions.”⁸ The self-evaluation referred to by the report does not purport to “admit” anything, but merely states a well-known development assistance reality; that quantifying the impact of projects designed to influence policy is often more nuanced than those involving harder data. The more relevant point, however, is that TIRSP was not fundamentally designed as a policy change project, but was instead carefully designed by USAID to address specific areas of technical intervention. Our overall contract compliance and technical implementation cannot be held by the evaluation team to a standard that is not relevant to the contracted work under the TIRSP Task Order.

Lastly, the evaluation team’s focus on TIRSP team and component structure – both in their questions to our home and field office teams and as reflected in their report (including, for example, a “Proposed Organizational Chart” for how TIRSP might have been organized) is both irrelevant and inappropriate to an evaluation of this kind. Chemonics’ TIRSP proposal was competitively awarded, evaluated and implemented according to the terms of USAID’s project design, and modifications to the team and contract were made in concert with USAID. Nowhere in the evaluation scope of work is the team asked to propose an alternate structure –technical or management – to what was contracted and awarded by USAID.⁹

Lack of Any Critical or Technical Analysis of TIRSP Activities or USAID Impact. Unfortunately, the evaluation team’s focus on measuring project work against policy and advocacy objectives outside the scope of TIRSP’s contract – as well as making recommendations outside the evaluation’s scope of work – resulted in the team missing key accomplishments that could and should inform USAID’s work in this area going forward, including those submitted to the evaluation team by Chemonics.¹⁰ We regret that the assessment of TIRSP, a project that both

⁷ *Id.* at 13 (emphasis added)

⁸ *TIRSP Evaluation Report*, Appendix I, November 23, 2010, page 27.

⁹ See *Scope of Work for the Evaluation of the Trade and Investment Reforms [sic] Support Program*, page 1.

¹⁰ See, e.g. the extensive technical and administrative documentation provided to the evaluation team, referenced in the *TIRSP Evaluation Report*, Appendix 3, November 23, 2010, pages 34-35.



significantly progressed Azerbaijan's accession to the WTO and contributed to overall trade and economic liberalization for the country did not benefit from a more disciplined evaluative process. While the evaluation comes to the early conclusion that "the tasks executed by TIRSP did not result in substantive reform and change within the Government of Azerbaijan",¹¹ nowhere in the report is there any evidence that the evaluation team critically or technically assessed *any portion of TIRSP's work under any of the three components*. We see this as a serious flaw in the evaluation process.

For example, the evaluation team's entire comments on Component One revolve around their observation that the WTO Component work failed to address "high-level government commitment to [WTO accession]".¹² Beyond this assertion and a simple statement that "Component One generated much activity"¹³, the evaluation team failed to analyze any activity executed under the entire WTO component. Not only does this set up a false comparison, it fails to take into account any of the work done during three years of TIRSP Component One implementation. The reality is that TIRSP was not contracted to ensure "high-level government commitment" to the WTO process. In fact, any such work would have tread upon the sensitive political relationship between the US Government and the Government of Azerbaijan (GOAJ), which is handled primarily and properly by the US Trade Representative (USTR) and the US Embassy Baku, not by USAID. While it is true that a full lack of commitment by the Azerbaijani government to accelerated WTO accession has been frustrating, as demonstrated in the extensive documentation shared with the evaluation team, TIRSP achieved significant and notable success in advancing the WTO process within the GOAJ, a fact that has been acknowledged by both USAID and the counterpart government. Unfortunately, none of the numerous Component One activities which we would have expected the team to evaluate were even mentioned in the report.

The evaluation team likewise failed to analyze any of the numerous activities undertaken under either Components 2 or 3.¹⁴ Instead of analyzing any of the specific activities that TIRSP was contracted to perform under Component 2, for example, the report instead focuses on its general and ongoing critique that the project failed to progress legal reform efforts to a deep enough level. The evaluators state, for example, that the project suffered from "a lack of attention to implementation [of proposed reforms] at the executive level . . . TIRSP never acknowledge this possibility and USAID seems to express skepticism as to its effectiveness."¹⁵ Not only does this reveal the underlying slant of the evaluation – which seeks to insert the judgment of the evaluation team as to what might have been feasible for both the TIRSP and USAID technical

¹¹ TIRSP Evaluation Report, November 23, 2010, page 7.

¹² TIRSP Evaluation Report, November 23, 2010, page 9.

¹³ Id.

¹⁴ See e.g. TIRSP Evaluation Report, November 23, 2010, pages 9-12; notable for the lack of any detailed analysis of any technical activities undertaken under Components 2 or 3

¹⁵ TIRSP Evaluation Report, November 23, 2010, page 10.



team to accomplish during project implementation – the evaluation team provides no examples to support its point. In fact, in very few areas does the report delve into any particular technical area in a way that demonstrates understanding and appreciation for the efforts undertaken by and the work product produced by TIRSP, all documented extensively for the evaluation team but apparently not considered in the preparation of the evaluation. Where the report does reference technical activities, it is unfortunately fraught with factual inaccuracies and with broad statements concerning complex technical areas.¹⁶ This lack of evaluative and analytical discipline casts serious doubt over the value of the entire evaluation.

* * * * *

We respectfully disagree with the overall tone and conclusion of the TIRSP final evaluation. We believe that it unfairly and inaccurately compares Chemonics’ technical implementation to a project design and contract deliverables that do not exist and to which USAID and Chemonics were not contractually bound. We also regret that the evaluation team failed to take the opportunity to extensively analyze and comment on the great body of technical and expert work generated by TIRSP over three years of implementation, as well as the team’s failure to critically and accurately assess the impact of specific reforms pursued by the project. While we agree with some of the recommendations put forward by the evaluation team for future technical assistance to the GOAJ, we regret that these were included at the expense of furthering the true purpose of the evaluation’s scope of work – to determine USAID’s overall impact and Chemonics’ compliance with the terms of its contract.

¹⁶ See e.g. the team’s assertion concerning Component 3 that “[i]nterviews the weeks of September 20 and 27 revealed that *no thought* had been given, either by TIRSP or host government counterparts, to integrating cost-benefit or macroeconomic modeling to advance the causes of Component One and Two”, a statement which is completely erroneous. TIRSP Evaluation Report, November 23, 2010, page 12 (emphasis added).

PREFACE

This is the Evaluation Report of the USAID Trade and Investment Reform Support Program (called “TIRSP” or the “project”), managed by contractor Chemonics, Inc. of Washington, DC, covering the period August, 2007 through September, 2010. The Evaluation Team working for SEGURA IP3 Partners LLC of Bethesda, Maryland, consisted of Gary Kelly, Team Leader and Trade Specialist, and two local specialists: Elgar Alekperov, legal specialist and Mehriban Yusifova, economic specialist. The mission encompassed the period from September 13, 2010-October 29, 2010 inclusive. September 13-14 concerned the perspectives of Contractor Chemonics’ Home Office and USAID in Washington. The rest of the meetings were in Baku, Azerbaijan at the TIRSP Field Office and at the offices of various counterparts.

ACKNOWLEDGEMENTS

The Evaluation Team expresses its thanks to the many colleagues in Baku and in Washington, DC and its environs who facilitated the Evaluation. This includes USAID, contractor Chemonics, related subcontractors, and TIRSP itself, all of who were responsive in providing documents, explanations, and willingness to meet. This collaboration is broadly reflected in Appendices 1 and 2, setting forth meetings and a bibliography respectively. More broadly, our thanks extend to all colleagues in Azerbaijan, both in government and the private sector, who had association with TIRSP and shared their experiences, often on quite short notice and in peer review audiences with colleagues that they did not know well. The Evaluation Team realizes that this Evaluation took place as the challenging TIRSP effort came to a close on September 29, 2010, which makes us doubly grateful for the excellent cooperation.

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EXECUTIVE SUMMARY

This Evaluation is of the Trade and Investment Reform Support Program in Azerbaijan (TIRSP), a USAID-sponsored initiative managed by contractor Chemonics, Inc. The Evaluation Team commends all three components of the TIRSP initiative. Component One revived Azerbaijan's path to accession to the World Trade Organization (WTO). Component Two responded to the Azerbaijani business community, advising on the many areas of trade and investment policy and law. Component Three educated Azerbaijanis in and outside public service with timely advice on cost-benefit analysis and macroeconomic modeling.

The quality of the work reviewed by the Evaluation Team ranged from solid and competent to superb. Local counterparts largely agree. Yet TIRSP as a whole is somehow less than the sum of its parts.

The issue is one of design and implementation: TIRSP was greatly, if not nearly entirely, task-oriented, both in design and implementation:

As designed, TIRSP conceived WTO accession and trade and investment as separate, yet related, endeavors.

As implemented, Component One featured many initiatives aimed at conformity to WTO guidelines. This task orientation was transferred to Component Two and was further perpetuated by the many areas covered by the theme of trade and investment.

The Evaluation Team finds that this task orientation came at the cost of policy. To be clear, "policy" is defined as an idea or related aids formulated by government to advance a public purpose—in this case, trade and investment reform moving to market liberalization. Laws, regulations, and statements of government intention may all reflect policy. Policies should also come with a "policy narrative," a broad-based message expressed in ordinary language and directed at the public and across government offices, in order to explain why a given policy is relevant and beneficial to the public. "Policy objectives" are specific anticipated goals or achievements resulting from the execution of a policy.

In the case of TIRSP, the Evaluation Team finds that task-orientation created the following deficiencies:

- Absence of a clear policy narrative as to why various tasks undertaken through TIRSP would benefit the Azerbaijani economy; and thus
- Inadequate explanation of the importance of tasks, leading to a number of initiatives on law, regulation and policy that could not be completed successfully.

The nature of the problem lies in project design and project implementation, both executed by TIRSP executives and USAID personnel at strategic and operational levels.

An elaboration based on three criteria is as follows:

Impact – Component One largely achieved success with regard to Azerbaijani laws and regulations in such key areas as standards and intellectual property, to ensure conformity to

WTO standards. Component One also revived Working Party discussions preliminary to WTO accession. However, both successes were from a WTO, Geneva-based perspective. Component One has not matched these Geneva successes with reforms in Baku at the executive government level. Component Two reports impact chiefly in such technical areas as economic forecasting and property registration, while failing to deliver impact in its core area: legal and regulatory reform, a fact admitted by TIRSP. Attempts at legislation reform at a parliamentary level in bankruptcy, leasing, and competition policy have all languished to varying degrees. Component Three has had some impact in educating Azerbaijani specialists in the fundamentals of cost-benefit analysis and macroeconomic modeling. However, this success has been at preliminary theoretical level and has yet to register in a practical way, either at critical centers of policy analysis within the Azerbaijani government, or consistently at a ministerial level.

Sustainability – To discuss sustainability, the Evaluation Team concentrated on the relationship between the WTO accession component and trade and investment reform. TIRSP dispersed the efforts linking both. The WTO accession effort did not contribute to general trade and investment reform, nor did the trade and investment component assist the WTO accession effort. Component Three, concerning cost-benefit analysis and macroeconomic modeling, offers wonderful potential to assist the sustainability of WTO accession and trade and investment reform; however, the work remained at introductory, theoretical level. Ingredients necessary for sustainability that were absent in TIRSP are the following:

- A policy-level analysis for trade and investment reform and WTO accession, taking into account the particulars of Azerbaijan;
- Use of Azerbaijani economists and other local specialists to develop the analysis; and
- Delivery of the analysis in consistent fashion at the highest level of the government.

A refined policy analysis will provide justification for the necessary tasks, while discarding others.

Project Deliverables --TIRSP deliverables displayed little cohesion from one component to another. Most deliverables fit into one of three categories: (1) knowledge-enhancing: those related to training, workshops, demonstrations, etc., primarily part of Components One and Three, along with revenue forecasting work in Component Two; (2) policy-making/conforming: deliverables related to advising on formal steps to conform to international standards, through laws and regulations, largely in the WTO compliance arena; and (3) policy-making/prescriptive: those related to many Component Two deliverables, items less tied to international standards and more to implementation of domestic market-oriented reforms (e.g. leasing, bankruptcy, investor rights, etc.). Generally, categories (1)-(2) were a TIRSP strength, while category (3) was a definite weakness. A key aim ought to be a project that builds on the strengths of (1)-(2), in order to assist the prescriptive deliverables, largely in Component Two, in category (3). The Evaluation Team did not particularly find TIRSP/Chemonics thinking in this direction.

New project design and implementation should have the following five features:

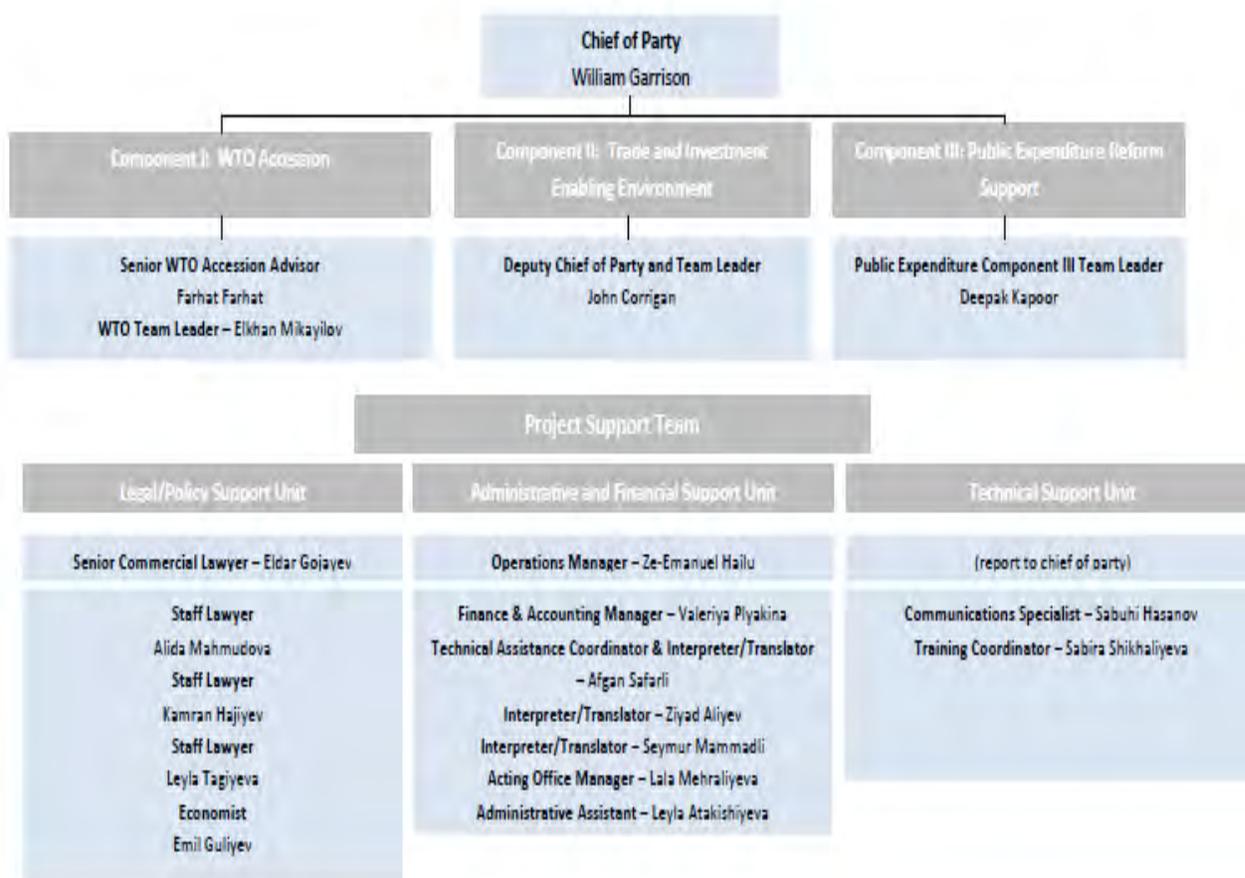
1. Effective government reform on trade and investment should be developed from a policy analysis based on facts and statistics that represent local realities, including patterns of import and export, consumption and investment, as well as other factors such as the role of foreign investment and sector growth.

2. A good relationship between the Administration of the President and the partner project is necessary. Both will cooperate to develop the trade and investment policy analysis. This should include WTO and non-WTO components.
3. Mutual reinforcement of WTO and non-WTO components as explained through the overall trade and investment policy message from 1 above.
4. Careful execution of tasks and implementation of a monitoring system to assure conformity to trade and investment policy objectives and final impact.
5. Critical evaluation of proposed task initiatives to ensure that they advance the overall policy narrative.

Neither TIRSP itself, nor key host government counterparts, associate any of these five elements with the project. Future projects would benefit from these five features.

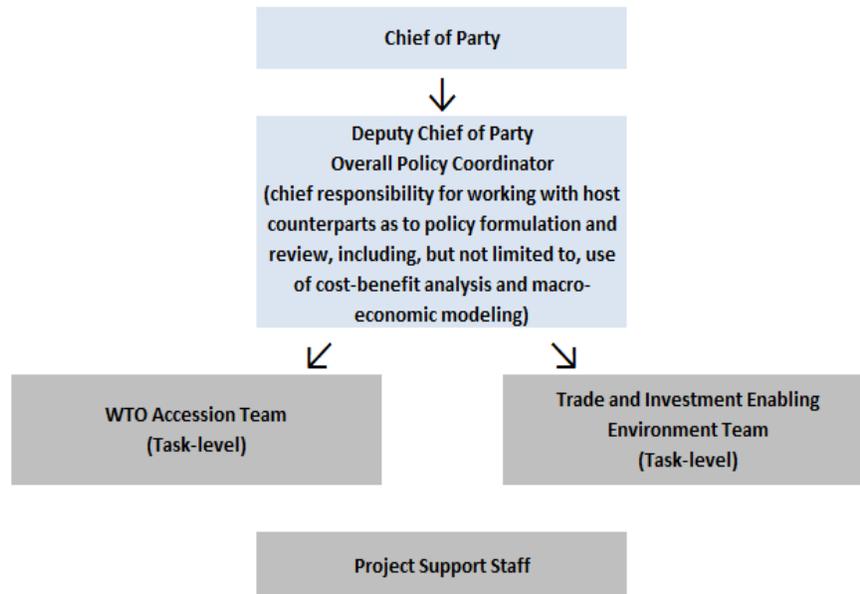
The chart below contrasts TIRSP with the new project design and implementation set forth in this Evaluation Report.

PROJECT'S ORGANIZATIONAL CHART



Source: "TIRSP Organizational Chart September 2010.pdf"

PROPOSED ORGANIZATIONAL CHART



The good news about this Evaluation is that the design and implementation shortfalls of TIRSP are correctable. A project dedicated to WTO accession and trade and investment reform is absolutely possible and can be easily implemented **if** the policy orientation directs the performance of tasks in the manner shown above. This preserves the best of TIRSP—task execution—while also putting it in a larger policy context to justify initiatives for the Azerbaijani national good.

Since making recommendations on an isolated component-by-component basis would only replicate the problems of TIRSP, the Findings, Conclusions and Recommendations expressed in this Evaluation Report aim at integration via a local policy narrative, expressed by local professionals. This is elaborated upon in the body of this report.

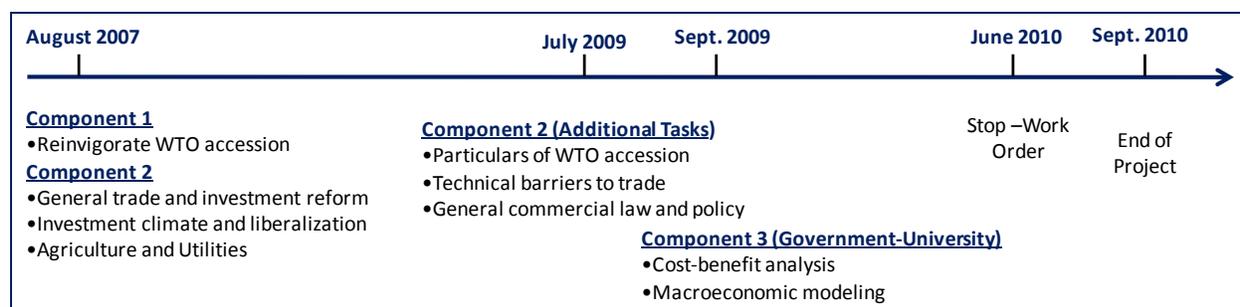
INTRODUCTION

Background of and Rationale for Evaluation

Some donor projects work with host governments to effect reform in a new area. TIRSP, a USAID supported initiative beginning in August, 2007, did not. As originally conceived, it was designed to reinvigorate the WTO accession of Azerbaijan, a process that commenced for Azerbaijan in the late 1990s. WTO accession constituted TIRSP's Component One and exhausted very significant Levels of Effort from TIRSP staff. Additionally, TIRSP was conceived for a Component Two, that of general trade and investment reform.

A profile of TIRSP activity is as follows:

TIRSP TIMELINE



The diagram above suggests that aspects of the three TIRSP components could be complementary. However, TIRSP's contractual and administrative profile tells a different story, revealing a project composed of disparate elements:

- Component One on WTO accession efforts were justified from a Geneva rather than local perspective.
- Component Two contractual profile were inconsistent: (1) at times, the contract covered specific industry engagement and assistance (for example, agriculture, utilities), at other times not; (2) at times, the contract provided assistance on general market reform, while at other times emphasizing specific aspects of reform (such as increased foreign investment) and (3) at times the project suggested specific overlap with the WTO accession effort, at other times not.
- Component Three, in contrast to the other components, has to date operated largely at a theoretical level (e.g., commendable efforts in Azerbaijan at the university level by specialists from the Duke Center for International Development; efforts to educate employees of sector Project Implementation Units covering water).

As implemented, each of the components developed its own character, as captured by the following chart:

TABLE I. TIRSP COMPONENTS

TIRSP COMPONENT	POLITICAL VIABILITY	PATH TO VIABILITY	IMPLEMENTATION	SUSTAINABILITY
Component One: (WTO Accession)	Easy to evaluate (i.e. presidential decree)	Transparent, structured according to WTO processes	Structured – i.e. post- WTO accession monitoring	Equilibrium sustained by trade relations
Component Two: (Trade & Investment Enabling Environment)	Difficult to evaluate; diffuse efforts across several areas of government	Complicated, relationship between effort and result difficult to establish	Dependent on subject area	Dependent on political climate at implementing regulatory level
Component Three: (Public Expenditure and Investment Environment)	Mid-level ministerial approval, involvement	Moderate difficulty; adaptation to new technical process	Curriculum level	Dependent on transferability of knowledge base

Interviews and meetings confirm the profiles above. The task orientation of TIRSP was both the cause and the result of these four divergent profiles.

A Note on Archiving and TIRSP Self-Image: The Evaluation Team found that TIRSP's archival practices reinforced its task orientation. At an institutional and operational level, TIRSP tasks were largely reflected in its quarterly reports. But technical work product, which should convey the local policy analysis, seems to have received far less attention from TIRSP. Too often, the Evaluation Team found TIRSP technical documents: (i) without attribution as to component; (ii) without attribution as to specialist; (iii) without attribution as to central technical document (i.e., attachments that were empty or not directly referencing the core specialist document); (iv) without attribution in project sequence and frequently labeled as a “draft”; and (v) without proper policy preface. As the discussion below will support, (v) is part of a much larger problem. Lack of access to documents that offer good content diminishes product value.

Methodology

The closing of TIRSP on September 29, 2010 and the complexity and length of TIRSP posed challenges for the Evaluation Team. Most personnel involved in the project since 2007 left long ago, and there were no short-term expatriates at TIRSP during the Evaluation. End users of TIRSP products were the most interviewed but, in many cases, they ended active dealings with the project some time ago. Establishing a link between documents and conclusive performance was also complicated. The Evaluation Team developed a methodology:

- to address the challenges noted above; and
- to avoid characterization of TIRSP, USAID and host counterpart efforts in an exaggerated fashion, either positive or negative

The Methodology is set forth in Appendix 1. Appendices 2 and 3 set forth meetings and events of the Evaluation Team and a bibliography respectively. In connection with the second purpose concerning perceptions of project activity and reactions to it, the Evaluation Team urges particular attention to those aspects of Methodology as to verification and TIRSP self-evaluation.

FINDINGS

Overall Contract Compliance

Overall Impact Finding (Finding #1): The Evaluation Team finds that the tasks executed by TIRSP did not result in substantive reform and change within the Government of Azerbaijan.

Finding #2: The Evaluation Team finds that contract performance was uneven over the life of TIRSP, largely due to the implicit agreement between USAID and TIRSP on proceeding with a trial and error technique for the selection of areas of work and tasks.

Finding #3: The Evaluation Team finds the following pattern present in both contract format and execution between the periods: (1) August, 2007-October, 2009: limited thematic policy discipline in Component One and Two tasks; (2) November, 2009-June, 2010: tasks executed with minimal attention to overall policy impacts; and (3) July, 2010-present – minimal attention to policy impacts attributable to the task-driven exercise of scaling back on TIRSP activities.

Explanation as to Findings: USAID emphasized in meetings held in Baku in September that contract compliance by Chemonics and its subcontractors is a central consideration in viewing the Evaluation. Because contract compliance is not so central to every evaluation of a USAID project, the Evaluation Team references the remarks set forth in Appendix 5 of this Evaluation Report.

The Evaluation Team generally found Chemonics/TIRSP inclined to define “success” as the successful completion of a given task, whether in oral or written presentations. This is true to TIRSP design and implementation, which from the outset featured a number of endeavors perhaps most practically viewed at task level¹.

The design for contract compliance appears uneven across components, thus fostering an incremental trial and error approach as well as a focus on compliance on paper rather than attention to implementation. A summary is as follows:

Original Task Order Contract (August, 2007-September, 2009) – This document requires much effort as to TIRSP Components One and Two. Several activities, like the development of position papers and a review of the WTO accession process, fuel the Azerbaijani WTO accession initiative. The contract also gives TIRSP the latitude to act in key areas, such as those related to customs/trade and tariffs. As to Component Two, the contract not only requires activity on a number of fronts, it also sets up a disproportionate number of subjective standards for a given task to be deemed complete. Examples include the need for “streamlined” business registration and for “transparent and technically rigorous” standards in the area of competition policy.

Modification 6 to the Original Task Order (September, 2009) – In general, this document resumes the pattern of the original 2007 contract, setting forth more objective requirements regarding Component One on WTO accession, while Component Two requirements typically contain subjective standards open to interpretation. Language for this component tends to be broad, calling for “full and effective enforcement of liberalized trade and distribution channels ...” Whole aspects of Component Two from the original contract seem to have been eliminated,

¹ See Original Task Order Contract, August, 2007.

most prominently those related to utility sector reform and mediation as a vehicle for investor protection.

Stop Work Order (from Regional Contracting Officer John Lord to Chemonics TIRSP Director Jennifer Lewis, dated June 14, 2010) – This document shows an across-the-board cutting from Components One, Two, and Three, however, interviews at TIRSP the week of September 20 suggest that the impact was disproportionately severe upon Component Two. An analysis of the stop order suggests the reason to be that several Component Two activities, such as bankruptcy law, and competition, had been targets from the inception of TIRSP, with limited success to date. There is reason to question progress, even in the intermediate term.² Also, USAID language in the stop order suggests the contingent nature of Component Two; Several Component Two initiatives were proposed for elimination contingent on lack of government interest.

Interviews and meetings within TIRSP the week of September 20 suggested that there is a variety of opinions among top executives at TIRSP as to which documents define the contractual obligations of Chemonics and its subcontractors. There are also differences of opinion as to the practical value of documents that are not contractual but elaborative and operational, in setting forth a common understanding between Chemonics/TIRSP and USAID, including Work Plans.

The above factors lead to appreciable contract compliance risk as **Conclusions** and **Recommendations**, along with explanations, will indicate below.

Component One: WTO Accession

Overall Impact Finding (Finding #4): TIRSP has performed exceptionally well in advancing the WTO accession effort of Azerbaijan, from the standpoint of conformity to Geneva-based institutional requirements, but this success has been limited domestically in Azerbaijan, where implementing reform is moderate and uneven.

Finding #5: The Evaluation Team finds no evidence that the Azerbaijani WTO accession effort enjoys sustained and uniform support across executive offices of government, thus raising questions as to support from the highest levels of government.

Explanation for Findings: Common to both findings is a lack of commitment by the Government of Azerbaijan to the WTO accession exercise. Interviews and meetings within TIRSP the weeks of September 20, 27 and October 4 suggest that Azerbaijani accession will not come in the short term, and may not in the intermediate term. Even seasoned local WTO specialists tend to avoid a specific accession date, or even a time frame, instead focusing on the fact that the accession process has at least begun. The reason most often given is an absence of political will at highest levels of the government.

All but one Azerbaijani interviewed linked the lagging WTO accession effort to one factor: the implications of WTO in advancing transparency measured against a current Azerbaijani

² USAID has noted that a draft competition code has reached scrutiny at level of Parliament. This may be encouraging. However, the circuitous route travelled by this reform over the years, encompassing multiple donor efforts and addresses of government, should qualify optimism. As part of a recent monitoring and evaluation exercise, Chemonics/TIRSP summarized the status of this matter as “No progress.” Chemonics Monitoring and Evaluation Document, Annex B Legislative Status.

economy that lacks transparency³. Interestingly, a leading TIRSP specialist in WTO accession, who has recently acknowledged Azerbaijani progress in Working Party sessions, nonetheless raised the transparency issue as well. The specialist places the transparency problem in Azerbaijan as on par with the least progressive of former Soviet countries.

In execution, Component One generated much activity. A rough classification of Component One impact would be:

- (i) international representational aspects of WTO accession (Working Party level);
- (ii) compliance with technical WTO formalities (annexes, etc.);
- (iii) legal reform pointed at compliance with formal WTO standards;
- (iv) success in public outreach, through mobilizing civic receptiveness to WTO accession (e.g., through increasing support by business groups and non-governmental organizations for accession, or accelerated public discussion of the importance of tariff or intellectual property reform)

All four areas are critically important to an accession effort. Yet, all four have one thing in common: none addresses high-level government commitment to it⁴. While some TIRSP efforts in the above categories have been impressive, there is some question as to the level of government commitment at the executive level. A recent monitoring exercise at TIRSP shows action on several initiatives, yet absence of closure at executive level in such key areas as customs and certification, despite TIRSP assistance beginning as early as 2008-09. (Chemonics Monitoring and Evaluation Document, Annex B Legislative Status.)

Component Two: Trade and Investment Enabling Environment

Overall Impact Finding (Finding #6): The Evaluation Team finds efforts in the trade and investment initiative to be focused on a broad array of subjects at the parliamentary level, with insufficient attention to impact at executive level.

Finding #7: The Evaluation Team finds a lack of coordination within both TIRSP and at host counterpart level as to implementation and impact.

Explanations for Findings: A review of the contract vehicles and explanations at the operational level, such as Work Plans, suggests that the drafting of new laws and significant amendments to existing ones represented the bulk of assistance under Component Two⁵. Yet, in interviews during the week of September 20, TIRSP executives handling Component Two said that it was not significantly responsible for a single major parliamentary reform. At the same time, in interviews and meetings the weeks of September 20, 27, and October 4, host counterparts in government and the private sector praised Component Two for its technical acumen and knowledge of the local scene.

³ This contrasts with the many reasons one might give for WTO accession, The Foundations of the World Trade Organization, 4.

⁴ See TIRSP Draft Year Two and Three Work Plans.

⁵ See e.g., Component Two Activities Chart, Draft Work Plan for Year Three.

In one meeting, a counterpart expressed high satisfaction with one aspect of the Component Two effort related to the production of documents for agency use. The interviewee remembered USAID but could not recollect “TIRSP.” Nor did the interviewee describe any policy level outputs tied to the documents. Most significantly, the counterpart did not elaborate on the impact of the interviewee’s business. Additional interviews during the week of September 27 confirmed the impression of a decoupling between TIRSP product and TIRSP as the assistance vehicle. Missing was an association of TIRSP with a large national policy message that would have given TIRSP an indelible profile.

Other aspects of the Evaluation confirm this conclusion. As part of the Chemonics/TIRSP self-evaluation described in Appendix 1 and included in Appendix 4, the Evaluation Team reviewed significant portions of Component Two legal reform in the areas of procurement, competition, phytosanitary standards and corporate law—areas that represent a significant level of effort between 2009 and 2010. The Evaluation Team notes:

- Sophisticated analysis in legal text
- Reasonable attention to investor and market friendly dimensions in legal text
- Little to no attention to working with a host counterpart to develop concrete implementation following adoption of a proposed reform legal text, even, in most cases, as to the legal tasks of implementing regulations
- General absence of written explanation of the policy grounds and consequences of reform, as a matter of economic and administrative policy
- Inconsistent following of procedures to determine host counterpart reaction, use and implementation (e.g., meetings subsequent to presentation of technical product to determine use and next steps)
- Absence of flexibility and perhaps imagination concerning attainment of needed legal reforms

Many of the above characteristics evidence a lack of attention to implementation at the executive level. This is important, since such attention could have led to significant legal reform, through the use of executive legal authority rather than parliamentary legislation. TIRSP never acknowledged this possibility and USAID seems to express skepticism as to its effectiveness. Yet, executive legal authority, be it through presidential decrees or similar action by the Cabinet of Ministers or ministries, is sanctioned by the Azerbaijani law on normative acts and can be quite effective. Reform at a parliamentary legislative level can certainly confer legitimacy on an effort. But when legal reform efforts languish at this level, executive legal authority offers the following advantages:

- Speed – Typically, there are fewer procedural steps to the promulgation of executive legal authority.
- Flexibility – Executive legal authority can be ambitious at the presidential level, or modest through internal instructions binding simply a ministry.

- Emphasis on implementation – In contrast to parliamentary legislation, executive legal authority addresses implementation issues, since the executive bodies are the implementers.
- Adaptability – It is much easier to amend executive legal authority than parliamentary legislation.
- Accuracy in assessing commitment – Since executive legal authority deals directly with questions of enforcement and implementation, it more accurately reflects the true commitment of the government to an initiative.

The task level emphasis on parliamentary initiatives has left far too many initiatives stranded⁶. In contrast, emphasizing policy would have exploited many of the critical advantages described above to secure policy-level reform via the executive branch of government. Most especially, it would have put the emphasis on implementation, ascertaining the seriousness of government commitment to a given area.

Appendix 6 summarizes the results of a selective audit of TIRSP legal reform activity.

Further analysis on these points follows *infra*.

A broader focus on policy and less focus on legislative text can yield a better perspective as to reform possibilities. The box below illustrates how a Channel for Impact might be developed in the area of competition law and policy, despite absence of legal reform in the area.

Channels to Impact (Competition)

Despite political complications with the enforcement of every aspect of a competition law, the following indicators might signal practical progress in this area:

- Limited regulatory oversight of inefficient and failing state factories and monopolies.
- Greater public access for consumer complaints – cases of dumping, egregious producer violations as to medicine and staples.
- “Crack down” on firms involved in restricting market access for international firms that provide popular goods and services.
- Expanded civic access to consumer protection measures.

Component Three: Public Expenditure and Investment Environment

Overall Impact Finding (Finding #8): The Evaluation Team finds that instruction in cost-benefit analysis and macroeconomic modeling succeeded in generating interest at a very basic and theoretical level.

Finding #9: The Evaluation Team finds that cost-benefit analysis and macroeconomic modeling were not sufficiently integrated into other TIRSP components relative to WTO accession and general trade and investment reform in a way that could lead to their practical employment to advance a specific economic reform agenda.

Explanation for Findings: Evaluation Team meetings and interviews, most notably the roundtable on September 28, reveal that products developed in cost-benefit analysis and macroeconomic modeling consisted of general presentations aimed at eliciting interest and skill-building at an elementary level. For example:

⁶ Chemonics Monitoring and Evaluation Document, Annex B Legislative Status.

- The cost-benefit program advertises as its main deliverable a Power Point presentation.
- Potential end users at the Institute for Scientific Research in Economic Reforms under the Ministry of Economic Development see in the macroeconomic modeling exercise a “general equilibrium model.”
- A field visit by the Evaluation Team to the Institute the week of September 27 included a visual presentation of the modeling training in software. By the admission of Institute specialists, it was simply a listing of information, with no analytical work connecting the listed items.

All of the above characteristics demonstrate that both modeling and cost-benefit analysis are in very preliminary stages. Interviews the weeks of September 20 and 27 revealed that no thought had been given, either by TIRSP or host government counterparts, to integrating cost-benefit or macroeconomic modeling to advance the causes of Components One and Two, WTO accession and broader trade and investment reform.

CONCLUSIONS

Overall Contract Compliance

Conclusion: While an overall project audit may raise technical questions as to aspects of TIRSP, assessments of contract compliance should go beyond the language of contracts between USAID and Chemonics/TIRSP and analyze the established pattern of communication between USAID, contractor Chemonics and TIRSP and patterns of conduct in dealing with each other.

Explanation for Conclusion: The Evaluation Team was unable to find substantive economic policy statements supporting Component Two initiatives. The same was largely true for Component One. Interviews and meetings with USAID and TIRSP during the weeks of September 20 and 27 suggest that both parties engaged in a process of trial and error, rather than justifying reforms at policy level. In contrast, representatives from both the legislative and executive branches indicated that economic policy work would have been much welcomed.

This trial and error approach makes it imperative to analyze contract compliance with regard to patterns of communication between Chemonics/TIRSP and USAID, or “course of dealing.”

An analysis of the contract documents to support **Findings #1-#2** suggests two simultaneous trends:

- The elimination of tasks that Chemonics and TIRSP might be expected to perform. Interviews and meetings the weeks of September 20 and 27 suggest that this was the intent of the parties.
- A decline in the discipline of pairing policy to tasks. The Draft Work Plan for Year Three has minimal policy content, consisting of charts and checklists, with little logical analysis. Modification No. 6 to the Original Task Order refers to “uncertainty” in the macroeconomic environment. Yet, this Modification draws the rather unsupported conclusion that foreign and domestic investment in the non-oil sector may increase with a more transparent legal and regulatory environment.

The lack of a precise economic policy to provide guidance in assisting the government of Azerbaijan produced a disparate approach to selecting reform opportunities, particularly under Component Two.

Component One: WTO Accession

Conclusion: The Evaluation Team concludes that a central coordinator within the Government of Azerbaijan must provide active, daily leadership at the highest level. This is indispensable in order to move WTO accession forward and to realize the full potential of TIRSP Component One technical effort.

Explanation for Conclusion: Interviews and meetings between the Evaluation Team and key WTO host counterparts within the Government of Azerbaijan yielded the following description of TIRSP endeavors in Component One:

- (1) Component One delivered fine technical work whose impact was primarily internal and systemic, satisfying Geneva requirements but contributing little to the creation of a local initiative for WTO accession to be led by the government of Azerbaijan;
- (2) Component One seems to have been directed at specialists and department heads within host counterparts, rather than deputy ministers, who showed very limited knowledge of TIRSP profile and objectives; and
- (3) Response to Component One work was narrow, with a focus on “what my office has to do,” rather than viewing agency or ministry efforts as a part of a large national challenge.

These three characteristics reflect a view that the WTO accession process has little momentum within the day-to-day operations of government, while also suggesting the use of TIRSP to demonstrate paper compliance with key WTO directives.

Azerbaijan operates on a “top down” political model. Therefore, a “top down” response is needed from the Government of Azerbaijan to reinvigorate the accession process. The reengagement of the Government of Azerbaijan at highest level should promote sustainability by advancing two desirable developments:

- (i) *More local input and context for TIRSP deliverables.* Generally, the Evaluation Team found all work products to be lacking an economic and social justification taking account of local realities. Some of this kind of analysis was found in Component One, but not enough. Analysis of the situation in Azerbaijan would have benefitted from more preliminary work considering the local landscape⁷. High level government officials involved in this initiative must insist on such analysis.
- (ii) *Greater policy cohesion and commitment to WTO accession among government counterparts.* According to Chemonics and the TIRSP self-evaluation, a key WTO accession constituency, the Customs Committee, “enthusiastically embraced” reform in the area of post-clearance audits. Meanwhile, assistance on border enforcements—involving products protected as intellectual property—was “resisted to the point that USAID removed it from the project’s SOW”⁸. Strong, disciplined leadership from the top can insist on WTO policy conformity, or at least advise as to the true nature of a complication and how it might be overcome.

Based on the **Conclusion** above, the Evaluation Team believes that a significant initiative connecting local realities to the international importance of WTO accession is needed.

Recommendations #2-#3 below will provide the basis for the needed renewal in commitment.

Component Two: Trade and Investment Enabling Environment

Conclusion: The Evaluation Team concludes that the same top-level government leader identified to serve as central coordinator for WTO accession for Azerbaijan must also assume full executive control of a broader trade and investment portfolio for market liberalization. In

⁷ See e.g. Nemeroff, Prioritized Codex Harmonized Plan SPS/TBT, 2-4; see also Mokhtari, Macroeconomic Modeling Memo (Component Three pre-training assessment of local capabilities).

⁸ Chemonics Response to Question #10.

response, a serious change must occur in a parallel USAID project, a change that matches the Government of Azerbaijan's commitment to high-level dialogue about policy.

Explanation for Conclusion: In reviewing the Draft Work Plan for Year One, USAID representative Paul Davis wrote of the Component Two presentation in the general trade and investment area as follows: “We clearly can’t do everything, but we can do an effective job of prioritizing reform actions and defining the outcomes we are pursuing than is done now ...”⁹

This advice was not taken. Instead, interviews and meetings with USAID and TIRSP confirm the following characteristics of Component Two:

- emphasis on satisfying narrow host counterpart preferences, rather than a thematic approach linking Component Two tasks;
- accumulation of Component Two initiatives at task level with no precise policy justification; and
- limited consultation with host counterparts regarding the results of Component Two efforts, particularly as respects implementation in executive bodies of government (thus precluding, for example, resort to executive legal authority to effect TIRSP goals— see explanation above)

The result has been very limited effectiveness in the area of legislative and regulatory reform—the core purpose for Component Two. When invited to promote Component Two impact on core legal and regulatory reform, TIRSP executives can only say that a draft has moved forward or succeeded in raising consciousness¹⁰. In another self-evaluation exercise, Chemonics corroborates this trend, limiting discussion of Component Two achievement to revenue forecasting and efforts in land registration¹¹. These efforts are important, but they do not liberalize the Azerbaijani economy.

High level involvement by the Government of Azerbaijan will ensure both policy focus and attention to impact. The chart below offers a contrast between the TIRSP procedures and those recommended in this Evaluation Report. The example is in terms of competition policy:

TABLE 2. TIRSP APPROACH AND RECOMMENDATIONS

CHANNELS TO IMPACT	TIRSP TASK LEVEL APPROACH	RECOMMENDED POLICY APPROACHES
Focus	Draft law on competition	Identification of beneficial impacts from competition on consumers, market entry, prices, etc.
Key Deliverable	Draft law or comments on current law via amendment	Development of local policy papers on beneficial efforts of competition on key Azerbaijani markets
Impact	Parliamentary maneuvering and delay	Several options: changes to parliamentary law, or executive regulation or NGO consumer union protocol or statement

A broader policy-based approach permits more options for implementation.

⁹ Davis, Comments on TIRSP Draft Year One Work Plan, 2008.

¹⁰ Garrison, Significant Activities TIRSP Components, 10-19.

¹¹ Chemonics/TIRSP, Response to Question #5.

Component Three: Public Expenditure and Investment Environment

Conclusion: The Evaluation Team concludes that USAID and the Government of Azerbaijan have an opportunity to make widespread use of cost-benefit analysis and economic modeling, as neither are owned politically or administratively by a particular party in government. Now is the time for USAID and the Government of Azerbaijan to introduce such tools through an exchange, whereby: (1) technical assistance would be extended by USAID; and (2) in return, the Government of Azerbaijan would ensure that these tools are used to advance WTO accession and significant trade and investment reform by making them a part of government administration and decision-making.

Explanation for Conclusion: Interviews and meetings during the weeks of September 20 and 27, and especially during the roundtable of September 28, indicate that there is currently no large intellectual investment in either macroeconomic modeling or cost-benefit analysis within a line ministry or a policy-making body. The most enthusiasm for either exercise came from the Institute for Scientific Research in Economic Reforms, which is not a policy-making body. Interviews and meetings also revealed little evidence that the substantive contents of presentations extended beyond the department level; the enthusiasm of the Institute was based more on projection than on practical adaptation. Accordingly, the technical trainer in macroeconomic modeling concluded by making recommendations on a functional rather than content related policy basis, emphasizing the importance of continued training and even scholarly endeavor in the area¹².

This **Conclusion**, in contrast, emphasizes practical policy value.

There is an important opportunity to use cost-benefit analysis and modeling to advance a policy for market liberalization. Decree of the President No. 239 leads the way in providing that state and local bodies who apply for public investment should submit feasibility studies as a condition to receiving funding from the budget.

Key elements of the exchange are set forth in **Recommendations # 4-# 5**.

¹² Mokhtari, Memo on Macroeconomic Modeling, 3.

RECOMMENDATIONS

Rather than list gaps and lessons learned separately, the Evaluation Team will link them to **Recommendations**, to underline the challenge, and a solution that can go some way to resolving it.

Overall Contract Compliance

Gap: Policy is a key contract compliance tool. The most significant gap as to TIRSP contract compliance is between policy and task, with far too much implementation of tasks and far too little regard for policy. Well-developed policy justifies tasks performed and ensures implementation. It also disciplines task-level performance, determining what is best initiated, and what is best not attempted.

Recommendation #1: The Evaluation Team recommends that analysis of contract compliance by TIRSP examine patterns of communication and interaction between Chemonics/TIRSP and USAID in performing under the contract, or “course of dealing.” In so doing, the Evaluation Team recommends that USAID employ the following principles:

- i) In the event that a course of dealing between USAID and TIRSP suggests that action on a given task fits within the general mandate of the three project components—and TIRSP commences execution on this collaborative decision—TIRSP is obligated to bring the activity to a reasonable and significant conclusion, as determined by **overall TIRSP policy objectives**.
- ii) What constitutes a “reasonable and significant conclusion” depends on the particulars of a given activity or tasks mandated by contract. Full performance, substantial performance, or best efforts under the circumstances may each be an appropriate standard under which to judge TIRSP.
- iii) Caution should be taken in using the more relaxed best efforts standard, for it implies that not only did TIRSP exert significant energy in an effort that fell short of full or substantial performance, but that no other avenue might have been pursued given **overall TIRSP policy objectives**.
- iv) Once TIRSP makes an effort to satisfy a contract requirement, monitoring of contract performance in fulfillment of **overall TIRSP policy objectives** rests first and foremost with TIRSP, particularly when it comes to analyzing probabilities and opportunities for implementation by host counterparts.

Explanation for Recommendation: In interviews and meetings, USAID reports relative satisfaction with Component One performance, while questioning Component Two. This is because the highly structured and institutionalized nature of the WTO accession process links tasks to a reform effort; this is not the case in the Trade and Investment endeavor of Component Two. It is essential that a precise policy objective, such as accelerated foreign investment or capital inflow, or the elimination of regionally imposed barriers to trade, guide appraisal of the many tasks in Component Two.

The Evaluation Team believes that Component Two policy objectives were insufficiently precise and permanent and has developed **Recommendations** to rectify the situation. Nonetheless, USAID and Chemonics should relate their course of dealing against these overall objectives.

As late as September, 2009, the mandate for Component Two was in the area of transparency to increase investment, mostly through legal reform in areas such as competition and corporate law. Yet, the same document later describes main Component Two activities as being more tied to sectors, in areas as varied as agriculture and capital markets¹³. Interviews and meetings during the week of September 20 with USAID and TIRSP confirm that both parties advanced a disparate approach of the sort outlined in the Explanation for the **Conclusion** as to Component Two above. Yet, a more cohesive pro-investment agenda can be articulated on behalf of the Azerbaijani economy¹⁴.

Recommendations for better integrating what had been the three components of TIRSP are set forth below.

Component One: WTO Accession

Lesson Learned: Implementation of WTO compliance standards domestically in Azerbaijan, and particularly in executive government offices, is equally if not more important than paper compliance with Geneva-based directives. It will reveal more about local commitment to the WTO effort.

Recommendation #2: The Evaluation Team recommends that USAID and the Government of Azerbaijan jointly undertake concrete steps to develop a local policy narrative for WTO accession and a broader trend toward investment reform, commencing with a USAID initiative including the United States Department of Commerce, the United States Trade and Development

Local Narratives to WTO Accession

- Georgia – National diplomatic initiative to avoid economic dependence on Russian trade orbit.
- Kyrgyz Republic – Accession success fits in with market liberalization by “new reformer” Akaev.
- Moldova – Reform fits country’s self-image as a corridor country in economic sense.
- Ukraine – Accession a byproduct of “Orange Revolution” and looking West.

Authority, the United States Trade Representative and similar constituencies, to execute a comparative analysis of “lessons learned” and success stories to date as to WTO accession efforts by the republics of the former Soviet Union. Such an initiative should be structured to: (1) develop a comprehensive “roadmap” outlining the practical complications of accession and how to deal with them; (2) enlist and elicit active, frank dialogue with the Government of Azerbaijan in reaction thereto; and (3) identify the best professionals from former Soviet countries in the many areas represented by of WTO accession to assist Azerbaijan in the WTO accession process.

Explanation for Recommendation: In describing WTO accession possibilities at the inception of TIRSP in 2007, the USAID knowledge of Azerbaijan was grounded in news clippings, not an understanding of local economic policy. On this basis, the goal of WTO accession for Azerbaijan

¹³ Compare Modification 6 to Original Task Order Contract, pages 3 and 6.

¹⁴ See Observations and Recommendations for Improving Azerbaijan’s Business Climate, American Chamber of Commerce in Azerbaijan, September, 2008.

by 2010¹⁵ was advanced. In meetings, Chemonics/TIRSP and local interviewees agreed on one thing: the importance of political will in carrying out reform and the WTO accession process¹⁶. The Evaluation Team believes, however, that political will cannot be secured in Geneva, or in dialogues with donor specialists.

Rather, the chart to the side shows the success stories in the former Soviet Union are the product of local initiatives, driven by local economic policy questions, and articulated by locals. A uniform explanation of trade liberalization, designed for all countries, has never sufficed. And it is unlikely to suffice for Azerbaijan.

This **Recommendation** is a first step toward a local initiative, intended to avoid the high-pressure, high-visibility environment that accompanies Working Party sessions. Interviews and meetings during the weeks of September 20, 27 and October 4 suggested that Azerbaijan needs a more relaxed forum in which to discuss challenges, particularly internal political consequences. Interaction will not be of the normal exchange of technical information among specialists. Rather, what is needed is an approach that acknowledges political challenges and confronts them with practical experiences by Azerbaijan's similarly situated neighbors. Collaboration with United States sources, for example, might culminate in a series of conferences that would:

- take place in capital cities of former Soviet republics
- engage high-level political leaders along with technicians
- foster “closed door” dialogues among participants for frank exchange
- emphasize incremental steps to WTO accession (for example, the success narratives of Georgia and the Kyrgyz Republic)
- eventually include society's end users of WTO—factory managers, government employees—in reorganized enforcement agencies, consumer groups, etc.
- downplay donor sponsorship by emphasizing local and practical experience.

Active advocacy of reform is crucial, no question. But so is facilitating local and regional dialogue. This reflects the new mode of approach by donor organizations worldwide, with the aim of fostering local initiative and responsibility. It starts not only with listening to locals, but also with encouraging their engagement of like-minded colleagues to share experiences. One might best think of the points above as an illustrative fusion of:

- the current USAID emphasis on local authenticity; and
- pragmatism, recognizing the challenges posed by market liberalization in former Soviet countries.

Considering this fusion, the Evaluation Team encourages further creativity, not a rejection based on worn stereotypes and labels.

Interviews and meetings during the weeks of September 20, 27 and October 4 underline the high value of working with WTO specialists from the former Soviet Union. Thanks largely to USAID and to WTO specialists in TIRSP, the former Soviet Union has produced a generation of regional

¹⁵ Original Task Order Contract, 8-9.

¹⁶ See Chemonics responses to Questions #6, #10.

specialists—Kyrgyz, Kazakh, Ukrainian—who can bring both knowledge and regional credibility. In meetings and interviews, Azerbaijani academics, career administrators, attorneys and other related professionals agreed—and USAID and other constituents of the United States government are in a good position to identify such experts.

Recommendation #3: The Evaluation Team recommends a concerted effort by USAID, the Government of Azerbaijan, and subsequent USAID sponsored projects, to prioritize the development of a local economic policy initiative for WTO accession, to be articulated by an influential and technically proficient economist in the Administration of the President, whose chief portfolio will be the WTO accession effort and liberalization in trade and investment policy. This economist will be supported by: (1) a broad-based pool of experts in the Azerbaijani Government, academy and private sector, largely cultivated by the use of USAID technical tools for economic and policy analysis; (2) specific USAID project work products providing sharp and specific economic analysis tailored to Azerbaijan; and (3) a revived commitment to WTO accession with a galvanizing energetic effort among WTO government constituencies to promote accession.

Explanation for Recommendation: TIRSP and Chemonics note: “Our experience on TIRSP has made it clear that simply providing technical advice and expertise on economic reform and trade will not alone provide the conditions for reform in Azerbaijan. Any future program must go deeper and must provide the building blocks for informed, capable, and sustained local reform and development.”¹⁷ The Evaluation Team agrees. A task-oriented approach to accession according to Geneva-based guidelines is insufficient. A local initiative, strongly supported by technical analysis, is precisely what TIRSP lacked.

According to one leading WTO expert in TIRSP, the failure to conduct local policy-level analysis, generated by locals, was a major deficiency in the WTO accession exercise. The TIRSP specialist indicated that the development of concrete products in the legislative and regulatory area should have been preceded by more preliminary policy level analysis and dissemination, targeting the particulars of Azerbaijan.

Recommendation #3 commences public outreach through the most important public address in the country: the Administration of the President. Meetings and interviews the weeks of September 20, 27 and October 4 suggest that high-level commitment can mobilize resources throughout the government (witness the recent success in the area of money-laundering). This places a premium on what the Executive Summary terms the local policy narrative, meaning a precise identification of the local factors that support WTO accession and trade liberalization. The importance of foreign investment, favorable balance of trade, and access to foreign markets may all be elements of the local policy narrative to varying degrees. But more policy-level analysis is needed to craft this narrative, secure local support, and then broadcast it to the public. Such an effort requires careful analysis of trade patterns, firm efficiencies, migration of work forces, comparative advantage, and more. The Evaluation Team's review of TIRSP's technical work product found that it was generally not based in policy-level justifications particular to Azerbaijan.

¹⁷ Chemonics, Response to Question #29.

The time is ripe for this high-level engagement with policy. Interviews the week of September 27 suggest that legal reforms nearly in place at national level will mandate policy level explanations of new laws and proposed legal changes. This **Recommendation** seeks a local, policy-based WTO accession initiative to capitalize on this momentum.

Finally, there can be no energetic initiative in the government of Azerbaijan without active command from the highest level. This **Recommendation** identifies the highest level as day-to-day monitoring and discipline imposed from the Administration of the President.

Component Two: Trade and Investment Enabling Environment

Gap: The gap between policy and task was particularly acute in Component Two of TIRSP. The gap produced diffuse tasks that were initiated but not completed in the legal and regulatory reform area. TIRSP executed the tasks without an Azerbaijani local policy narrative and without local enthusiasm for reform efforts.

Recommendation #4: The Evaluation Team recommends: (1) that the senior advisor of the Administration of the President referred to in **Recommendation #3** also assume responsibility for the broad national agenda for trade and investment policy; and (2) that USAID reciprocate with the creation of a central, locally staffed unit within a USAID trade and investment initiative, the emphasis of which will be on economic policy and the local narrative supporting market liberalization in trade and investment.

Explanation for Recommendation: This may be the single most important **Recommendation** of the Evaluation Report, as it most directly addresses the central issue of coordination and interrelation of Components One and Two. The Evaluation Team believes that these units can coexist, but they must be mutually reinforcing. A central, policy-oriented body within a USAID project will ensure this, along with a strong policy-level message at the local level, articulated by locals. This will complement the elevation of the policy-level message within the Government of Azerbaijan to the Administration of the President.

Interviews and meetings the weeks of September 20, 27 and October 4, along with a review of TIRSP work product, suggest that the task-driven character of TIRSP, especially that within Component One, has not benefitted Component Two, and may have actually hampered Component Two efforts. A comparison is as follows:

TIRSP as Designed and Implemented: Component One begins with high-energy output and energy in WTO compliance areas. Component One also has high national visibility. However, it cannot immediately justify many of the tasks of the project because there is no local initiative supporting WTO accession. Component Two, which does not have the benefit of high visibility, must deal with the problem of political will in reforming such areas as leasing, bankruptcy reform, competition, and others. Therefore, there is no mutual support between Components One and Two. Component One, unable to articulate the local narrative, cannot frame Component Two initiatives in a more politically acceptable way. For its part, Component Two cannot provide Component One what it needs: the broader policy-based narrative to explain the WTO accession effort in terms that are locally accessible. And Component Two receives none of the benefit of high-level political momentum from the accession effort. The result is a lack of genuine local

ownership over a series of initiatives half-executed and primarily having relevance in Geneva, not Baku, and no traction as to general trade and investment reform.

This is the Evaluation Team's best summary of the challenges left by the TIRSP experience.

The New Policy-Driven Trade and Investment Initiative as Proposed: All work products for WTO and non-WTO tasks are first approved and presented on the political side by a representative of the Administration of the President and on the technical side largely by a USAID project featuring the central policy-driven unit (as depicted by the diagram at the end of the Executive Summary). The focus is on the local situation, articulated by locals to locals. The WTO initiative thereby assumes more the character of a local reform, not a high-energy intrusion. Favorable political energy will transfer to non-WTO reform areas that offer the challenge of entrenched opposition from within and outside the Government of Azerbaijan. The area of general trade and investment reform secures some successes, thereby reinforcing the importance of WTO accession. The same tasks are achieved, but they have more local meaning. WTO accession gets a broad local reform narrative from trade and investment assistance, and the latter acquires some of the high-level political momentum from successes in the accession effort. It is a local policy-level message from the top, backed by strong technical advice.

Recommendation #5: The Evaluation Team recommends that the responsible executive in the Administration of the President and the USAID project supporting trade and investment reform:

- (1) jointly develop an annual agenda for the implementation of trade and investment reforms in all executive offices of government;
- (2) include in this agenda directions for implementing regulations and internal instructions, desired changes in agency, ministry and department reorganization, and staffing and budgetary issues; and
- (3) actively collaborate to satisfy resource needs and ensure compliance with such agenda.

Explanation for Recommendation: In identifying barriers to project implementation, Chemonics/TIRSP set forth three ingredients that give rise to reform:

- i) a direct mandate,
- ii) significant external incentive (WTO membership) and
- iii) perceived relationship to stakeholder interests¹⁸.

All three factors have one thing in common: they are largely outside the area of TIRSP project influence.

This **Recommendation** will change that by combining all three elements for success. Negotiation of the annual agenda will have two characteristics desperately lacking in and to TIRSP:

- a sense of what is politically plausible; and
- an emphasis on implementation at executive level

¹⁸ Chemonics/TIRSP Response to Question #16.

Chemonics/TIRSP associate the absence of political will with a lack of resources within the executive branch for implementation. This **Recommendation** challenges this dynamic.

Interviews and meetings during the weeks of September 20, 27 and October 4, along with a review of work product, indicated that Component Two was incapable of being implemented at the executive government level, and that much work remains in the WTO accession area when it comes to action at the ministry and department level. When asked why a project on WTO accession was needed going forward, a leading TIRSP executive responded that the need was not so much technical assistance as the imposition of needed discipline for the next steps. This **Recommendation** will make the job much easier.

Component Three: Public Expenditure and Investment Environment

Gap: The gap between knowledge at the theoretical and practical levels when it comes to cost-benefit and macroeconomic modeling is significant. Azerbaijani specialists currently have only theoretical knowledge. But this gap can be turned into an advantage in the cause of overall market reform.

Recommendation # 6: The Government of Azerbaijan and USAID should agree on the introduction and use of cost-benefit analysis and macroeconomic modeling as tools of reform, implemented and supported through the following administrative implementations: (1) use of macroeconomic modeling and cost-benefit analysis in the cause of developing a local economic policy narrative to support WTO accession; (2) deployment, in the short to intermediate term, of cost-benefit analysis in the service of an official program of Regulatory Impact Analysis, aimed at streamlining the Azerbaijani business regulatory regime and promoting government efficiencies; and (3) the appointment of an Interministerial Commission, co-chaired by the member of the Administration of the President and the Director of the Institute for Scientific Research in Economic Reforms, to oversee technical quality in implementation and even use of such tools throughout the Government.

Recommendation #7: The Government of Azerbaijan and USAID should agree on a program to develop and supply Azerbaijani professional experts in cost-benefit and macroeconomic modeling to the Government of Azerbaijan, on condition that these experts report jointly to a department head and deputy minister, or an institutional equivalent. Such a program will, in part, be sustained by: (1) recent university graduates with demonstrated professional competence in cost-benefit analysis and macroeconomic modeling as a result of successful completion of university courses in these areas; and (2) university interns assigned temporarily to government service. The program should be operational to service government bodies with specialists within thirty-six (36) months.

Explanations for Findings: The **Recommendations** embody the enthusiasm of recent donor initiatives for both local empowerment and “evidence based decision-making,” of which cost-benefit analysis is a prime example from the field of economics. Funding for the expansion of these technical tools might be subject to the prevailing co-financing mechanism, or something very similar. The aspect of exchange captured in **Recommendation #7** is very consistent with a co-financing arrangement.

Cost-benefit analysis is a policy-enabling tool calling for regulators to demonstrate the public consequences of their proposed regulations. Among the first issues is whether cost-benefit analysis, presented under Component Three from a project finance standpoint, is transferable as a skill into economic analyses of the type used to assess the consequences of policies needed for WTO accession or for Regulatory Impact Analysis. In meetings and interviews the weeks of September 20 and 27, as well as the roundtable of September 28, both the trainer and many training participants agreed that cost-benefit analysis as presented in Component Three could be adapted to this purpose. Further, macroeconomic modeling is likely to be beneficial, not only in providing justification for WTO reforms, but also in weaving an overall local narrative, based on economic policy, that supports WTO accession. Finally, Regulatory Impact Analysis not only eliminates unnecessary regulations, it also promotes government efficiency and integrity.

Thus, both cost-benefit analysis and macroeconomic modeling **can** represent significant changes in the way public administration is conducted in Azerbaijan, **if properly implemented**. Hence, care must be given that implementation is ensured from above—and from within. Ensuring this at the government level should be a critical item for USAID in negotiations to extend assistance in the trade and investment area in the future.

- (1) From Above – High-level support and coordination are essential. To avoid the perception that a line ministry has a vested stake in either product, the composition of the Interministerial Commission should stick to a centralized political message that is universal and represents technical competence as well. This explains that portion of **Recommendation #6** as to Interministerial Commission composition. (NOTE: The Evaluation Team is well aware that Azerbaijan has a collegial body dedicated to the WTO accession effort. In comparison, the Interministerial Commission has a broader scope of concern, trade and investment reform generally, and would emanate from a higher level in the Government of Azerbaijan).
- (2) From Within – the recommended dual reporting system within an institution is designed to ensure that specialists hear both technical and policy related voices at their respective workplaces in crafting their products.

Current civil servants may be excellent candidates for these tasks. But this depends on the institution and the individual. **Recommendations #6-#7** ensure that the initiative will have staying power through the institution of career paths into the Government of Azerbaijan for young talent. One of the TIRSP specialists characterized typical participants in his training as “researchers”¹⁹. Interviews and meetings the weeks of September 20 and 27, and especially the roundtable of September 28, confirm this, at least as to TIRSP promotion of cost-benefit analysis at the university level. The cost-benefit program provided at the university level did encompass issues of international trade, foreign exchange, and the international trade tax system²⁰. Therefore, large aspects of the program may very well be transferable to a government initiative for accession to the WTO, as well as Regulatory Impact Analysis.

¹⁹ Mokhtari, Memo on Macroeconomic Modeling, 3.

²⁰ Duke Center for International Development, Strengthening Applied Public Finance Capability, 13.

The time frame for implementation is set for three years. This is roughly the time frame suggested by institutional trainer Duke University as to the integration of a cost-benefit curriculum into a university system²¹.

TIRSP experience to date suggests that **Recommendations #6-#7** can be realized.

A NOTE ON IMPLEMENTATION OF RECOMMENDATIONS

The Evaluation Team fully recognizes that implementation of the **Recommendations** represents a change and can be difficult to accomplish quickly. If USAID wishes to continue assistance in this area and if the **Recommendations** above cannot be implemented in the short term, the Evaluation Team believes that priority should be accorded to the following:

- (1) final completion of formal WTO accession tasks in those cases where: (i) appreciable analytical work has begun and has moved to final stages; AND (ii) where the political climate is such that securing the accomplishment is well within view
- (2) investment in building a local narrative for WTO accession and trade and investment reform generally. This means identifying key economic analysis that must be carried out, or supporting those underway but not yet done. It can also mean reaching tentative agreements between, for example, the university system and the Government of Azerbaijan as to deployment of cost-benefit and modeling specialists in the manner described.
- (3) conditioning all other WTO accession and trade and investment reform on acceptance of all or substantially all of the above **Recommendations**

The Evaluation Team trusts that this Evaluation Report will advance the cause to which very many are dedicated: market liberalization and greater prosperity in the Republic of Azerbaijan.

²¹ Duke Center for International Development, Strengthening Applied Public Finance Capability, 12.

APPENDICES

APPENDIX I: Methodology

The Evaluation Team employed a methodology having the following prominent characteristics:

1. Evaluation Team Composition – The Evaluation Team features an expat Team Leader with considerable experience in trade and investment and WTO programs in the genre of TIRSP. Two very able locals rounded out the Evaluation Team, with cumulative expertise consisting of law, economics, information systems, finance, social science, donor involvement, and government service. All conclusions are thoroughly vetted by the Evaluation Team with SEGURA IP3 Partners LLC.
2. Verification –The Evaluation Team approached this in a number of ways, with cross-referencing occurring in the following contexts:
 - documentary versus oral and anecdotal claims
 - interviews with multiple parties at different times and locations
 - repeat interviews in different contexts to corroborate and secure different perspectives
 - forums alternating between one-on-one and roundtables
 - emphasis on differences between the TIRSP specialists and counterpart representatives

Appendices 2 and 3 respectively set forth key meetings, interviews and events, as well as multimedia written sources consulted.

At all times in the verification process, team members emphasized the constructive role of the Evaluation. It is the impression of the Evaluation Team that interviewees generally responded accordingly. To account for local sensitivities, in the vast majority of interviews and meetings the Team Leader was accompanied by a local team member. Wherever possible, to make the interviewee comfortable and minimize the barrier between questioner and questioned, Russian was the shared language of all attendees, team members and interviewees alike.

3. Testing Report Hypotheses and Assumptions – On September 20, 2010, immediately upon arrival of the Team Leader in country, the Evaluation Team consulted with USAID about the fundamental structure and premises behind the Evaluation Report. The focus was on TIRSP history, original expectations and subsequent deviations.
4. Documentary Review – In a project of the variety and length of TIRSP, examination of all documents for quality is a challenge. The Evaluation Team did indeed review TIRSP institutional documents, but assumes that USAID has knowledge of these. As to TIRSP technical products reduced to documents, the Evaluation Team focused on the following

factors: completeness, clarity, adaptability to practice, and value in the context of overall TIRSP objectives.

5. TIRSP Self-Evaluation –The Evaluation Team believes TIRSP and its contractor Chemonics are particularly well-suited to a self-evaluation exercise that should factor into the Evaluation Report for the following reasons:
- TIRSP high level management shifting from one high-level position to the next, facilitating reflection and different perspectives
 - Openness of contractor Chemonics to dialogue relative to TIRSP performance and execution as demonstrated in meetings at Chemonics Headquarters on September 13-14, 2010
 - Relatively fresh personnel at TIRSP and Chemonics, thus facilitating a critical look at overall project performance
 - Transition to the closing of TIRSP, thus avoiding the problem of a self-evaluation exercise interfering with product delivery schedules and active host counterpart expectations

The Evaluation Team has designed a two-step process designed to elicit verification of TIRSP and Chemonics self-evaluations:

- a. Direct Critical Self-Appraisal – TIRSP and Chemonics had an opportunity to directly answer the questions in Appendix 4. These are general and thematic and proved to be an opportunity for integration of TIRSP expat and local staff in a final project review just before project closing.
- b. Documentation of Performance – the Evaluation Team requested TIRSP critical examination of impact at product level by addressing work product impact at three periods deemed critical in project life by USAID: (1) from August, 2007-October, 2009; (2) November, 2009-June, 2010; and (3) July, 2010-present.

In self-evaluation, contractor Chemonics admits that the quantification of impact is difficult to ascertain as to many of the TIRSP reforms²². This reflects the way TIRSP has conceived itself, as a task- oriented exercise with loose connections to policy questions. The heavy emphasis on WTO accession reinforces the importance of paper compliance with WTO standards.

As to the question of contract compliance, the Evaluation Team has aimed to provide a framework rather than a checklist. A framework provides guidance for subsequent and further analysis. A checklist is a fixed determination as to compliance that precludes further inquiry. Because the issue of compliance is apt to give rise to hundreds of interactions between USAID and Chemonics/TIRSP, a framework is more valuable.

²² Lewis, Evaluation of Trade and Investment Reforms Support Program, Response to Question 5 (herein after cited as Chemonics/TIRSP Response to Question # ____).

APPENDIX 2: Table of Meetings and Events

The meetings noted below were held in connection with efforts of an evaluation mission for the USAID Trade and Investment Reform Support Program called TIRSP) undertaken by contractor Chemonics and various subcontractors. The Evaluation Team, supported by SEGURA IP3 Partners LLC, consisted of Gary Kelly, Team Leader and Trade Specialist, and two local specialists. These local specialists included legal specialist Elgar Alekperov and economic specialist Mehriban Yusifova. The purpose of this mission was a comprehensive evaluation of the efforts of TIRSP. The mission encompassed the period from September 13, 2010-October 29, 2010 inclusive. September 13-14 concerned the perspectives of Contractor Chemonics' Home Office and USAID in Washington. The remainder of the meetings were in Baku, Azerbaijan at the TIRSP Field Office and at the offices of various counterparts.

TIRSP ended operations on Friday, September 29, 2010, in the middle of the Evaluation Team analysis in the field. Given the time constraints imposed on the evaluation mission and at the request of USAID, the focus has been on determining the immediate practical value of TIRSP to Azeri counterparts. Unless otherwise indicated, interviews and other events were held on the premises of the interviewee or participant. Pursuant to the articulated preference of the evaluation mission, those other than TIRSP staff were held off TIRSP premises. Wherever possible, telephone numbers and titles are included for interviewees, but are not repeated in the case of multiple interviews. To avoid excessive length, only one telephone is typically provided and coordinate information is not repeated. Unless otherwise indicated, the language used by the interviewee was principally English. Lastly, in respect of TIRSP specialists no longer engaged, reference continues to be to former TIRSP capability, thereby explaining the reason for the meeting.

Events such as roundtables and workshops are given special designation below.

Monday, September 13, 2010

Jennifer A. Lewis, Hillary Drew, Nitara Layton, Irakly Chekhenkely, Chemonics International, Washington, DC, Director, Manager, Manager and Associate, respectively (tel.: 955 7576) - The meeting lasted about two and one half hours. Dr. Kelly and Staff Consultant Anne-Sophie Samjee of SEGURA attended the meeting. Chemonics Associate Michael Shanley also joined the meeting. The focus of discussion was the structure and initiatives of TIRSP, "lessons learned," USAID expectations over the life of the TIRSP and the sustainability of accomplishments.

Neal Nathanson, Senior Competitiveness Advisor, USAID, Washington DC (tel.: 202 713 1198)- the meeting lasted a bit over one half hour. The interviewee shared perspectives on economic reform in Azerbaijan, "top down" models for reform such as WTO accession in comparison with "grassroots efforts" and the direction of donor assistance in Azerbaijan.

Tuesday, September 14, 2010

Jennifer A. Lewis, Hillary Drew, Nitara Layton, Irakly Chekhenkely, Chemonics International, Washington, DC, Director, Manager, Manager and Associate, respectively (tel.: 202 955 7576) - The meeting lasted about two and one half hours. Dr. Kelly and Staff Consultant Anne-Sophie Samjee of SEGURA attended the meeting. The focus of discussion was the structure and

initiatives of TIRSP, “lessons learned,” USAID expectations over the life of the TIRSP and the sustainability of accomplishments. Additionally, Chemonics arranged for a telephone interview by Dr. Gary Kelly of Dr. Roy Kelly, TIRSP Public Administration Tax expert, of Duke University and legal specialist Don Hart, Senior Capital Markets Expert, reachable through Chemonics. Each such interview lasted twenty to twenty-five minutes.

Monday, September 20, 2010

Sheila Young and Aytan Gahramanova, Director, Economic Growth Office, USAID Caucasus and Project Management Specialist, Economic Growth office, USAID, respectively (tel.: 498 1835) - The meeting lasted a bit over one hour and one half. The entire Evaluation Team attended. Among the matters discussed were TIRSP history, contractual posture of TIRSP, changes in the Government of Azerbaijan and TIRSP and a review of TIRSP components, with an emphasis on practical results.

William B. Garrison, Chief of Party, John Corrigan, Chief of Party and, as to the latter, former Interim Chief of Party, current Deputy Chief of and Component Two Team Leader, respectively for TIRSP, along with the entire TIRSP Staff (tel.: 493 6049) - The meeting lasted a bit over two and one half hours. The entire Evaluation Team attended. Among the matters discussed were TIRSP history, a by-component breakdown of activities and accomplishments and Evaluation Team requests as to significant legislative, regulatory and capacity-building products with an emphasis on results.

Tuesday, September 21, 2010

John Corrigan – The meeting lasted a bit over one and one half hours. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed was a chronological review of TIRSP Component Two activities from 2007 forward. There was also a focus on how TIRSP engaged in such various endeavors as the securities market, revenue forecasting, e-commerce and bankruptcy reform. Some emphasis was placed on the issue of counterpart implementation and TIRSP agenda control.

Farhat Y. Farhat, Component One Team Leader, TIRSP (currently situated in Ukraine) - The Skype teleconference from the TIRSP office lasted about one hour and one half. William Garrison and Mike Shanley of Chemonics listened in, as did Mehriban Yusifova of the Evaluation Team. Among the matters discussed were the shape of TIRSP accession assistance in comparison with the efforts of the United States Trade and Development Authority, the initial assistance provided to WTO Working Group sessions, key laws and regulations initiated or completed, public outreach efforts and related matters.

Dr. Khazar Bashirov, Deputy Director, Department of Foreign Trade Policy and WTO, Ministry of Economic Development (tel.: 493 88 67) - The meeting lasted about one hour and fifteen minutes. Dr. Kelly was accompanied by Elgar Alekperov. Among the matters discussed were key items currently on the national agenda for WTO, indigenous capacity to support near term accession to WTO, the role of the donor community and the likelihood of near terms accession. Dr. Bashirov was accompanied by two specialist assistants. Discussion was in Russian and Azerbaijani.

Wednesday, September 22, 2010

Elkhan Mikayilov, WTO Team Leader, TIRSP (tel.: 493 6049). The meeting lasted a bit over one and one half hours. Dr. Kelly was accompanied by Elgar Alekperov. Among the matters discussed were: TIRSP Component One activities from 2007 forward, Component One course of dealing, and “lessons learned” for other parts of TIRSP, as well as the shape of future WTO accession projects supported by USAID.

John Corrigan - The meeting lasted a bit over one and one half hours. Dr. Kelly was accompanied by Elgar Alekperov. William Garrison also attended. Among the matters discussed were a chronological review of TIRSP Component Two activities from 2007 forward. There was also a focus on changes of government and USAID priorities and management styles as determinative of Component Two efforts and deliverables.

Jamil Nabiali Alidze, Head of the Tax Policy and Revenue Department, Ministry of Finance (tel.: 498 78 67) - The meeting lasted about one hour and fifteen minutes. Dr. Kelly was accompanied by Elgar Alekperov. Among the matters discussed were use of the revenue forecasting model employed by the Ministry from TIRSP, as well as questions as to the sustainability thereof. Discussion also focused on WTO accession and the relation between government initiative and donor assistance in this regard. Discussion was in Russian.

David Rubino, Country Director, American Bar Association, Rule of Law Initiative (tel.: 50 223 5977) – The meeting lasted forty-five minutes and was in the office of the Evaluation Team. Dr. Kelly was accompanied by Mehriban Yusifova. There was also a focus on legal reform in Azerbaijan generally, the relation of laws and regulations and ABA/ROLI collaboration with TIRSP.

Thursday, September 23, 2010

Deepak Kapoor, Component Three Team Leader, TIRSP (tel.: 493 60 49). The meeting lasted a bit over one hour and fifteen minutes. Dr. Kelly represented the Evaluation Team. Among the matters discussed were: TIRSP Component Three activities with an emphasis on transition of cost-benefit analysis into TIRSP, needed levels of expertise to absorb the models at government and university levels, transition from university to public service with cost-benefit expertise and overall sustainability. Chief of Party William Garrison also attended the session.

William Garrison - The final meeting at TIRSP lasted approximately forty-five minutes Dr. Kelly represented the Evaluation Team. Among the items discussed were the effects of changes at USAID and in the government of Azerbaijan as to TIRSP direction, contract compliance, administration of TIRSP overall as effects results and productivity and “lessons learned.”

Fuad Aliyev, Deputy Chairman, Azerbaijan Marketing Society (tel.: 430 01 00) – The meeting lasted forty-five minutes and was in the office of the Evaluation Team. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the nature and importance of public outreach to WTO accession, knowledge of the business community, the interviewee’s experience as a contractor with TIRSP and related matters.

Nargiz Nasrullayeva-Muduroglu, Executive Director, AMCHAM (tel.: 497 1333) – The meeting lasted an hour and fifteen minutes. Dr. Kelly represented the Evaluation Team. There was

discussion of the contribution of Component Two of TIRSP to the business community, local perceptions of foreign investment, legal reform related thereto and the viability of WTO accession.

Friday, September 25, 2010

J. Robert Garverick and Shannon Runyon, Counselor for Political and Economic Affairs and Economic Officer, respectively, United States Embassy, Azerbaijan, (tel.: 498 03 35) – The meeting lasted about forty-five minutes. Dr. Kelly represented the Evaluation Team. There was discussion of the possibilities for Azeri accession to WTO, the manner of policy-making in the Azerbaijani government generally and the allocation of donor resources in Baku and the regions.

Adalat Muradov, Director Economic Policy, Analysis and Forecasting Department, Ministry of Economic Development (tel.: 493 11 86) - The meeting lasted about forty-five minutes. Dr. Kelly was accompanied by Elgar Alekperov. Among the matters discussed were the use of the revenue forecasting model employed by the Ministry. Discussion also focused on WTO accession and economic policy wherewithal in country to press the case for accession forward.

Alekper Guliyev, Head of Administration, State Procurement Agency (tel.: 493 76 95) - The meeting lasted about thirty-five minutes. Dr. Kelly was accompanied by Elgar Alekperov. Among the matters discussed were the relation of WTO accession to procurement, TIRSP assistance to the agency and agency enforcement authority.

Monday, September 27, 2010

Sadiraddin Jafarov, Deputy Head, Azerbaijan State Registry Service for Real Estate (tel.: 510 85 26) – The meeting lasted one hour. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were Component Two assistance in the area of appraisal, the effectiveness of TIRSP training and future plans to use TIRP advice. Discussion occurred in Russian and Azerbaijani.

Shahin Panahov, Project Manager, Real Estate Registration Project, World Bank (tel.: 510 91 45) - The meeting lasted twenty-five minutes. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the state of cadastral development and TIRSP training in this area.

Sabig Abdullayev, Director of Technical Regulation, State Committee on Standardization, Metrology (tel.: 441 44 39) – The meeting lasted one hour. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the nature of TIRSP assistance under Component One as to legal reform and training, the structure of WTO accession within the government and the project.

Bahram Alyiev, Deputy Minister, Ministry of Agriculture (tel.: 598 38 72) – The meeting lasted one hour and fifteen minutes and was in the office of the Evaluation Team. Dr. Kelly was accompanied by Mehriban Yusifova and Aytan Gahramanova of USAID. Among the matters discussed were: TIRSP assistance in the areas of legal reform and training, TIRSP follow up after product delivery and related matters. Discussion was in Russian, English and Azerbaijani.

Tuesday, September 28, 2010

**SPECIAL EVENT: ECONOMIC POLICY AND PUBLIC EXPENDITURE
ROUNDTABLE**

The roundtable lasted about one hour and forty minutes. Dr. Kelly presided. Attendees included representatives of: the Ministry of Agriculture, Azzeroadservice JSC, Junior Achievement Azerbaijan, the Ministry of Economic Development, and Azerbaijan Amelioration Water Farm OJSC, and the Institute for Scientific Research in Economic Reforms under the Ministry of Economic Development. Among the matters of discussion were the value of TIRSP Component Three efforts, theoretical versus practical value, the administrative standing of such educational efforts in each institution and varied possibilities for sustainability. Discussion was in Russian, Azerbaijani and English and was impromptu with Dr. Kelly asking some questions.

Ilgar Gurbanov, Deputy Director, Department on Legislation and Legal Expertise, Office of the President (tel.: 492 22 69) – The meeting lasted forty-five minutes. Elgar Alekperov accompanied Dr. Kelly. Among the matters discussed were TIRSP efforts on WTO accession, the formulation of a national legislative agenda, economic policy explanations of economic legislation, and the role of the Ministry of Justice in dealing with parliamentary legislation.

Wednesday, September 29, 2010

Dr. Vilayat Valiyev and Dr. Fakhri Hasanov, Director and Deputy Director respectively, Institute for Scientific Research in Economic Reforms, Ministry of Economic Development (tel.: 430 89 33) - The meeting lasted about one hour and forty-five minutes. Dr. Kelly was accompanied by Elgar Alekperov. Among the matters discussed were the significance of Component Three macroeconomic modeling to the Institute, practical applications, staffing for use and related matters. Implications for WTO accession and trade and investment policy were also discussed. Dr. Kelly reviewed some of the work of TIRSP consultants while on site. Discussion was in Russian and in English.

Thursday, September 30, 2010

Sheila Young and Aytan Gahramanova - The meeting lasted a bit over one hour and one half. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were meetings to date, the nature of the Evaluation Report and similar issues.

Firuz Hasanova, Training Coordinator, Water Sector, Public Investment Capacity Building Project, Ministry of Education (tel.: 431 47 67) – The meeting lasted one half hour. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the identification of the participants in TIRSP Component Three cost-benefit training.

Mamedah Z. Duniyamahev, Director of State Phytosanitary Control Service, Ministry of Agriculture (tel.: 490 08 01) – The meeting lasted one hour and fifteen minutes. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the nature of TIRSP assistance under Component One as to legal reform and training in the phytosanitary control area, TIRSP follow up and presentation of technical product. Discussion was in Russian.

Friday, October 1, 2010

Emin Muradov, Head of Department, State Committee for Securities (tel.: 498 70 45) - The meeting lasted forty-five minutes. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the performance of TIRSP as respects the committee, with emphasis on product quality, TIRSP responsiveness and follow up, relations jointly with USAID and TIRSP and general committee satisfaction.

Kamran Babayev and Leyla Memmadova, Head of Legal Department and Legal Specialist, respectively, State Committee for Securities (tel.: 498 14 33) - The meeting lasted one hour. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the performance of TIRSP as respects the committee, with emphasis on product quality, TIRSP responsiveness and follow up, relations jointly with USAID and TIRSP and general committee satisfaction. Discussion was in Russian, English and Azerbaijani.

Monday, October 4, 2010

Ruslan Rustamli, Deputy Head of Foreign Investments and Aid Coordination, Ministry of Economic Development (tel.: 493 88 67) - The meeting lasted forty-five minutes. Dr. Kelly was accompanied by Mehriban Yusifova. Among the matters discussed were the performance of TIRSP as respects the ministry, and the specifics of the e-commerce initiative, with emphasis on donor and host counterpart coordination and communications.

SPECIAL EVENT: LEGISLATIVE AND REGULATORY REFORM ROUNDTABLE

The roundtable lasted about one hour. Dr. Kelly presided. Attendees included representatives of: the State Phytosanitary Service, the State Procurement Agency, the Administration of the President, the State Copyright Agency and the Parliament. Among the matters of discussion were TIRSP technical value in WTO accession, current needs in this regard and TIRSP responsiveness. Discussion was in Russian, Azerbaijani and English and was impromptu with Dr. Kelly asking some questions.

Wednesday, October 6, 2010

Rufat Mustafazade and Yalchin Mammadov, Specialists, AZERSU Project Management Group Adalat Samadov, Coordinator, AZERSU Project Management Group (tel.: 5695423), and Mahal Osmanov, AZERSU International Relations Department (4314767/4868) – This exercise consisted in a series of one-on-one telephone interviews conducted by Mehriban Yusifova at the direction of Dr. Kelly. The matters discussed were the experience of telephone interviewees with Component Three cost-benefit analysis training and its effects. Each such interview lasted about fifteen minutes and discussion was in Azerbaijani.

Thursday, October 7, 2010

Aytan Gahramanova, - The meeting lasted one hour. Attendees included new USAID Program Director and other USAID specialists. The entire Evaluation Team attended. Dr. Kelly provided a summary of Evaluation Team work to date and the contents of the draft Evaluation Report, including a side letter requested by USAID.

APPENDIX 3: Bibliography

DOCUMENTS AND TEXTS CONSULTED

The following documents were consulted by the Evaluation Team TIRSP, an initiative sponsored by the USAID and dedicated to trade and investment in Azerbaijan.

The Evaluation Team found the administrative documents developed by TIRSP to be especially detailed. The Evaluation Team concentrated on the technical documents produced by TIRSP for various constituencies of the Government of Azerbaijan and related parties.

On occasion, as to both local and international authority, information provided did not reveal the author, or the date of publication or effectiveness. In such cases, the best description is rendered given available information. In addition, in the interests of brevity, full titles of certain legal authority are omitted.

TIRSP Documents Incidental to Self-Evaluation Exercise

Garrison, William. Significant Activities TIRSP Components (undated, but received September, 2010)

Lewis, Jennifer A. Responses to “Evaluation of Trade and Investment Reforms Support Program (TIRSP)” formulated as an aspect of the Evaluation by SEGURA/IP3 Partners LLC (responses undated but received September, 2010)

Several explanatory documents from TIRSP in the manner of draft laws, memoranda and similar technical documents are listed below.

TIRSP Administrative Documents (to/with USAID)

Chemonics/TIRSP, Final Report (undated, circa October, 2010)

Chemonics International Inc. Monitoring and Evaluation Report, with Annexes A-D, October 2010

Chemonics International, Inc. Recommendations for Modification No. 10 (Revised) as to TIRSP, ____, 2010 (as yet not approved)

Davis, Paul. Comments on TIRSP Draft Year One Work Plan, (undated, but early January, 2008)

Lord, John. “Stop Work Order” (via e-mail to Jennifer Lewis of Chemonics International of June 14, 2010)

TIRSP, Draft Work Plan for Year One, January, 2008

TIRSP, Draft Work Plan for Year Three, September, 2010

TIRSP, Draft Work Plan for Year Two, November, 2008

TIRSP, Draft Work Plan for Year Three, September, 2010

TIRSP, Trade and Investment Reform Support Program in Azerbaijan (Briefing Book), September, 2010

TIRSP, Quarterly Reports, covering August, 2007-June, 2010

USAID, Modification No. 6 to Original Task Order Contract, September, 2009

USAID, Original Task Order Contract, August, 2007

TIRSP Technical Documents

Alikbarov, Askar. Reviews of the Draft Competition Code; Suggestions Regarding Implementing Instructions, May, 2009

Barden, Kenneth. Draft Rules on Anti-Money Laundering and terrorism, August, 2010

Barden, Kenneth. Examination Manual for the Assessment of Securities Compliance, August, 2010

Barden, Kenneth. Draft Corporate Anti-Money Laundering Policy, August, 2010

Barden, Kenneth. Guidelines on Prevention of Money Laundering and Terrorism, August, 2010

Blakeley, Craig. Memorandum on E-Commerce Regulations, May, 2010

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Kapoor, Deepak. Power Point Presentations “Cost - Benefit Analysis for Investment Decisions”

Mendelsohn, Lewis. Aims and Tasks, Corporate Finance Division, State Committee for Securities, May, 2010

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Mokhtari, Manouocheur (“Mitch”). Memo on Macroeconomic Modeling, August, 2010

Nemeroff, Edward. Prioritized Codex Harmonization Plan (Draft proposed), January, 2010

TIRSP, Commentary on draft Law of Republic of Azerbaijan on the State Cadastre of Real Estate, June, 2010

TIRSP, Draft Customs Code, July, 2010

TIRSP, Draft Cybercrime Law, May, 2010

TIRSP Draft Legislative Action Plan, January 2008

TIRSP, Draft Privacy Law, May, 2010

TIRSP, Revenue Forecasting and Estimating, August, 2010

TIRSP, Legislative Status, August, 2010

TIRSP, Status of legislative reforms for WTO consistency, undated (but circa August, 2010)

Official Legal Texts of Azerbaijan (in order of hierarchy and most current)

Executive Legal Authority

Decree of the President No. 239 “On Approval of Regulations for the Monitoring and Evaluation of the Public Investment Program,” dated March 2010

Order of the President No. 1583 “On an Action Plan Bringing the National Legislation in Conformity with WTO,” August, 2006

Cabinet of Ministers Decision No. 156 “On Approval of the Regulations for the Application, Recording and Use of Electronic Tax Invoices,” September, 2009

Cabinet of Ministers Decision No. 190 “On Rules of the Determination of a Product’s Country of Origin,” November 2007

Cabinet of Ministers Decision No. 189, ”On Degrees of Customs Duties, Amount of Fees Collected for Customs Registration for Import-Export Transactions in the Republic of Azerbaijan,” November, 2007

Cabinet of Ministers Decision No. 159 “On Rules on the Application Customs Valuation Systems,” October 2007

Cabinet of Ministers Decision No. 132, “On Approval of Rules on Identification of Minimum Amount of Royalty,” August, 2007

Cabinet of Ministers Decision No. 27 “On Regulations for Registration and Accreditation of the Center Issuing Certificates for Electronic Signatures,” January, 2006

Cabinet of Ministers Decision No. 27 “On Provision of Certificate Service, Issue of Certificates and Keeping the Register,” January, 2006

Cabinet of Ministers Decision No. 27 “On Electronic Document Exchange, January, 2006

Regulations “On Electronic Signature Verification” (further to Decree of President No. 65 of May, 2004)

Parliamentary Laws

Law “On Amendments to the Law on Currency Regulation”, No. 507-IIIQD, December, 2007

Law “On Additions to the Law on Normative Legal Acts” No. 505-IIIQD, December, 2007

Law “On Phytosanitary Control” No. 102-IIIQ, May, 2006

Law “On Electronic Signature and Electronic Documents”, No. 890-IIQD, March, 2004

Law “On Wine Growing” No. 208-IIQ, October, 2001

Law “On Tobacco and Tobacco Products” No. 138-IIQ, June , 2001

Law “On Food Products” No.759-IQ, November, 1999

Law “On Sanitary and Epidemiologic Welfare” No. 371, November, 1992

Laws and Regulations Proposed by TIRSP for Adoption

Draft Code Precisions on Customs Control over Goods that are Composed of Objects of Intellectual Property Rights

Draft Joint Stock Company Law, April, 2009

Draft Standard Bidding Documents Procurement of Goods Using the Bidding Method, June, 2010

Proposed Amendment “On Granting Special Permissions (Licenses) for Some Types of Activity to Amend Decree of President No. 782

Proposed Law “On Trademarks and Geographical Indicators”

Reports and Other Documents (in alphabetical order)

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Baku Stock Exchange. Annual Report 2010

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Kazantsev, A., “Russia and Post-soviet Countries in the Year 2020”

Panahov, Shahin. Real Estate Registration Project, March 2001

Various local news stories from <http://www.azernews.az/en/Business> and <http://www.today.az/news/business>

World Trade Organization Information and Media Relations Division, The Foundations of the World Trade Organization, Imprimerie Chirat, 1995

World Bank Report No. 44365-AZ, Azerbaijan Country Economic Memorandum, December, 2009

In addition, numerous special reports and authority were consulted. The above listing is illustrative of documents particular to Azerbaijan or documents frequently consulted.

APPENDIX 4: Self-Assessment Questionnaire by Chemonics

Meeting Benchmarks

1. Have there been any significant or critical gaps in TIRSP implementation in program's 3 components?

There have been no significant or critical gaps in TIRSP's implementation of the three program components.

2. Did TIRSP work towards meeting the USAID and GOAJ goals and objectives in all three years of the program?

TIRSP staff and experts have diligently worked towards meeting both USAID and GOAJ goals and objectives during all three years of the program. TIRSP has achieved or exceeded over 85% of project objectives and has continually responded to and remained flexible to counterpart requests.

3. Are the assumptions established at the beginning of the program still realistic? Were they realistic throughout the program? If not, when did those assumptions change and why?

While the original TIRSP assumptions were realistic, they were also highly ambitious, and due to the project timeframe and resources allocated, made implementation especially challenging. In addition, the original project design and targets changed over time due to both changing priorities from the GOAJ and USAID and difficulties in implementation. For example, TIRSP's assistance to the State Committee for Securities (SCS) was originally based on that agency's request of a large amount of assistance on a variety of topics. However, when it came to implementation, the SCS did not always have the human capacity to absorb the proposed technical assistance. As a result, USAID issued a stop-work order with respect to certain issues that had been identified for technical assistance to the SCS. Similar challenges developed in other technical areas, requiring both flexibility and close collaboration with USAID to achieve results.

4. Is Chemonics sufficiently collecting data to measure program results in all 3 program components? Are they sufficiently reporting on progress or challenges related to data collection or progress toward results?

Chemonics has routinely engaged in data collection to measure program results since project inception. Chemonics originally proposed to include this data as part of a formal monitoring and evaluation (M&E) framework; however, the original TIRSP COTR instructed the project to instead include this data in our quarterly reports. We have not had any significant challenges related to data collection, but have kept USAID fully apprised of challenges related to our progress towards results. Per our agreement with the existing COTR, TIRSP will submit a final M&E report including data from all three years within 30 days of contract close.

Impact

5. Have there been any systemic changes as a result of TIRSP activities in all three program components? (Legislative reforms, changes in legal institutions, increased investment in non-oil sector, utilization of taught skills in cost/benefit analysis and public appraisal of publicly financed program, etc...)

Considerable systemic changes resulted from TIRSP activities in all three components, the most extensive being in areas addressed by Component One (WTO accession). Key examples are:

- The usual number of Working Party meetings for Azerbaijan's accession to the WTO (a record four meetings in less than three years);
- Preparation of draft legislation or amendments for all issues covered by the First Legislative Action Plan; many of these have been enacted and enactment of all proposed legislation is anticipated;
- Significant improvement in the quality of documents notified to the WTO Secretariat with accompanying skill training on the part of relevant GOAJ officials charged with preparation of such documents;
- Very significant improvements in the GOAJ offers in services and goods and in other obligations subject to negotiation for WTO accession;
- Major institutional reforms adopted in the areas of customs, public procurement, technical barriers to trade, and sanitary/phytosanitary standards and policies;
- Implementation of the "Single Window" system for imported goods at the border;
- Increased understanding of the WTO and the implications of membership on the part of public and private stakeholders;
- Important improvements in tax revenue forecasting through the use of modeling methodologies and related improvement in the preparation of the annual State Budget;
- Substantial improvements to the land registry system;
- Reform of the real property evaluation system;
- Institutional capacity developed that will be required to implement public investment reform policies as per related Presidential Decree; and
- Academic and bureaucratic capacity developed for teaching of courses and provision of training on project management best practices and techniques (risk analysis, economic modeling, cost/benefit analysis, operational planning and project appraisal).

6. What are the factors limiting the impact of TIRSP in each of the three program components?

- Component One: Sustained political will to reach final agreements necessary to permit WTO accession; related misunderstanding of WTO obligations and of potential economic impacts.
- Component Two: Sustained political will to implement significant legal and regulatory reforms needed to improve the business and investment climate; limited institutional capacity on the part of key government agencies to acquire skills necessary to implement sustained reform.
- Component Three: Reluctance on the part of many government officials to improve significantly the management of public investment projects.

7. Has TIRSP been flexible to changing circumstances (did they contact and discuss with USAID new factors which negatively or positively influence TIRSP performance in order to amend work plan in timely manner)?

Over the three years of project implementation, TIRSP has attempted to be flexible to changes called for by counterparts and by USAID to ensure effective results. Such changing circumstances have always been discussed with USAID. Examples of our team's collaboration with USAID include:

- Vetting STTA CVs and SOW with counterparts as well as USAID.
- Communicating with USAID regarding changes requested by counterparts or relative to counterpart priorities as well as requests from counterparts for assistance outside of the project's SOW;
- Communicating with USAID concerning possible changes to the project's SOW in light of changed circumstances, constraints on counterpart absorption, etc. that culminated in both a contract extension and a final contract modification.

8. How has the program benefited the intended beneficiaries? A special effort should be made to quantify the primary and secondary impacts of the programs and to determine to what extent a given impact can be attributed to the USAID program. Both the positive and any unintended negative impacts should be examined.

Over the implementation period, TIRSP has been able to benefit all intended beneficiaries that were responsive to the assistance offered. The degree of benefit and related impact has varied according to several factors: political will, time constraints, lack of institutional capacity, etc.

Quantification of impact is very difficult in the case of a project that addresses legal and policy changes, the effects of which often develop over time and usually after project completion. Moreover, numeric indicators such as number of trainees, number of draft laws, number of adopted regulations, etc. are indicators of project output, not real impact or benefit.

Chemonics believes that the project's engagement with all counterparts has produced sustainable positive impacts. Select outstanding examples include:

- the decision by the State Procurement to adopt standard bidding documents for all areas of public procurement, a change that will increase efficiency and transparency in public expenditures through procurements;
- the decision by the Customs Committee to support the "Single Window" clearance arrangement for exports and to implement post-clearance audits, changes that will significantly increase the speed of entry for imported goods;
- the decision by the GOAJ to implement Internet-based Enquiry Points on issues related to TBT and SPS; and
- the decision of the Azerbaijan State Economics University to institute the teaching of project appraisal and cost/benefit analysis.

In each case, the counterpart has increased its ability to better carry out its mandate due to TIRSP assistance, and in so doing, benefit the national economy and the people of Azerbaijan.

Effectiveness and efficiency

9. Did Chemonics successfully coordinate with the other donors in the field? If so, how did this contribute to effectiveness?

Implementation of activities in each of the three components has required considerable levels of engagement and coordination with other donor organizations, notably the World Bank (agriculture standards and trade), the IFC (investment climate improvement), GTZ (technical barriers to trade, electronic commerce and food safety standards), SECO (WTO-related IP issues) the European Union (capital markets development), the Asian Development Bank (energy sector reform) and the IMF (corporate governance).

The project has also collaborated frequently with the Azerbaijan chapter of AMCHAM and its member organizations, particularly on issues related to WTO accession and commercial law reform. TIRSP has also worked from time to time on a collaborative basis with other USAID projects in Azerbaijan, notably the Private Sector Competitiveness Enhancement Project (PSCEP), the Financial Sector Support Program (FSSP) and the ABA Rule of Law Initiative. In addition, TIRSP held three roundtable discussions (in 2009) with DAI's USAID Parliamentary Program for Parliamentarians and staff on public procurement, WTO accession and TBT, and Competition Legislation. These events effectively promoted program goals by providing counterparts with critical information and advice.

In each instance, TIRSP has enjoyed productive cooperation that has enhanced the collective impacts of the assistance being provided to the GOAJ and has contributed significantly to achieve the TIRSP mission and goals. Donor representatives regularly shared information about and views on issues and situations of common concern. In several instances, TIRSP personnel developed harmonized assistance programs or coordinated tasking that increased the benefit derived from each donor's work program. Resources devoted to areas of shared interest were more efficiently utilized and overlapping of activities significantly reduced. Most importantly, the risk of "mixed signals" and resulting confusion on the part of counterparts was effectively controlled.

10. How can the project collaborate better with other USAID programs and the GOAJ?

As explained above, TIRSP has enjoyed very good collaboration with other donors and USAID projects over the life of the contract. That said, there were some missed opportunities for collaboration with other USAID programs in terms of holding joint events regarding common or related activities, although this was significantly improved in the third year.

In terms of the GOAJ, TIRSP worked diligently to establish solid collaboration through regular consultations, outreach and training programs. However, the GOAJ is highly bureaucratic with heavy "top-down" decision processes. As a result, all counterparts provided significant challenges to effective collaboration. An important constraint was the degree to which an issue on which TIRSP attempted to engage was politically or economically sensitive. An example is the Customs Committee, where assistance in implementing post-clearance audits was

enthusiastically embraced while assistance on IP border enforcements was resisted to the point that USAID removed it from the project's SOW.

Working effectively with GOAJ counterparts required, in all cases, sustained and deep engagement on the professional level and respectful, tactful behavior on the personal level. Where TIRSP personnel were able to achieve those conditions, the project's related objective was achieved.

11. Was recruitment of advisors timely and effective? Were SOWs for experts discussed with the respective beneficiary government agency? Did the short term technical assistance consultants provide the level of technical assistance commensurate with their professional levels and subject matter expertise?

Chemonics prides itself on providing timely and appropriate technical advisors on all its projects. TIRSP benefited from highly-trained and qualified consultants throughout the life of the project. Scopes of work were generally discussed and vetted with respective GOAJ agencies and consultant CVs were provided to ensure a collaborative recruitment process. At the outset of project activities in the third year, USAID altered the approval process for TIRSP STTAs and their work assignment in ways that considerably expedited the period of time required to contract and deploy proposed STTAs and approve their work assignments.

12. Did the contractor report and respond to controversies in implementation in a professional, effective and timely manner?

The TIRSP team routinely met with both USAID (weekly) and GOAJ counterparts, both formally and informally, to discuss project implementation, including implementation challenges. We believe the project reported on and responded to issues in a professional, effective and timely manner. Our Chief of Party maintained almost daily contact with USAID about project activities, administrative concerns and counterpart-related matters. He routinely communicated technical changes and directions from USAID to our Home Office for action as required. Where particular assignments or consultants were questioned, or where additional financial, level of effort, travel or other information was requested, our team responded to USAID promptly and comprehensively to ensure project activities were fully vetted by and approved by USAID. Our Home Office Director and Senior Vice President routinely contacted and communicated with our COTR and CO to resolve implementation and technical issues and solicit feedback and advice.

13. Did the contractors build relationships with host country counterparts in a way that enhanced program objectives in all three components?

Yes. With almost every counterpart, TIRSP personnel were able to establish relationships that enabled cordial and productive engagement for the work of each component.

14. How effectively has TIRSP created awareness about legislative and institutional issues it works on among the private sector and civil society in Azerbaijan?

Given the limitations of the TIRSP scope of work, the project has been reasonably successful at creating and promoting public awareness of the reforms generated under the program. During Year 3, TIRSP staff engaged in numerous roundtables, workshops, publications, expert interviews, television appearances, and outreach events aimed at creating this awareness, particularly on the part of key stakeholder in government and the private sector. These events were largely successful, but it is clear that their impact would have been greater if the project had had more budget resources for such outreach and had been given a more consistent mandate to engage in a robust communications and public information campaign to include media engagements through the print and broadcast media and Internet-based communications.

15. Have the results achieved by Chemonics been at a cost when considering the results achieved, technical assistance provided, and goals of the program?

We believe that the TIRSP project has achieved significant results, provided top quality expert advice and technical assistance, and achieved impressive results at an overall best value to the U.S. Government and the GOAJ. In just over three years, TIRSP has provided significant technical assistance and capacity building in drafting legal reforms to cadastre law, collateral law, investment law, company law and competition law in addition to proposed reforms needed to establish a best-practices bankruptcy law regime. On the trade side, working with the U.S. Department of Agriculture, TIRSP has provided food-safety training to state inspectors, educators, and industry representatives on best practices in food-handling and inspection regimes in order to support the GOAJ's goal to expand exportable agricultural products. In the area of public expenditure and investment, TIRSP provided two courses in Project Appraisal and Public Finance at the Azerbaijan State Economic University (ASEU) in coordination with Duke University and provided on-the-job, in-house training for line ministries and teachers on cost benefit analysis. In addition, TIRSP has assisted the GOAJ in preparing WTO-compliant laws in customs, intellectual property, foreign trade policy, food safety, and non-tariff barriers to trade; preparing high-quality accession documents; and improving the structure and format of Azerbaijan's market access offers on goods. TIRSP facilitated and supported the adoption of amendments to Presidential Decree No. 609 to eliminate fifteen import and export restrictions - a change which will dramatically simplify the import and export approval processes in Azerbaijan, reduce opportunities for corruption, and move Azerbaijan towards WTO accession. The project has created the environment for a record-breaking four WTO Working Party meetings in just over three years by providing timely and high-quality technical assistance that has enabled the GOAJ to be fully responsive to working party meetings and to meet required accession benchmarks.

These successes speak for themselves. TIRSP has achieved them under significant political constraints in the local environment and with constrained, sometimes unpredictable budget resources. During Year 3, TIRSP operated under a highly uncertain financial situation since GOAJ co-financing was not assured until over halfway through the project year. TIRSP also had significant activities and financing cut by USAID during Year 3. Despite these challenges, TIRSP achieved significant results and has provided both the U.S. and Azerbaijan Governments with quite a "bang for the buck".

Sustainability

16. What evidence is there that Azerbaijani partners take ownership of the activities addressed in TIRSP? Was there sufficient pull from the GOAJ to absorb the technical assistance provided through TIRSP? Did the GOAJ change its direction in terms of support it needed or speed with which it needed it? If so, how did that impact the program deliverables and did the implementer make USAID fully aware of these changes and impact on the program deliverables?

Azerbaijan government officials have demonstrated a pattern of willingness to benefit from technical assistance and project activities in cases where there is a direct mandate (a Presidential Decree), significant external incentive (WTO membership) or perceived relationship to stakeholder interests. Where those factors are not present, ownership is almost always not present and willingness to cooperate is minimal at best. However, where at least one of those factors is present, counterpart responsiveness has usually been high with improvements achieved in policies, procedures or capacity.

The most notable example of GOAJ change in direction has been WTO accession. During the first half of the project's implementation period, "pull" from the Government was quite high and the project was able to assist in achieving remarkable results in a comparatively short time period. However, with a change in ministerial leadership at TIRSP's mid-point, the Government adopted a "go slow", cautious approach to WTO accession, creating uncertainty for both USAID and TIRSP management as to the degree of GOAJ commitment to the process and the extent to which continued technical assistance could and should be deployed.

After intense engagement with GOAJ officials during the fall of 2009, GOAJ began to re-engage the accession negotiations in constructive ways. By the time of TIRSP's project closedown, sufficient progress had been made by GOAJ to warrant the scheduling of another Working Party and a new round of bilateral negotiations in October 2010.

TIRSP has built GOAJ ownership for new processes within other ministries as well. In December 2009, MOED requested assistance from TIRSP in the area of electronic commerce policy and laws. This engagement expanded incrementally over ten months, ending with TIRSP experts developing a major related legislative package of amendments to numerous commercial laws and a draft best practice statute addressing cybercrime that exceeds Azerbaijan related international commitments. This package is in final preparation stages for submission to the Parliament.

Lastly, TIRSP has built considerable support from the top levels of the GOAJ for reform of public investment project analysis and management. The culmination of TIRSP's engagement with the GOAJ on this issue resulted in a Presidential Decree requiring project analysis for all GOAJ ministries. This success opened the door to TIRSP's further engagement with line ministries and state operating agencies on the related areas of cost/benefit management, risk assessment, public finance and project management. Prior to promulgation of the Decree in March 2010, no targeted GOAJ counterpart had been willing to engage with the project to allow TIRSP to provide related technical assistance.

In each case – and in all others – TIRSP management kept USAID fully apprised and was provided with effective, often crucial, support and, where appropriate, interventions with appropriate GOAJ officials.

17. What are the obstacles to sustainability? Is the political will of the host government strong enough to ensure sustainability?

While TIRSP has made some notable strides in developing national capacity and generating ownership for reform, the key to sustainability lies in creating the demand for ongoing reform in the trade, business and investment arenas. Identifying and working with champions/change agents within the GOAJ, engaging in high-profile and adequately-funded public outreach and advocacy to build interest and “buy-in” from both the public and private sectors, and working with educational institutions to create adequate related professional skills will be critical to successor project success. The primary constraints to sustainability are political will, bureaucracy, lack of transparency, lack of awareness about the legislative process, and insufficient information on the part of key stakeholders. However, in some areas, such as electronic commerce, land registry, tax modeling and procurement reform, the political will to sustain policy changes and capacity building is present within the GOAJ and should be fully exploited.

18. Are the TIRSP triggering creation of economic reform oriented networks (on the issues that TIRSP work on)? Did the TIRSP promote participatory policy change to create a greater role for public and private sector?

During the first year of the project, TIRSP and USAID actively attempted to create such networks, but local partners were either not very interested or believed that such arrangements would not be productive in the local environment. However, over the life of the project, a network of private advocates supporting WTO accession was supported and a network of private stakeholders for electronic commerce development evolved from TIRSP events and interventions.

19. What measures should be taken to increase sustainability?

As mentioned above, a successor program will benefit from a deep and robust communications and outreach campaign that will seek to identify and work with local reform champions in the private and public sectors, build a deep and practical understanding of and support for needed changes within key stakeholder communities, increase overall understanding and knowledge of key trade and business environment issues and challenges, and continue building local capacity to take these initiatives forward.

20. Are processes, systems and management in place to ensure that the results and impact of TIRSP will be sustainable?

We believe that TIRSP has made considerable progress in creating the support required to carry forward the technical work of the project, particularly within cooperating GOAJ counterparts. Nowhere is this more evident than in our Component 1 work, where our significant efforts were

rewarded in the last week of implementation with the announcement of a fourth WTO Working Party Meeting; this result could never have been achieved without increased capacity within relevant counterparts. As already mentioned, however, additional resources in the areas of communications, public outreach and advocacy will be needed for any successor program to build a long-term sustainable base for the significant reforms undertaken by TIRSP.

21. Did the program create institutional capacity to ensure that the partner agencies at GOAJ properly carry on operations after exit?

Yes, where partner agencies were willing to take full advantage of the technical assistance provided.

Program Oversight

22. Has the TIRSP program received clear, timely guidance from USAID over the three years of the program?

TIRSP has witnessed significant management changes, both at USAID and within the project, over the period of performance. In some instances, this resulted in unclear technical and contractual guidance from USAID, particularly in the areas of reporting, data quantification, and work in specific sectors and with particular ministries. While TIRSP has always enjoyed an open and constructive relationship with USAID, there have been times when USAID's technical guidance has changed without notice or been unclear. A few illustrative examples include:

- COTR instructions to not produce contract deliverables in the form of regular project reports;
- COTR refusal to approve M&E plans;
- Conflicting information about what activities would be approved; and
- Long delays in approval of work plans.

23. Has USAID been able to provide appropriate oversight for each activity?

In general, we believe USAID has been able to provide appropriate oversight for each activity. As part of Chemonics' routine practice, the TIRSP project has shared scopes of work and consultants CVs with USAID, in addition to extensively discussing work plans, proposed technical assistance for counterparts, and reporting on issues and challenges in implementation as part of our weekly meetings with USAID. This steady consultation has allowed our COTRs to provide supervision of project activities and advise our team when changes were required or appropriate.

24. Has USAID been able to seek feedback from all of the 36 beneficiary units/agencies served by TIRSP in the past three years?

We believe this to be the case.

25. How responsive has Chemonics been to feedback and guidance?

As with all our projects, Chemonics has responded quickly to all formal feedback and guidance provided by USAID under TIRSP. As requested by our former COTR, Chemonics made

numerous personnel changes at the Chief of Party level and has routinely remained flexibility in responding to USAID management requests. Our team, including our Home Office Directors, has routinely been in contact with USAID for feedback and guidance. Our Senior Vice President has maintained communications with both our COTR and our CO on contract and implementation issues and feedback received from USAID has been accorded full importance in terms of our response.

26. To what extent has this guidance been followed by Chemonics?

Chemonics has fully followed all guidance – on both management and technical issues – that has been provided by USAID under this contract.

27. Has Chemonics fulfilled all of their reporting requirements?

Chemonics has fulfilled all the reporting requirements detailed in the original Task Order and subsequent modification, with the exception of the Year 2 work plan and monitoring and evaluation (M&E) plan. As discussed with the evaluators, our COTR at the time requested that these documents not be submitted and did not provide us with a response to them at the time. As agreed with our current COTR, Chemonics is submitting a final and comprehensive M&E plan and report for all three years when it submits the final report.

28. Are the reported results accurate and verifiable?

Chemonics has retained files on our M&E data collection that demonstrate that our results are both accurate and verifiable.

29. What specific recommendations could serve for future management of such a program?

Our experience on TIRSP has made it clear that simply providing technical advice and expertise on economic reform and trade will not alone provide the conditions for reform in Azerbaijan. Any future program must go deeper and must provide the building blocks for informed, capable, and sustained local reform and development. TIRSP's successor program should focus on providing more legislation and policy information activities and outreach events, as well as on building local capacity to take project activities forward.

Public Relations/Media Coverage:

30. How effective has TIRSP been with highlighting success stories (for internal USAID and external audiences) or weekly reports (for internal USAID audiences)?

TIRSP has routinely shared successes with USAID, but the program has not been as effective as it could have been in disseminating these successes more broadly within USAID and to external audiences. In line with the recommendations contained in responses to various questions in this document, if the needed public outreach efforts are to be carried out and if internal communications within USAID and USG are to be strengthened, related project staff resources must be increased above those available to TIRSP.

APPENDIX 5: Note on Contract Compliance

The Evaluation Team and SEGURA IP3 Partners LLC will certainly oblige in the interests of responsiveness, with three caveats. First, nothing below is to be construed as a legal opinion from the Evaluation Team, SEGURA IP3 Partners LLC or any other party preparing this report of contract compliance by Chemonics, USAID or any related, a contractor and host government counterparts. The Evaluation Team offers its views strictly to advance appreciation of TIRSP, its accomplishments, challenges and shortcomings. Secondly, as with any contracting engagement with USAID, successes and failures are often the product of a collaborative exercise between USAID and the contractor. Thirdly, neither time nor resources permit the Evaluation Team to undertake a comprehensive or in-depth audit. Was the TIRSP Component One advice on Technical Barriers to Trade adequate? The best answer depends on specialist peer review, not on a generally focused evaluation exercise. Should TIRSP Component Two resources allocated to bankruptcy have been husbanded for a more concerted effort in e-commerce? Perhaps, but this “what if” is best left in the hands of the parties on the ground, TIRSP and USAID in Azerbaijan.

Thus, taking into account the three factors, the Evaluation Team did not proceed with an eyeshades checkbox exercise. Rather, in discussing contract compliance, the Evaluation Team aims to present a framework through which to examine contract compliance for an endeavor like TIRSP. The Evaluation Team does so with the observation that the issue of contract compliance is not so central to the evaluation of all USAID projects. Often, compliance is assumed and concerned parties study the efforts undertaken for effectiveness, consistency, sustainability and so forth. But because in this instance USAID has requested some focus, the Evaluation Team will offer analysis in threefold fashion:

- a general overview of key contract vehicles
- derivative of the overview and general USAID practices, setting forth some key guidelines for analyzing performance
- analyzing key dimensions of TIRSP performance

The Evaluation Team trusts that his flexible approach will be of value to Chemonics and USAID as audit exercises unfold in the coming weeks.

APPENDIX 6: Review of Significant Portions of Component Two Legal Reform

	Procurement	Competition	SPS	Corporate Governance
Legislative Impact		Draft Competition Code has been prepared and is currently reviewed by the Parliament	Law “On Wine Growing” and Law “On Tobacco and Tobacco Products” have been amended	Law “On Joint Stock Companies” has been drafted and is under discussion
TIRSP’s Role		TIRSP has considerably contributed to its drafting	TIRSP provided assistance in drafting of those amendments	TIRSP has considerably contributed to its drafting

	Procurement	Competition	SPS	Corporate Governance
Implementation	Standard Bidding Documents have been approved and are in use			Corporate governance guidelines have been prepared with implementation pending
TIRSP’s Role	Standard bidding documents were drafted by TIRSP for facilitating procurement of goods using the bidding method			TIRSP has drafted several corporate governance guidelines for a number of beneficiaries