

**TRADE AND INVESTMENT REFORM SUPPORT PROGRAM IN AZERBAIJAN**

## Statement of Work

**1. Background:**

The Azerbaijani economy is dominated by the macroeconomic management and structural adjustment challenges associated with a major surge in natural resource-based revenues. The economy continues to grow at double-digit rates in real terms (real growth is estimated at over 30% for 2006); a major current account surplus (almost 20% of GDP) accumulated in 2006, due mainly to the recent surge in oil exports; and external public debt levels continued to decline. However the non-oil public sector deficit ballooned to about 30% of GDP; as a significant fraction of the State Oil Fund revenues accumulated in 2006 were transferred to defray the massive increase in budgetary expenditures; while virtually all of the remaining funds were allocated to finance a wave of extra-budgetary public investment expenditures. As a result total public spending grew by an estimated 80-90 percent; and inflationary pressures re-emerged (official inflation – which may be significantly understated – was reportedly 12-13 percent for 2006). The GOAJ's expressed commitment to an inflation targeting-based monetary management policy thrown into doubt; as it reacted to renewed concerns regarding appreciation of the Manat by more than doubling the broad money supply in 2006 and ballooning the supply of credit through the banking system.

At the same time, the enabling environment for business continues to be characterized by massive policy/regulatory distortions. The country is ranked 99<sup>th</sup> in the 2006 World Bank Doing Business Survey (placing it in the 43<sup>rd</sup> percentile); with particularly poor relative performance in the areas of business registration/licensing procedures, restrictive trade practices, taxation guidelines, and investor protections. The country also exhibits fundamental policy/institutional weaknesses in relation to the establishment and enforcement of a strong anti-monopoly legal and regulatory regime; and development of a property law regime which promotes the effective establishment, transferability, and enforcement of fixed and moveable property rights. In the absence of these fundamental enabling environment reforms, the likely supply response in the non-oil/gas sectors to the current and prospective influx of revenues into the economy will be limited; with all the attendant adverse developmental consequences associated with the Dutch Disease phenomenon.

A lynchpin reform objective which ties together many of the core trade/investment environment reform areas mentioned above is WTO accession. The GOAJ began the WTO accession process in 1999; and has had four working party meetings and two bilateral meetings since that time. The USG provided preparatory technical support to the GOAJ on WTO-related accession requirements and related training programs during the 2003-2006 period. The assistance ended in the late summer of 2006 as a result of limited progress on the negotiations side. However in late 2006 President Aliyev indicated his strong renewed interest in accelerating accession efforts and in putting in place the comprehensive legislative/regulatory reforms required to facilitate the country's entrance into the WTO. This in turn could serve to create the institutional momentum needed to carry out the strategic matrix of critical policy and administrative reforms required to place the non-oil/gas economy on a robust and sustainable broad-based growth path.

Thus the economic reforms supported by USAID under this program will prove critical in ensuring that Azerbaijan takes the fullest possible advantage of its improved medium-term fiscal and balance of payment situation to promote a dramatically enhanced enabling environment for private investment and sustainable job creation. They will help remove critical trade and investment related policy/ regulatory/administrative barriers which inhibit competitive forces, distort investment flows and limit economic integration progress. This is the core objective of the support program enumerated below.

The US Trade Development Agency (USTDA) ended their 3 year assistance program in September of 2006 (see appendix documents). This assistance was discontinued due to a perceived lack of political will on the part of the GOAJ. Although the political will of the government is still a concern there are reasons to assume that over the last 12 months significant changes have occurred in the national political context which increase the likelihood that the GOAJ is committed to WTO accession and this commitment will be translated into concrete actions during the time period covered by this activity. The noted changes are:



- A presidential decree was signed on August 5<sup>th</sup>, 2006 which approved the WTO Legislative Action Plan and empowers the WTO Commission to continue progress toward WTO accession;
- A clear legislative action plan has been developed (and adopted, see above);
- The US Ambassador has deemed WTO accession a top priority for the USG and she has instructed USAID to support this effort with a broad-based program;
- Several high-ranking government officials have stated publicly (including directly to the press) that Azerbaijan will accede to the WTO in the near future;
- Growth of the non-oil sector is a priority for the GOAJ;
- There is wide recognition among policy and decision makers within the GOAJ that WTO accession will improve the competitiveness of the non-oil sectors of the GOAJ economy;
- There is broad understanding that WTO accession has both winners and losers (although it is less clear if bureaucrats clearly understand which sectors stand to win or lose);
- The recently concluded US/Azerbaijan Economic Partnership Commission (February 6 2007) highlighted the importance of WTO accession for the continued growth of the non-oil sectors of the economy for both the USG and Azerbaijani sides;
- Azerbaijan's decision-makers would prefer to accede to the WTO before its neighbors, particularly Russia, and to do so it must act quickly because Russia is rapidly moving toward accession;
- Azerbaijan has the solid support of several USG bodies, including USAID and USTR, in its efforts to accede;
- Further delay in accession will only increase the difficulty in accession and the accession "bar" is raised as more countries join;
- President Ilham Aliyev has conveyed to the USG through the US Ambassador that he is committed to moving Azerbaijan into the WTO;
- There will soon be a high level WTO Commission, appointed by the Prime Minister, to supervise the WTO admission process; and
- There are hopeful signs that specific institutions within the GOAJ, particularly the Ministries of Finance and Economic Development and the State Oil Fund, are led by reform-minded leaders.

In addition to the evidence listed above, USAID recently had a meeting with a high level GOAJ official and his message was clear: there is political will in Azerbaijan to work aggressively on acceding to the WTO in the very near term. This pressure to move forward is coming at all levels, but the principal push comes from the highest levels and the lower levels of the bureaucracy feel the pressure to move forward.

There is clearly a window of opportunity for the accession of Azerbaijan to the WTO. However, in order for this to occur several changes need to be made to the legal, regulatory, and institutional framework in Azerbaijan.

## **2. Program Objectives:**

The purpose of this project will thus be to assist Azerbaijan to enact and fully and comprehensively implement policy, regulatory, and administrative reforms which (1) facilitates the country's accession to the WTO; (2) builds its capacity to comply with core WTO accession commitments; (3) promote the development of a trade/investment enabling environment and streamline transaction costs related to business establishment and operation and strengthens investor protections; and (4) encourage a major increase in the volume and efficiency of non-oil/gas related investment flows from both local and foreign sources. This will require the provision of targeted technical and training support designed to facilitate the identification/ approval/ implementation of strategic policy and institutional reforms required to integrate the Azerbaijan economy more effectively into international trade and investment networks. This in turn will entail (1) harmonizing overarching features of the Azerbaijani trade/investment regime with international standards; (2) eliminating the network of administrative barriers which are artificially limiting competitive pressures across the non-oil sectors of the economy (most particularly through trade/distribution channels and with a strong focus on the agricultural and agribusiness sectors); and (3) improving regulatory guidelines and oversight practices in key infrastructure sectors.



Support in these areas will include strategic technical/training assistance designed to advance WTO accession efforts; and will involve intensive policy/institutional reform support efforts in critical harmonization areas, which include but are not limited to liberalization of the customs regime, reduction of non-tariff barriers to trade, reduction of investment restrictions, service sector liberalization, adoption of an international best practices-consistent SPS standards and enforcement systems, adoption of a WTO-consistent technical norms standards-setting and enforcement system, adoption of an international best practices-consistent competition law regulatory and enforcement regime; and adoption of WTO-consistent safeguards/antidumping regulatory guidelines.

In agriculture, the program will focus on building understanding of and strategic commitment to enhanced compliance with basic SPS notification and conformity requirements required for WTO accession. It will also entail critical agricultural policy reforms in the pricing and trade restriction areas required to promote competitive and non-distortive agricultural trade and anti-monopoly practices and improve the efficiency of agricultural investment flows.

In the infrastructure sphere, the program will promote critical regulatory/institutional reforms designed to improve cost-recovery, service quality and reliability, and service coverage in key energy sub-sectors (ie. electricity and natural gas) and the water sector. A critical focus of support in these areas will be building independent regulatory oversight capacity and systems; and where necessary supporting the development of management contracting and/or privatization strategies and initiatives where this is critical to improved service delivery and sustainability. Improving the performance of these sub-sectors is critical from a competitiveness, consumer welfare, and fiscal sustainability perspective; and recent signs indicate that the GOAJ may be willing to work together on the design and implementation of major reforms in this area.

In the broader area of business development, it will provide technical/training support designed to reduce business registration/ licensing controls; strengthen investor protections; improve inadequate property rights registration/enforcement practices; and effectively address inefficient/burdensome tax administration procedures. These reforms will prove of vital importance in signaling to the private investment community (local and foreign) that Azerbaijan is prepared to create a level playing field for private investors.

In a nutshell, the major policy/institutional reforms in the trade/investment regulatory reform areas enumerated above will prove of fundamental importance in dismantling artificial institutional barriers which restrict competition, and ensuring that the economic growth impetus associated with the impending massive inflows of natural resource-based revenues is competitively channeled towards economic sectors with high growth potential. They will thereby help reduce the endemic opportunities for corruption which exist in the fiscal and regulatory systems in Azerbaijan; by reducing discretionary bureaucratic behavior across a range of regulatory areas. In this manner, they will help broaden the sustainable socio-economic benefits of the economic growth process over the medium-term; and simultaneously support the development of more transparent regulatory structures which promote core rule of law objectives.

### **3. Contractor Role:**

Under this program, the Contractor will provide intensive technical/training support designed to facilitate the GOAJ's accession to the WTO; and to build the country's institutional capacity to comply with its accession-related commitments. This will entail support for the design/adjustment of the full legislative package required for WTO accession, including: tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade-related legislation; competition-law related guidelines; public procurement legislation; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and free-zone legislation.

The program will also develop the implementing procedures required for the effective implementation of the legislative reforms required for WTO accession; the design/implementation of the critical regulatory/administrative reforms in the areas enumerated above which are required for WTO accession and



compliance (including the establishment of appropriate notification points); and intensive ongoing collaboration with and training of key GOAJ counterparts (primarily officials of the Ministry of Economic Development, the Ministry of Foreign Affairs, and the Presidential Apparatus) on WTO accession requirements and processes and related compliance requirements. It will also entail the development of macro-econometric and qualitative analysis of the impact of WTO accession on economic performance at the macroeconomic and sectoral level; and the development of systematic recommendations on an optimal transitional strategy to minimize the near-term economic and social costs associated with the trade integration process. It is expected that by the end of the program Azerbaijan will have both acceded to the WTO and moved into active post-accession implementation of the core features of the WTO Agreement.

In addition, the Contractor will provide intensive technical/training support designed to facilitate the adoption and effective implementation of critical legal/regulatory reform measures designed to (1) prioritize overarching features of the Azerbaijani trade/investment regime with international standards; (2) eliminate the network of administrative barriers which artificially limit competitive pressures across the non-oil sectors of the economy (most particularly through trade/distribution channels); (3) develop and implement legal/regulatory and related institutional reforms which promote transparent and technically rigorous standards for defining anti-competitive practices, and which ensure the effective monitoring/investigation of and the adoption of appropriate restrictions/sanctions against anticompetitive behavior; (4) support the improved definition and enforceability of basic property and contractual rights; and (5) support the development and implementation of strategic tax policy/administrative reforms which enhance business competitiveness. It is expected that critical legal/regulatory and institutional reforms in all of these areas will have been effectively and comprehensively implemented by the end-date of this support program.

The Contractor will also provide targeted technical/training support designed to eliminate distortive pricing, import/export licensing, and related regulatory/administrative distortions which reduce the efficiency of investment flows in the agricultural sector; promote the design of a comprehensive competitiveness-enhancing policy framework in the agricultural sector; and promote the development of an SPS policy framework and institutional enforcement regime which will promote market access and enhanced sectoral competitiveness. The Contractor will also support the development of a strategy on agricultural information service provision designed to improve the availability of basic price/cost/competitiveness information and indicators to sector participants. It is expected that comprehensive policy/legal/regulatory and related institutional reforms in each of these areas will have been fully and effectively implemented by the completion date of this program.

The Contractor will provide technical/training support design to promote the adoption of improved regulatory guidelines and oversight practices in key infrastructure sectors; including electricity, natural gas, and water. This support will be designed to promote the formation of independent regulatory bodies in these sectors; and the development and implementation of tariff-setting and broader service provision guidelines which support enhanced cost-efficiency and sustainability in the provision of these services. It will also where relevant entail development and support for implementation of management contracting/asset divestiture strategies where critical to the enhancement of competitive behavior in key infrastructure sectors. It is expected that comprehensive legal/regulatory institutional reforms in these areas will have been effectively carried out by the completion date of this program. Finally, additional prioritized trade/investment-related policy and regulatory reforms identified at the work plan stage of the project may be incorporated into this support effort. It is expected that all work in trade/investment reform work under this program will be closely coordinated with the World Bank, EU, and other donors in relevant areas.

The tasks and outputs below are tightly linked to GOAJ will and capacity to move forward on accession. As was stated above, there is strong political will for WTO accession within the GOAJ. The Contractor will provide resources and develop capacity in the Azerbaijani government that will equip it to make decisions and take actions necessary to follow the tightly constructed accession path described here. That path includes submission of the final WTO Accession Ratification package to the WTO Secretariat between Dec. 2007 and June 2008.



#### **4. Specific Tasks/Outputs**

- Develop a comprehensive and detailed work plan for the 12 month period July 2007 – June 2008. (July 21, 2007).
- Conduct a comprehensive review of the current status of Azerbaijan's WTO accession process; including a review of the all draft legislation related to WTO accession and a review of the status of administrative/ regulatory reform requirements related to the accession process. Conduct a related assessment of priority changes required both on the legislative side and in relation to the organizational/administrative conduct of the accession process (August 30, 2007)
- Provide systematic and detailed recommendations on development/reformulation of required legislation in all key areas related to WTO accession. This will include legislative reforms in the following areas: tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade-related legislation; public procurement legislation; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and free-zone legislation. (August 30, 2007)
- Prepare a comprehensive Position Paper on the status of WTO accession negotiations that provides effective, detailed information responding to concerns raised in previous Working Party meetings regarding Azerbaijan's trade regime, and which delineates the necessary reform measures to accelerate progress towards WTO accession. (September 30, 2007)
- Provide targeted analytical support that elucidates, in accordance with comparative international experience, basic market access offer requirements in the goods and services spheres (in relation to Azerbaijan's current market access offers). (September 30, 2007), and on an ongoing basis.
- Carry out a comprehensive macro-econometric assessment of the prospective impact of WTO accession on Azerbaijan's economic performance (GDP, consumption, investment, export, employment), supplemented by a rigorous qualitative assessment informed by comparative international experience. (November 15, 2007)
- Develop a detailed assessment and recommendations on an appropriate transition strategy designed to identify and to minimize the socio-economic costs associated with the trade/investment integration process for potentially vulnerable non-competitive segments of the economy. (January 30, 2008)
- Based on approved recommendations (above), prepare reformulated draft legislation related to: tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade; competition law-related legislation; public procurement legislation; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and free-zone legislation. (November 30, 2007)
- Provide support for the ongoing refinement of the package of legislative reforms required to support WTO accession. (Ongoing, through February 2008)
- Develop a comprehensive package of implementing regulations required for effective implementation of the package of legislative reforms referenced above (March, 2008), and ongoing.
- Develop a detailed Action Plan for the institutional reforms required to promote the effective implementation of/compliance with a WTO Accession Agreement. (December 31, 2007).



- Facilitate implementation of at least 4 major institutional reforms required to promote compliance with a WTO Accession Agreement in areas including tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade-related legislation; competition law-related guidelines; public procurement legislation; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and free-zone legislation. (February 28, 2008).
- Facilitate implementation of at least 3 additional major institutional reforms required to promote compliance with a WTO Accession Agreement in areas including tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade-related legislation; competition law-related guidelines; public procurement legislation; IPR-related norms; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and WTO-compliant free-zone legislation. (June 30, 2008).
- Facilitate implementation of at least 3 additional major institutional reforms required to promote compliance with a WTO Accession Agreement in areas including tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade-related legislation; competition law-related guidelines; public procurement legislation; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and WTO-compliant free-zone legislation. (September 30, 2008).
- Facilitate implementation of at least 4 additional major institutional reforms required to promote compliance with a WTO Accession Agreement in areas including tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade-related legislation; competition law-related guidelines; public procurement legislation; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and WTO-compliant free-zone legislation. (February 28, 2009).
- Facilitate implementation of at least 4 additional major institutional reforms required to promote compliance with a WTO Accession Agreement in areas including tariff bindings; import/export controls/restrictions; customs valuation/rules of origin/administrative guidelines; service sector legislative reforms/market access offers; SPS legal reforms; technical barriers to trade-related legislation; competition law-related guidelines; public procurement legislation; agricultural subsidy-related reforms; labor and environmental norms; general subsidy/countervailing duty/safeguard legislation; and WTO-compliant free-zone legislation. (June 30, 2008).
- Facilitate establishment/operationalization of appropriate notification points for effective monitoring of compliance with WTO Agreement implementation requirements by the GOC. (January 2009 – June 2009)
- Deliver a minimum of 6 formal training sessions related to the WTO Accession process and compliance requirements for the GOAJ and relevant private sector officials (August 2007 –August 2008).
- Deliver a minimum of 4 additional formal training sessions related to the WTO Accession process and compliance requirements for the GOAJ and relevant private sector officials (September 2008 – June 2009).
- Carry out a comprehensive and prioritized analysis of key policy/regulatory reforms required to harmonize overarching features of the Azerbaijani trade/investment regime with international standards;



eliminate the network of administrative barriers which artificially limit competitive pressures across the non-oil sectors of the economy (most particularly through trade/distribution channels); and support the improved definition and enforceability of basic property and contractual rights. (October 31, 2007)

- Develop (January 31, 2008) and support initial implementation (June 30, 2008 ) of critical legal/administrative reforms required to liberalize trade/distribution channels and curtail the capacity of privileged domestic producers/distributors to limit competition from private sources.
- Monitor and promote ongoing compliance with and full and effective enforcement of liberalized trade/distribution channels which curtail the capacity of privileged domestic producers/distributors to limit competition from private sources. (July 2008 – February 2009).
- Develop streamlined procedures for business registration/licensing (October 31, 2007), and facilitate their implementation (January 2008 – June 2008).
- Develop revised legislation (December 31, 2007) that promotes the effective definition, transferability, and enforcement of rights to moveable and immoveable property and provide support during the approval process (May 31, 2008).
- Design strategic institutional reforms that promote streamlined registration/ transfer processes for moveable and immoveable property and which facilitate their use for financial guarantee purposes (January 2008– May 2008) and promote their adoption (June 2008 – February 2009).
- Develop critical legal/regulatory reforms that promote transparent and technically rigorous standards for defining anti-competitive practices (October 2007 – January 2008), and promote their adoption (February 2008 – June 2008).
- Support establishment of an independent regulatory body which effectively monitors and investigates anti-competitive practices in accordance with international best practice-consistent standards; and support development of a comprehensive set of operating procedures for its effective functioning. (July - September 2008).
- Support the full and effective operationalization of an independent regulatory body which effectively monitors and investigates anti-competitive practices in accordance with international best practice-consistent standards; including support for the recruitment and effective training of technical staff; and technical support for the rigorous analysis/resolution of up to 6 antimonopoly cases (October 2008 – June 2009).
- Develop revised legislation that strengthens investor protections in the contractual enforcement/arbitration rights area (December 2007 – February 2008) and support adoption and effective implementation (March 2008 – September 2008).
- Develop of legislation promoting stabilization of investor rights for all investments exceeding a minimum dollar amount is developed (March – September 2008); and support is provided for its adoption (October 2008 – February 2009) and effective implementation (March 2009 – June 2009)
- Carry out a comprehensive diagnostic of distortions in the business tax policy/ administrative oversight regime that weaken the competitive position of the non oil/gas private sector (December 31, 2007). This will include a separate analysis of the tax policy/administrative oversight regime for domestic and foreign businesses; and will include a comparative international assessment.
- Develop detailed legal reform recommendations (including the development of draft legislation designed to improve the competitiveness of the business tax policy regime (December 2007 - April



2008); and support adoption and effective implementation (through development of detailed implementation guidelines) of recommended legal reforms. (May – September 2008)

- Develop detailed recommendations on core tax administration procedural reforms which would significantly improve the competitiveness of the Azerbaijani business tax regime in international comparative terms and streamline tax compliance requirements for the Azerbaijani private sector (March – August 2008); and promote their adoption (September – December 2008) and effective implementation (January – June 2009).
- Conduct a comprehensive diagnostic assessment, which includes a review of comparative international experience in other transitional economy and developing countries, of agricultural policy reform priorities (including sectoral-pricing and trade/distribution-related policy distortions and weaknesses in the agricultural information service provision system) (November 30, 2007); and recommend systematic, time-phased reform measures (January 31, 2008).
- Carry out a comprehensive diagnostic review of the legal/regulatory and institutional reform requirements for modernization of the SPS oversight system (November 30, 2007) and develop a detailed, time-phased Action Plan (January 31, 2008).
- Support the adoption of major legal/regulatory/administrative reforms related to the agricultural policy environment that will significantly reduce sectoral pricing and trade/distribution-related policy distortions; reduce/eliminate the distortive impact of state or state-connected enterprises on competitive performance in at least 4 key agricultural sub-sectors, and effectively address weaknesses in the agricultural information service provision system (February– September 2008).
- Support the effective ongoing implementation of major legal/regulatory/ administrative reforms related to the agricultural policy environment that significantly reduce sectoral pricing and trade/distribution-related policy distortions; reduce/eliminate the distortive impact of state or state-connected enterprises on competitive performance in at least 4 key agricultural sub-sectors, and which operationalize the implementation of an improved agricultural information service provision system, including through the effective outsourcing of agricultural information services. (October 2008 – June 2009).
- Support major prioritized legal/administrative reforms that promote modernization of critical features of the SPS institutional oversight system (February – September 2008).
- Support the effective implementation of major prioritized legal/administrative reforms which promote WTO-consistent risk monitoring, analysis, tracking, inspection, reporting and enforcement systems for all major areas (plant/vegetable, live animal, processed foods) of the SPS institutional oversight system (August 2008 – April 2009).
- In the electricity and natural gas sectors (December 31, 2007), and the water sector (January 31, 2008), conduct comprehensive diagnostic assessments of priority legislative/regulatory/ institutional reforms required to improve competitive incentives, service coverage, cost-recovery and reliability in the provision of infrastructure services. As a result, detailed and time-framed reform Action Plans will be developed in the electricity and natural gas sectors (February 28, 2008); and in the water sector (March 31, 2008).
- Promote adoption of critical legal/administrative reforms that will improve competitive incentives, service coverage, cost-recovery and reliability in the provision of infrastructure services, in the electricity and natural gas sectors (March - September 2008); and in the water sector (March– September 2008).
- Promote implementation of critical legal/administrative/institutional reforms that significantly improve competitive incentives, service coverage, cost-recovery and reliability in the provision of infrastructure



services, in the electricity and natural gas sectors (October 2008 – February 2009); and in the water sector (December 2008 – June 2009).

- Develop a transparent and time-effective management contracting/asset divestiture strategy for at least 2 specific infrastructure sub-sectors in which state control of flagship enterprises severely inhibits competitive and efficient sectoral performance (December 2007 – April 2008); and detailed action plans for transparent divestiture actions. (May– September 2008).
- Promote adoption of transparent and time-effective management contracting/asset divestiture strategy for at least 2 specific infrastructure sub-sectors in which state control of flagship enterprises severely inhibits competitive and efficient sectoral performance (May – September 2008); and effective implementation of detailed action plans for transparent divestiture actions. (October 2008 – June 2009).
- Conduct at least 4 training seminars covering critical legal principles and investigatory practices characterizing a modern antimonopoly oversight regime (November 2007 – February 2009).
- Conduct at least 3 training seminars covering critical legal principles and compliance requirements related to the definition and enforcement of investor rights (November 2007 – February 2009)
- Conduct at least 8 training seminars covering critical legal principles and compliance requirements related to a modern tax administration regime (June 2008 – June 2009)
- Conduct at least 6 training seminars covering critical risk measurement/tracking/enforcement features of a modern SPS oversight regime. (January – December 2008)

### 3. Other Requirements

**USAID's Management.** A Cognizant Technical Officer (CTO) from the Economic Growth Office (EG) in USAID/Caucasus-Azerbaijan will be assigned to manage this project. The CTO will be assisted by a Project Manager. Due to the high political sensitivity and need for oversight of this program, closer than normal USAID involvement should be expected. Additionally, primary interaction with government counterparts will be maintained by USAID. The Contractor's project management staff will work closely with the CTO.

**Annual Work Plans.** The Contractor is required to prepare a detailed Annual Work Plan that will include major tasks to be carried out, the rationale behind these tasks and activities, anticipated results of these efforts and how they will be measured, any outside technical assistance that will be required to complete the activity, and a timeframe showing when sub-activities are planned to begin and end. This procedure will be repeated for each year the project is being implemented. Some program activities may be contingent upon host-government contributions and should be conditionally planned.

USG involvement and regular oversight of the program are expected to assist in partnership planning, leveraging contributions and maintaining necessary political pressure to keep the program on track. The Contractor will work closely with USAID to alert the CTO, should areas of concern or pushback occur.

The Contractor shall submit the first draft Annual Work Plan within four (4) weeks of the Task Order effective date. USAID will review the Work Plan and provide comments within one week of receipt; the Contractor shall incorporate these comments and provide a final Annual Work Plan within one week of receiving USAID's comments. Thus, a final Annual Work Plan will be in place within approximately six weeks of the beginning of the program. Work Plan for the second year shall be submitted in a similar fashion one month before the anniversary date of the Task Order.

**Monitoring and Evaluation (M/E) Plan.** The Contractor shall submit an M/E Plan together with the Annual Work Plan on the same timeline for submission and approval. The M/E Plan shall track the USAID/Caucasus-Azerbaijan Economic Growth Performance Monitoring Plan (PMP), as well as other indicators proposed by the Contractor. During the initial program planning period, the Contractor will work closely with the CTO to select



final indicators, establish baseline data, and performance targets. The CTO, the USAID Project Manager and the Contractor will conduct periodic performance reviews to monitor the progress of work and the achievement of results based on the targets specified in the M&E Plan. The M&E Plan shall be updated and revised as appropriate in collaboration with USAID.

Each project year the Contractor shall provide a separate Annual Monitoring and Evaluation Report to USAID following 12 months of program implementation. This report will include: (1) executive summary; (2) detailed reporting on each indicator in the M/E plan; (3) highlights of the program, and "success stories," (4) brief evaluation of major program areas; (5) cost-effectiveness; (6) lessons learned.

### **Reporting**

1. Oral briefing monthly (may be accompanied by a written report at the discretion of the Contractor.)
2. Quarterly report on all activities, progress and problem issues.
3. Final Report no later than 45 days after the completion date of the task order.