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# AZERBAIJAN COMPETITIVENESS AND TRADE (ACT) PROJECT

*ACT Q1 FY2011 Quarterly Progress Report:  
October 1 – December 31, 2010*



*Picture Caption: Employee of the Gusar Trout farm measures and tempers fish-eggs imported and delivered to the farm with ACT assistance to further lay them into the incubator in the hatchery.*

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# Azerbaijan Competitiveness and Trade (ACT) Project

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## **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government.

## ACRONYMS

AAC	Azerbaijan Agribusiness Center
ACT	Azerbaijan Competitiveness and Trade
AIM	Agro Information Center
AKTIVTA	Azerbaijan Agro Input Dealers Association
AmCham	American Chamber of Commerce
AML	Anti-Money Laundering
ASAU	Azerbaijan State Agricultural University
BDS	Business Development Service (providers)
CBRI	Central Bank Research Institute
CERT	Computer Emergency Response Team
COM	Cabinet of Ministers
CSO	Civil Society Organization
DRC	Domestic Resource Costs
ERC	Economic Research Center
FI	Financial Institutions
GOAJ	Government of Azerbaijan
IT	Information Technology
MCIT	Ministry of Communication and Information Technology
MFA	Ministry of Foreign Affairs
MIS	Management Information Systems
MNS	Ministry of National Security
MOED	Ministry of Economic Development
MOH	Ministry of Health
MOJ	Ministry of Justice
MOT	Ministry of Taxes
PSCEP	Private Sector Competitiveness Enhancement Program
SOW	Statement of Work
STTA	Short Term Technical Assistance
TIRSP	Trade and Investment Reform Support Program
USAID	United States Agency for International Development
WTO	World Trade Organization

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# 1. Project Overview

Sibley International is pleased to present the first Azerbaijan Competitiveness and Trade Project Q1 FY2011 Quarterly Report in accordance with contract number AID-EEM-I-00-07-00003, task order number AID-112-TO-10-00002. This report covers the first reporting period and describes project activities completed during October 1-December 31, 2010.

The ACT project began operations on October 1, 2010 and builds on the work of various other USAID projects previously completed to support similar objectives. The USAID ACT project aims to improve the domestic business enabling environment; develop a liberalized, more transparent trade environment; and improve targeted value chains in the agriculture sector of Azerbaijan. These overall objectives will be additionally supported through the elimination or mitigation of technical and administrative barriers that hinder progress in all three areas.

Formally, the project is divided into the three abovementioned interconnected and interdependent components. In addition, there are several cross-cutting technical areas that support all three components. These include the institutionalization of education related to trade, investment and agriculture; the development of a public-private dialog to support discussions between the private and public sector to improve understanding of changes; the analysis of costs of various initiatives (legislation implementation, administrative barriers, trade facilitation, etc.) to facilitate the understanding and possible change of various legal and administrative measures through the use of objective cost information; overall monitoring and evaluation to ensure the project objectives are met; and development and implementation of a grants program to support the development of partner organizations in building local institutional capacity.

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

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

- Improved access to market information and agricultural best practices, through academic institutions, professional associations, alliances, etc.;
- Adoption of best practices by farmers/businesses in targeted sectors; and
- Improved access to markets for targeted value chains.

## **2. Project Activities and Accomplishments in Q1 FY2011**

### **Component 1: Domestic Business Environment Improved**

#### ***1A: Build up Public Dialogue***

- A significant portion of the assessment of Civil Society Organizations (CSOs) has been completed and the final report is expected in January. Ms. Fiona Shukri and Ms. Sabira Shikhaliyeva met with twenty CSOs and two local universities in order to gauge their capacity for rigorous research and their credibility with government, private sector, media, and society. Once the assessment has been completed, three CSOs plus one university will be selected as ACT partners for the public-private dialog component. Upon selection, the team will initiate customized work planning for each organization and development of individual research agendas.

#### ***1B: Improve Domestic Business-Related Legislation and Public Expenditure***

- The Component 1 team completed a model first draft of the Competition Code, which was presented for comments at a public outreach event on December 15, 2010, organized in coordination with the American Chamber of Commerce (AmCham). Attendance included companies from the private sector, CSOs and representatives from the Parliament. The code will continue to undergo elaboration, analysis and customization in close cooperation with the President's Office in order to ensure that recommendations will be well-received in the Parliament.
- Mr. Craig Blakeley and Mr. Eldar Gojayev conducted a roundtable discussion on December 17, 2010 at the Ministry of National Security (MNS) dealing with the expanded cybercrime law, as well as proposals on the Computer Emergency Response Team (CERT). MNS representatives emphasized their need for ACT assistance in implementing the procedural requirements of the Cybercrime Convention in the form of trainings from the U.S. Department of Justice as to how to identify, preserve, seize, and present evidence of cybercrime.
- A roundtable discussion was held at the Ministry of Taxes (MOT) on December 22, 2010 to discuss issues concerning VAT taxation of e-commerce transactions in Azerbaijan. ACT recommendations, consistent with international best practice, concluded that e-commerce transactions in Azerbaijan be treated identical to conventional business/retail transactions in terms of the level of VAT applied. An article subsequently

appeared in Trend Economic Daily News on December 30, 2010 in which Mr. Craig Blakeley was quoted regarding international best practices in e-commerce.

- A roundtable discussion on e-commerce was held at the ACT offices on December 29, 2010 to present recommendations and to provide an update of the status of their adoption and implementation. Participants included representatives of the Ministry of Communication and Information Technology (MCIT) and MNS, along with the CSOs and private sector companies. During the discussion following the presentation, questions were raised about a number of issues, including taxation of e-commerce and means of effective promotion of use of e-commerce in Azerbaijan.
- Initial work on the Investment Law was completed to amend the Law on Protecting Foreign Investments and the Law on Investment Activity. ACT identified several challenging provisions of the draft and crafted replacement provisions that are consistent with modern notions of investor attraction and protection.

### ***1C: Institutionalize Knowledge***

- Local university programs and curricula were analyzed. In addition, preliminary assessment criteria were developed, pending input and approval from USAID. Selection criteria for educational institution and partner institutions will be finalized in January 2011. The primary objective for Component 1C will be to encourage an indigenous research base by providing technical assistance and capacity building to Azerbaijani universities. Such an approach recognizes that a competitive business environment depends critically on the quality of Azerbaijan's intellectual infrastructure, and the nexus of universities and other research institutions that train attorneys, economists and public administrators who will be part of the economic community.

### ***1D: Improve the Financial Sector***

- The draft Financial Sector assessment was completed, which encompasses recommendations for partner Financial Institutions (FIs), as well as areas for targeted intervention. Sixteen FIs were interviewed and as a result, six commercial banks and three microfinance institutions were preliminarily identified as potential partner FIs. The general areas identified for intervention by the ACT project are credit and lending, risk management, market research and product development, sales and portfolio development, anti-money laundering, improvement of technical knowledge and skills, improved Management Information Systems (MIS) and portfolio management, and client education and outreach programs.

## Component 2: Liberalized, More Transparent Trade Environment Developed

### *2A: Support to GOAJ on WTO Accession*

During the first quarter, the ACT project met with counterparts to introduce the project and identify their needs, in order to integrate specific activities into the project work plan. Also during this period ACT screened alternative approaches to cooperation to make the project effective and successful. Activities in this regard include:

- The Project met with the Legal Department of the President's Office to introduce the new ACT Project and discuss opportunities for cooperation. As a result of discussions, the ACT Project committed to generating a list of priority legislation that can be supported by the ACT Project in cooperation with the GOAJ. The list was promptly developed and delivered to the President's Office. In addition, there were several meetings held to discuss the legislative agenda.
- The Project held several meetings with the State Committee on Standardization, Metrology and Patent to introduce the project and discuss the Law on Technical Regulations. As agreed with the President's office, the ACT project worked with the State Committee on Standardization, Metrology and Patents to modify the Law on Technical Regulations. As a result of this collaboration the law was modified during December 2010 and brought into full compliance with WTO and EU requirements and submitted to the President's office. ACT will continue to work with the President's Office to finalize the draft and ensure its submission to Parliament by March of 2011.
- ACT met with the Ministry of Economic Development (MOED) to introduce the project, and agree on the list of priority activities.
- The Project talked with a local hazelnut farmer to learn more on issues facing local farmers at the production, processing and trade stages of the value chain.
- Numerous meetings were held with several government bodies to discuss development of a potential Joint Action Plan on SPS issues arising from the Resolution of the President of the Azerbaijan Republic "On approving the «State program on reliable provision of the population of the Azerbaijan Republic with foodstuffs over 2008–2015»" No. 3004 as of 25.08.2008. Additionally, following the Cabinet of Ministers (COM) request to help finalize the Draft Amendments to the Law on Food Products, ACT lawyers worked with the State Customs Committee and MOJ to come to an agreement on the draft version of the document. ACT will continue working with other ministries such as State Committee on Standardization, Metrology and Patent to obtain agreement and achieve full consensus on the Draft Amendments to the Law on Food Products and ensure its submission to President's office.
- The Team conducted numerous telephone conversations with MOED (WTO Department and Legal Department), Ministry of Justice (MOJ) and Ministry of Health (MOH) on disputable provisions of the Draft Amendments to the "Law on Sanitary and Epidemiologic Welfare".

- The Team arranged and attended two donor coordination meetings.
- The project worked in close collaboration with the MOED to identify activities in the area of service negotiations, trade remedies and foreign trade activity laws and implementing regulations, etc.
- In addition introductory meetings were held with the following government bodies to provide them with detailed information about the project, its objectives, capacity, as well as to identify their needs for ACT assistance and potential fields of cooperation:
  1. State Phytosanitary Control Service of the Ministry of Agriculture;
  2. State Sanitary-Epidemiological Service of the Ministry of Health;
  3. Copyright Agency.
- The ACT project arranged and funded a trip for the following persons to the 8th WTO Working Party meeting in Geneva: Bakhtiyar Alishov-Head of the WTO Department at the Ministry of Economic Development, Gulchin Alasgarova-Head of the Division under the WTO Department at the Ministry of Economic Development, Farhat Youwakim Farhat – Deputy Team Leader of Component 2 of the ACT project, Metin Akhundlu – Interpreter. Following the event, the ACT project drafted a mini-roadmap with recommendations and presented to USAID and the GOAJ for review. In addition the project team met with MOED and MFA to follow up on the working party meeting and assist in sending some requested legislation, such as the Law on Banking, Law on Insurance etc. Furthermore, the project and its relevant counterparts reached an agreement to send amendments to the Law on Food Products and Draft Law on Technical Regulations. ACT will continue to work with ministries to achieve submission of other Laws such as the Draft Law on Combating Piracy, and Draft Law on Broadcasting.
- The project provided assistance to translate questions received by the EU and the Factual summary into Azeri and provided the documents to relevant ministries through MOED. In addition, ACT lawyers started working with relevant ministries to answer the questions put forth by the EU. ACT will continue to the support ministries in preparing proper responses to the EU and the US during the following quarter.
- In order to improve bilateral negotiations on goods and services and achieve progress on multilateral negotiations, as well as support the GOAJ to undertake commitments requested by the members, ACT will provide its counterparts with comparative analysis and impact assessments, as well as trainings on best negotiating practices.
- In addition, in December of 2010 State Copyright Agency requested that the ACT project comment on amendments to laws related to protection of information. It was agreed that the comments would be provided to the State Copyright Agency in January 2011:
  4. Amendments to the Law of Azerbaijan Republic on Commercial Secrets,
  5. Amendments to the Law of Azerbaijan Republic on Legal Protection of Topologies and Integral Circuits”
  6. Amendments to the Civil Procedural Code of Azerbaijan Republic

- 7. Amendments to the Code of Administrative Offences of Azerbaijan Republic
- 8. Amendments to the Criminal Code of Azerbaijan Republic
- On October 27<sup>th</sup> ACT experts, Mr. El Khan Mikayilov and Mr. Farhat Youwakim Farhat, attended and made speeches at a WTO workshop on EU on *WTO Accession: International Experience*.

### ***2B: Improve Anti-Money Laundering***

- AML Activities will begin in March 2011.

### ***2C: Quantify Costs of Current Trade Regime***

- Analytical activities in support of the quantification of tariff and non-tariff barriers will begin in February. The project identified an expert to support this effort and began identifying partners to support the work. The short-listed organizations that were interviewed included the Economic Research Center (ERC) and the Institute for Economic Reform (IER under the MOED).

## **Component 3: Targeted Agricultural Value Chains Improved**

### ***3A: Identify Sub-Sectors that Exhibit Potential for Competitive Growth a***

- The team developed and presented to USAID draft selection criteria designed to quantifiably select additional sectors and sub-sectors for continued USAID-ACT support. The criteria allow the team to use previous Domestic Resource Cost (DRC) analysis, current and ongoing market research, and numerous additional criteria to make informed decisions with strong potential for growth. In addition potential partners BDS's and others were interviewed and asked for input. The criteria are market potential grounded and will allow for a focused constraint removal process pin-pointing interventions according to market demands.
- The team interviewed the Economic Research Institute (ERI) and the Central Bank Research Institute (CBRI) to discuss their capacity and desire to continue with DRC analysis that was started under previous USAID projects. In addition, the Azerbaijan Agro Input Dealers (AKTIVTA) and the Azerbaijan Agribusiness Center (AAC) were interviewed as potential partners to work with the above mentioned organizations as primary data collection organizations for both the DRC and neighbor market studies. In all cases affirmative responses were received. Details of the working relationships are being discussed. The draft list of potential partners was submitted to USAID for an initial review.
- Dr. Dirck Stryker was enlisted to provide support to work with the selected institution(s) to update/confirm the previous DRC analysis on the selected sectors for the ACT project. This will include dairy and aquaculture, in addition to making recommendations as to what additional sectors have strong potential according to DRC and market studies. One of the main purposes of this consultancy is to work with the selected organizations in an effort to help them build market demand for such reports in the future and to build up

their capacity to conduct such studies. Dr. Stryker was approved and will arrive in February, 2011.

### ***3B: Improve Competitiveness of Targeted Sub-Sectors***

- The team developed a comprehensive partner selection criteria and presented draft options to USAID for review. The process is quantifiable and focuses on willingness, past performance, commitment to financial independence, and the skill sets of management and staff. Initial evaluations were started and a draft list was provided to USAID for consideration.
- Component 3 began developing action plans for the aquaculture and dairy sectors by engaging in desk research, interviews, and numerous visits to Business Development Service (BDS) providers in the regions.
- The project conducted desk research on the markets and constraints for fresh and processed products such as pomegranate, apples, hazelnuts, open and greenhouse tomatoes and cucumbers, kiwi and feykhoa, early potatoes, and cherries. In addition, work was started on processed chicken meat. In all cases market studies have indicated a strong potential. These sectors will be among those considered for ACT assistance and have been presented to USAID as such.
- Mr. Tom Ort was engaged to build on work previously started on the PSCEP project. He began his assignment by examining the marketplace opportunities for trout and carp. In addition, he was charged with creating a draft Action Plan and offering suggestions for improving the work of the BDS's supporting the sector.
- Scopes of Work were developed, presented, and approved by USAID for STTA in Dairy, Fruit and Vegetables, Agricultural Education/Extension, and EU-US standards.
- The team met with Agro Information Center (AIM) leadership to introduce the project. In addition, meetings were conducted to determine the current level of agricultural extension being conducted by the organization and the types of classes being offered.
- The USAID COTR and ACT COP conducted a three day initial field visit in December to various dairy and fish farms to assess progress on previous grant activities and opportunities for future cooperation under the ACT project. This trip overlapped with Mr. Tom Ort's visit to fish farms and a Caspian Sea operation.

### ***3C: Improve Knowledge of Agricultural Best Practices***

- The team met with the Rector and international relations manager of Azerbaijan State Agriculture University (ADAU) along with USAID to introduce the ACT project and set the stage for future STTA assistance designed to review and recommend curriculum changes as they relate to economics, agriculture, and Extension services.

## Project Management Activities

- The first month saw rapid project start-up and staff mobilization, thus facilitating the smooth execution of project activities, following the priorities set forth by USAID.
- The Task Order went into effect on September 30, 2010, which was immediately followed by the deployment of the Sibley Start-Up team on October 10th, 2010 to begin administrative activities. Shortly after project start-up, USAID's mission staff Ms. Sheila Young and Ms. Aytan Gahramanova visited the ACT Project's temporary office for an introductory meeting with the project staff. Another notable activity during this phase was the provision of logistical support to the GOAJ representatives' trip to Geneva, Switzerland to participate in a working party meeting with the WTO. In addition, Sibley International obtained its registration early in December.
- During the latter part of the quarter, the project staff focused heavily on development of the first year project work plan. The project held various meetings with potential counterparts both government and private sector (as described in the above sections) to develop greater detail for the work plan. It is anticipated that the work plan will be finalized and approved at the beginning of the next quarter.

## Field Temporary Office/Equipment

- A temporary office for the project was set up at the center of the city in Baku and was furnished with inventory inherited from the previous USAID project TIRSP. All facilities and services are in full operation, including telephone, internet, and project email service powered by Google.
- Office equipment (desktop computers, laptop computers, printers, phones and modems) were also inherited from the previous USAID project. IT services are being provided by a local IT Company. The Sibley Team also managed the procurement of miscellaneous office supplies needed to get the office up and running.
- The Team moved to the permanent ACT office space in November.

## Staffing

- The hiring process of ACT Project personnel started on October 12<sup>th</sup>, 2010. As agreed with USAID, priority was given to the recruitment of staff for Component 2 and other administrative personnel.
- By the end of the month, the Sibley Team concluded all negotiations with Subcontractors Pragma Corporation, Economic Integration Forum and ASR. The team also developed Employee Manuals, Benefit Packages, and Safety Handbooks for all project employees.

### **3. Monitoring and Evaluation**

- The Project identified the indicators and results required to ensure success of the program and began collecting some anecdotal data to support activities.
- The basis of monitoring and evaluation for the project is the M&E plan. The M&E plan will be based on the specific objectives defined in the project work plan. The plan will be developed during the next quarter after the work plan is approved by USAID.
- The project will continue to collect baseline information, will design needed surveys and set targets based on the baselines in the next quarter.

### **4. Technical Activities Planned for Q2 FY2011**

#### **Component 1: Domestic Business Environment Improved**

- Component 1 will identify four CSO partners based on recommendations from a public-private dialog expert and in coordination with USAID. Partners will be selected based on the following criteria: proven experience and capacity for rigorous research; credibility with government, private sector, media, and society; willingness to co-finance; access to media; and experience in organizing public-private dialogue events. Once the selection process has been completed, ACT will obtain commitment from each CSO partner on a research agenda and begin planning and providing technical assistance. Component 1 will focus on two sets of activities: 1) helping partners to conduct analysis and research on high-priority issues so that they themselves understand those and have views; and 2) helping partners to organize events where the results of analysis can be presented, discussed, and debated with maximum impact. ACT will also work with CSOs to share information regarding the costs of the current trade regime to society as this information emerges from Component 2C.
- Component 1 will help to revise the existing draft Competition Code to bring it closer to international best practice, with an aim of having a revised version of the law pass the Parliament on a third reading during the upcoming legislative session. Improvements will focus on: moving away from using “natural monopoly” references and market share thresholds that punish dominant position toward unambiguous definitions of anti-competitive behavior; increasing independence of the anti-competition body; raise the thresholds for notification requirements for mergers; and involving the anti-competition body in analyzing and reporting on the negative impact of government regulation on competition.
- ACT will continue to work with the President’s office on making improvements to the new draft Investment Law. There are several key provisions proposed in the new draft law, which are important in terms of addressing investor concerns. Among them are broader definitions of “investor”, “investment” and “expropriation”, provisions to encourage foreign direct investment, and the ability of investors to settle disputes in an

international forum. The proposed new law is intended to provide additional protection for investments across all classes of investors. ACT will also assist with legislative advocacy by working with the President's office and with Members of Parliament, with the Ministry of Economic Development, as well as with the private sector in order to help shepherd the legislation through to ultimate passage.

- In the area of banking legislation, the team will work with the President's office and the Central Bank on reviewing banking legislation (existing law and a proposed bank code), addressing issues including: bank consolidation; bank supervision; central bank governance; resolution of distressed banks; and a supplement to deposit insurance.
- With regard to tax law, the team will provide advice to the President's office, Ministry of Taxes, and Ministry of Finance on proposed revisions to the Tax Code. These will be developed over February and March so they can be discussed and consensus built at higher levels of government and civil society in March and April, to be introduced to Parliament by a May deadline, so they can take effect by January 2012. The initial focus will be on tax policy advice, which then will be entered into proposed draft legislation through legal advising. In addition to advising, Component 1 will emphasize public-private dialogue by expanding and improving two events—an conference organized by the Ministry of Taxes and a conference planned jointly by the Ministry of Taxes and AmCham. Issues of focus are as follows: harmonizing the simplified business tax with the rest of the tax system to reduce evasions and distortions; improving VAT functioning; revising corporate income tax to better allow for deduction of all legitimate expenses; improving property tax (in parallel with strengthening the property regime and institutions); improving tax administration to focus enforcement measures on violators while reducing the burden on lawful payers; and reducing the personal income tax and social contribution burden on labor to increase jobs and formality.
- Public expenditure reform efforts will provide training in cost-benefit analysis and investment appraisal. The Team will select government entities that show an interest in applying these techniques to public investment decisions. The Team will organize a training program for government staff in an integrated, multi-faceted training program encompassing detailed cost-benefit analysis concepts and procedures (including rigorous analysis of the quantification of project benefits and costs and shadow price formation).
- Three university partners will be identified in coordination with USAID based on the following criteria: willingness, ability and commitment to cooperate; credibility and prestige of the institution; areas of applicable specialization; and capacity to engage in research and public dialog. Thereafter the Team will begin to develop action plans with each university for adoption of curriculum, increasing enrollment of both male and female students, with the goal of ensuring that over 80% of students succeed in learning the updated materials.
- Planning of work with Demirbank and Access bank in accordance with each institution's stated needs and objectives will begin and MOUs will be signed. In addition, the remaining partner financial institutions will be identified, MOUs signed and customized work planning will begin in order to make steady progress toward improving access to

finance by SMEs in the agricultural sector. Partners will be selected based on the following criteria: senior management support for increased lending to the agricultural sector, willingness and ability to co-finance, extend of branch network, loan portfolio quality, the ability to rapidly integrate technical assistance, degree of focus on an SME lending program and effective past use of donor funding.

## **Component 2: Liberalized, More Transparent Trade Environment Developed**

- The project team will arrange a seminar on “WTO Accession: Experience of recently acceded countries” with participation of foreign country and WTO representatives.
- Project experts will draft a report on regulatory and market requirements for export of dairy products, aquaculture products, and fruits and vegetables to EU countries and provide supporting recommendations to counterparts to enhance their understanding of those requirements.
- In addition, the team will shortlist partners, draft work plans for mutual cooperation, and perform a needs assessment of WTO units to build up their capacity.
- During the upcoming quarter the project will conduct impact assessments of direct branching in banking and insurance sectors, as well as the reduction of monopolies in the telecommunication sector through selected partners.
- A certain portion of project time will be allocated to the preparation of comparative analysis\peer review of recently acceded countries’ experiences on service subsidies, business visas, MFN exemptions, and energy services, etc.
- The project is planning to conduct an impact assessment of the harmonization of excise taxes on domestic producers, consumers, and fiscal revenue, as well as the elimination of VAT exemptions on domestic agricultural producers, consumers, and fiscal revenue, elimination of export duties on domestic producers and revenue.
- Work will continue with: a) the Parliament staff on the Draft Customs Code in order to ensure compliance with WTO requirements and standards; b) the Cabinet of Ministers to finalize legislation to be further delivered to the President’s office; c) the President’s office in order to finalize the Draft Law on Technical Regulations, which will later be delivered to the Parliament for review.
- With the purpose of ensuring conformity with WTO requirements, the team will monitor and review any revisions to the Draft Law on Antidumping, Countervailing duties and Safeguard measures (Trade Remedies) as it moves through the legislative process and provide requested technical assistance in relation to this task.
- Throughout the quarter, work will continue with MOED and MFA on preparing suitable responses to questions asked by the EU and US.
- The project team will provide its counterparts any assistance needed in putting together necessary documents, such as drafting pieces of legislation to submit to WTO or members.
- The team will continue to provide assistance in revising goods and services offers, preparing a code harmonization plan and adoption of the code of standards, as well as

in the application of the WTO TBT Code of Good Practice by the State Committee on Standards.

- In addition the team will select an appropriate public or private organization to act as a partner/s in research and awareness raising activities. Following this, jointly with the selected partner, the ACT team will put together an action plan to assess and quantify the costs of trade. With regard to this task, a methodology will be developed for quantifying the cost of trade and assessing the impact on businesses, consumers, governments, relevant economic indicators and, where applicable, other relevant factors (e.g. health, environment). To ensure effective integration, the project will arrange training for the selected partner on implementation of the action plan.

### **Component 3: Targeted Agricultural Value Chains Improved**

- In the next quarter the project is planning to enlist an Agricultural Education and Extension expert to evaluate and select partner educational institutions with the approval of USAID to support the development of supplemental course/training curricula to improve education in agriculture and extension.
- The project will continue to develop and finalize sector action plans, along with selected BDS work plans. In addition the project will complete the evaluation of BDS strengths and weaknesses to incorporate capacity building support into the work plans.
- The team will enlist Dr. Dirck Stryker to evaluate initially selected organizations to partner with the project to update the DRC and build their capacity to continue the process in the future.
- In late February the project is planning to hold a roundtable discussion on Access of Agribusiness Entities to Finance with participation of agro-entities and financial institutions. The purpose of the roundtable will be to discuss barriers facing agro-entities in accessing sources of finance, procedural steps and requirements, terms and conditions of financing, alternative sources, and eligibility criteria. In addition the roundtable participants will provide training to financial institution loan officers on the selected value chain in what will be an ongoing effort to further educate the financial community on real risk versus perceived risk.
- In late March the project is planning to hold a roundtable on the Export of Azerbaijani Food Products for the largest current and potential domestic food exporters. The participants will include BDS providers facilitating market linkages, and local promotion agencies, such as AZPROMO etc. The roundtable will allow current domestic food exporters to share their experience with potential exporters, delineate challenges and barriers in winning export contracts, to identify food products which are highly demanded for exports and prerequisites for entering export markets. Discussed issues will also cover legislative constraints, food quality standards and criteria, etc.
- Support in Dairy, Fruit and Vegetables, Agricultural Education/Extension, and EU-US standards will begin in January and February.

## 5. Project Management Activities Planned for Q2 FY2011

- Project management activities in the next quarter will focus on finalizing the year 1 work plan and obtaining approval from USAID. After completion of the project plan, the team will finalize the M&E plan and therefore, definitions of indicators, collection procedures and responsibilities. Several indicators will require the development of surveys in order to collect baseline information and set targets for the project where targets have not already been set.
- The project will continue to provide USAID with regular weekly, monthly and quarterly updates and a monthly events calendar.
- In coordination with the various upcoming planned events, the Project will continue to develop various outreach and communications materials to further support the project message and in support of USAID.

## 6. Financial Reporting

The table below provides a breakdown of costs by category for October 1-December, 2010.

Categories	Expended as of December 31, 2011 (US\$)
<b>Technical assistance</b> from which <i>Labor: Expatriates</i>	
Long term technical assistance	<b>109,923</b>
Short term technical assistance	<b>100,950</b>
<i>Local staff</i>	<b>173,841</b>
<b>Training expenses</b>	-
<b>Administrative expenses</b>	
Office rent and G&A	<b>70,589</b>
Equipment & Vehicles	<b>99,256</b>
Other (Travel/Transportation/Housing communications and delivery, bank charges, translation/editing services, occasional labor, passports and visas, legal costs, etc.)	<b>172,537</b>
<b>TOTAL</b>	<b>727,096</b>

## 7. Issues\Constraints

- Although Sibley International achieved its registration, there are still difficulties with recognition of tax-free status as part of the USAID agreement with the GOAJ. The company may have to re-register through the Cabinet of Ministers and the DOJ. The project has to date been unable to obtain duty free status as a result of the registration difficulties. The project anticipates that the registration issue will be resolved during the next quarter with the support of USAID and the Cabinet of Ministers.