



USAID
FROM THE AMERICAN PEOPLE

USAID/Azerbaijan Competitiveness and Trade (ACT) Project

Agribusiness Regional Cooperation

Melani Schultz

May 18, 2011



USAID
FROM THE AMERICAN PEOPLE

CONTENTS

- ACT Project Snapshot
- ACT Project Value Chain Selection
- ACT Value Chain Constraints and Activities
 - Regulatory Constraints and Activities
 - Administrative Constraints and Activities
 - Production and Market Constraints and Activities
 - Extension Services Constraints and Activities
 - Financing Constraints and Activities
- Proposed Cooperation



USAID
FROM THE AMERICAN PEOPLE

ACT Project Snapshot

Funding

\$21.997 million from the Azerbaijan Government (GOAJ) and the U.S. Agency for International Development (USAID)

Period of Performance

October 1, 2010 – June 11, 2013

Purpose

Improve the legal and regulatory environment for businesses, create a more open and transparent trade environment, and strengthen value chains in Azerbaijan (especially in agriculture)

Approach to Competitiveness

Firms are more productively producing and selling to markets—more goods and services demanded by markets at lower prices. Working on internal and external factors: firm/farm production technology; quality standards; domestic and international market access; business enabling environment—laws, regulations, administration, etc.



USAID
FROM THE AMERICAN PEOPLE

ACT Project Value Chain Selection

- Based on:
 - Competitiveness Potential
 - Impact Potential
 - Industry Leadership Potential
 - DRC Analysis
- Selections include:
 - Hazelnuts (processed)
 - Pomegranate (juice and fresh)
 - Apple (juice and fresh)
 - Aquaculture (processed fish) (pre-selected)
 - Poultry (processed chicken)
 - Dairy (primarily milk) (pre-selected)



USAID
FROM THE AMERICAN PEOPLE

Regulatory and Administrative

Constraints

- Property—valuation not based on market value, leasing terms for government (5 years)
- Monopolies—equipment leasing, feed, juice, anti-competitive behavior (government reps)
- Standards for quality (outdated) GOST prescriptive rather than performance-based, introduced without industry feedback, no consistent application
- Taxes—Certain tax distortions such as VAT exemption for only certain imports (feed not VAT free but equipment is), high tax (including social contributions) burden on legal companies
- Registration—associations, property (not recognized)
- Inspections—customs (unofficial fees can double cost of product), tax, sanitary, animal health (reporting of disease), etc.



USAID
FROM THE AMERICAN PEOPLE

Regulatory and Administrative

ACT Activities working with local BDS and CSOs

- Series of sector roundtables to prioritize problems in each sector
- Work with CSO partners and GOAJ to make problems known
- Strengthen associations to support sector advocacy
- Develop consensus on industry standards (to be advocated for an adopted by the government) based on international standards
- Plain language guides for agriculture beneficiaries on rights
- Work with GOAJ to draft, develop, comment on, any needed legislation—Customs Code, Competition Code, Food Law, Law on Technical Regulations, Tax Code
- Trade facilitation studies to highlight problems and measure costs of barriers (feed first case)



USAID
FROM THE AMERICAN PEOPLE

Production, Market and Extension

Constraints

- Consistent Market Linkages—
fragmented markets
- In some cases processing capacity
underutilized due to lack of
production at farm level (dairy)
- Consistent Quality and Quantity—
better management practices,
animal nutrition, improved inputs,
improved infrastructure (cold
chain), updated standards for
quality
- Inferior Genetics—quarantine 3
years of testing for seeds, animal
breeds (AI)
- Farming not seen as business
- Weak Ministry of Agriculture; no
public sector extension
- No real sustainable coordinated
extension system but vet
services available at fee for
services (WB project)
- Information on modern farming
and international standards not
available
- University teaching, private
sector extension and
demonstration farms outdated
materials and methods, no
practical training centers



USAID
FROM THE AMERICAN PEOPLE

Production, Market and Extension

ACT Activities working with local BDS

- Support sustained market linkages both domestically and internationally
- Genetic improvement, improve and disseminate materials on AI and seeds
- Improved animal nutrition through better feed access either in country or imported, at a minimum improvement on access to higher quality fodder and education for farmers
- Improved quality through development of minimum standards with industry, improved testing, information to be provided to farmers, adoption at processing level of international standards (HACCP)
- Improved marketing, sales, packaging and introduction of new technologies and modern practices
- Improved marketing and distribution of information on cold storage
- Collaboration with USDA on livestock (animal nutrition) (curriculum), food safety (curriculum), pesticide residue and disease identification
- Support improvements in the materials used now by extension agents (including UMID and AIM)
- Provide training of extension providers on modern farming operations, standards, cold storage and extension
- Develop model demonstration farms with local farmers already in the business
- Formation and capacity development of sector associations



Constraints

- Financing is available but information disconnect between bank and farmer
- Lack of agriculture focus of banks, lack of transparency in lending to agriculture
- Weak credit bureau
- Farmers' documentation—unable to produce needed business plan to obtain financing
- Lack of collateral—some banks utilizing creative collateral (e.g. Access and cows)
- Relatively high interest rates—although not the first complaint of farmers, repeat customers get lower rates
- Lack of developed insurance market
- Poor Leasing terms

Activities

- Support several roundtable discussions to exchange information on bank requirements and dairy needs
- Work with partner FIs that will focus on increasing lending to agriculture through better information and development of new/modified products
- Support farmers in development of business plans to access credit by training BDS if needed to provide this service
- Inviting bankers to agricultural extension meetings, road shows, regional meetings
- Legislative work on leasing and potentially insurance



USAID
FROM THE AMERICAN PEOPLE

Ideas on Potential Collaboration

- Trade facilitation studies—highlight information specific to border countries (Russia and Georgia in particular)
- Initial discussion on Logistics/Transportation Corridor with Georgia Project
- Trade Deals for value chains currently supported—pomegranate, hazelnuts, apples, dairy products, fish (trout and carp), chicken
- Other countries as examples of what to do—e.g., Georgia as a good example of tax reform



USAID
FROM THE AMERICAN PEOPLE

THANK YOU

Contact Info:

Melani Schultz

melani.schultz@actproject.net

+994-12-5964635

+994-50-252-9236