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# AZERBAIJAN COMPETITIVENESS AND TRADE (ACT) PROJECT

Identifying existing barriers to export  
procedures  
(Example, pomegranate juice export)

*By Economic Research Center*

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# Azerbaijan Competitiveness and Trade (ACT) Project

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# Acronyms

**EU** –European Union

**HACCP** – Hazard Analysis and Critical Control Points

**ISO- 22000** – An international standard on food safety

**GSP+** - Generalized System of Preferences

**MED-** Ministry of Economic Development

**SSC** – State Statistics Committee

**HM** – Health Ministry

**MA** – Ministry of Agriculture

**SCSMP-** State Committee on Standardization, Metrology and Patents

**SFCS-** State Phytosanitary Control Service

**HEC-** Hygiene and Epidemiology Center

**SSAPPCR-** State Service on Antimonopoly Policy and Protection of Consumer Rights

**SSCCM** – State Service for the Control over Consumer Market

**BECG** – Bureau of Expertise for Consumer Goods

**AZPROMO** – Azerbaijan Export and Investment Promotion Foundation

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## SUMMARY

This study was conducted to identify the barriers and problems within the project titled “Cost estimation at export procedures” carried out by the Economic Research Center in 2011.

The main task of the study is to identify findings as a result of a step-by-step analysis of export process, develop draft proposals enabling beneficiaries to get maximum benefit from potential opportunities, and assess their impacts.

Survey methodology aims to identify administrative barriers, streamline the database gathered to evaluate impact on export volumes, and use spent time by converting it into Manat.

At the beginning, this methodology includes gathering the legislative base on export to the EU and establishing legislative obligations and requirements for potential exporters. The methodology anticipates creation of database as a result of the meetings and interviews held between the entrepreneurs engaged in export of pomegranate products into the EU and the state authorities authorizing such exports and defining the costs incurred by companies and state entities.

Further, selection of proper option for certification based on the terms and international experience required by the EU for export of food products is also among the tasks of the survey.

Formulae have been developed to estimate costs based on database obtained as a result of the interviews held and legislative expertise:

$$I \text{ (Total costs)} = C \text{ (Company costs)} + P \text{ (Costs of state bodies)} = (H \times S1) + (A + E) + (D \times S2)$$

$C = (H \times S1) + (A + E)$ ; H – Time spent by the company (hour); S1 – Average monthly salary in the companies ( per 1 hour); A – Official pays and taxes; E – Non-official pays

$$P = D \times S2$$

D – Time spent by state bodies, hour; S2 – average monthly salary (per 1)

Note: Costs have been estimated in a sample of export of pomegranate product 20 tons.

**Step-by-step analysis of export process.** Team of experts have developed an illustrative diagram to make the export process more simply and clearly understood. Initially, a unified system was built reflecting all the export procedures followed by separate procedural charts relating to each step.

After the interviews and surveys held at “Azhar” OSC in Goychay and “Sabirabad Konserv” CJSC in Sabirabad engaged in export of pomegranate products to the EU, clarifications were made on the sequence of each step.

The number of legislative acts regulating export of pomegranate products to the countries of the European Union reaches 31. It includes 6 laws of the Republic of Azerbaijan, 1 Code, 13 resolutions of the Cabinet of Ministers, 2 Decrees by the President, 5 resolutions and 2 internal instruction manual of the Tariff (Price) Council, 1 State Program and 1 Charter.

An exporter should obtain 5 certificates and 1 confirmation code mentioned below to export its products to the EU. To obtain hygiene certificate, a producer submits to the Hygiene and Epidemiology Center under the Health Ministry examination act issued by the territorial state sanitary control authorities on conformance of the enterprise to the sanitary norms and rules and the receipt on payment of the service fee to examine the product taken by the experts of sanitary-epidemiology service, expert examination of food products for their chemical, biological, toxicological, and radiological indicators together with an application. After the center finalizes examination and expert examination of the papers, application is put in registry and certificate is issued.

To receive certificate of conformity, data on physical or legal entity, copy of the hygiene certificate and normative papers, minutes of the tests conducted by the producer, copy of the phytosanitary certificate for unprocessed plant origin products, copy (if any) the certificate of the quality management system are to be submitted to the State Committee on Standardization, Metrology, and Patents.

To receive phytosanitary certificate, data on the legal or physical entity, description of plant and crop products (name, origin and amount (each type) of plant and crop products, name of the exporting country and goods point of destination, date and place of shipment, name of the customs checkpoint for export of goods), receipt on payment of the service fee shall be presented to the State Phytosanitary Control Service under the Ministry of Agriculture.

To obtain certificate of origin, quality passport, papers on receipt of the exported product (agreement, shipment acts, transportation invoices, payment papers), certificate of conformance to the state standards, papers on registration of the shipper with the competent bodies (organizations) of the Republic of Azerbaijan, application on an agreement, type, quantity, point of destination, country of destination, transport means and etc., are submitted to the Bureau of Expertise for Consumer Goods. When it is impossible to identify origin of the goods based on these papers, then Bureau of expertise may request other papers.

Enterprise files an application with the MED for conducting expertise, issuance of the number of confirmation code and registry thereof. A team of experts is set up consisting of at least 2



persons under the ministry, expertise is conducted and confirmation code is issued and notification is sent thereof to the relevant bodies of the European Commission.

To obtain the quality certificate, all the certificates obtained –(Hygiene, Conformity, Phytosanitary, Origin certificates, Confirmation code No.) –are to be presented to the MED together with invoice and agreement.

Availability of data during the survey, sufficiency of the information placed on the sites of official bodies on certificates needed for export of pomegranate products and extent of their accessibility have shown that there is lack of information on Hygiene and Phytosanitary certificates, only partial data placed on certificates on Origin, and full information is provided on the rules of issuance of Confirmation code number and Quality certificate.

**Cost estimation and evaluation based on the gathered statistical base.** Following the methodology, estimations were conducted based on the gathered statistical base. Comparative analysis of the results have shown that most of the time spent on documentation and implementation of each step of the export procedure to the EU countries fall to the state state bodies. Total time spent by companies and state authorities on the export procedures is 84 and 272 hours respectively. As is seen, the time spent by the state authorities on export process exceeds the time spent by the companies by 3 times.

Costs of organizing and realizing export of pomegranate juice 20 tons to the countries of the European Union has been estimated at 658 AZN (143 AZN time spent + 515 AZN official dues). These expenses reach 900 AZN together with unofficial payments.

Following the estimates, the time spent by state authorities to perform their functions related to export documentation has been set at 462 AZN. It makes up 76% of the total time consumption.

So, total costs of all parties concerned when exporting pomegranate juice equals 1370 AZN if we also consider unofficial payments (605 AZN total time consumption costs + 515 AZN official payments + 250 AZN unofficial payments)

**The works done on state level related to standardization and certification and evaluation of the actual situation.** Along with proper amendments and additions to legislative acts, the “State Program on reliable supply of food products to the population in the Republic of Azerbaijan in the years 2008-2015” obliges state authorities to use to the maximum exporting capacity. Some works have been done in the previous years. For example, procedure on expertise and registration of trade agreements with the Ministry of Economic Development was eliminated, restriction on prepayment of due amounts and one of the procedures observed during import-export operations lifted, and the time spent on export procedure reduced to 3

days. Further, Bureau on Expertise of Consumer Goods LLC was set up, a new laboratory was commissioned for use on quantity and safety control of food products under the State Service on Antimonopoly Policy and Protection of Consumer Rights, the ministry prepared the “Action Plan on promotion of export of non-oil products (2011-2013)” and submitted to the Cabinet of Ministers.

Notwithstanding this, there are still problems existing in this area and enterprises put to sale in the internal market the kind of products not required to be of high-quality and they are below state standards. It has become a tradition to identify and destroy low-quality products sold at trade outlets by the State Service on Antimonopoly Policy and Protection of Consumer Rights under the MED exercising control in the internal market.

The products exported to foreign countries are examined by foreign buyers having no confidence in our standards, laboratories and their employees at the accredited laboratories of their countries and supply papers according to it. This mechanism is typical for export to Europe and the USA. Pomegranate products exported to the CIA countries follow a simple scheme (without confirmation code and quality certificate). Consequently, low-quality products are exported to different countries due to incoherent and uncoordinated work of various state authorities on certification. There are enough data placed on official sites of official sites of state control authorities of Russia and Ukraine on removal from market of pomegranate juices from Azerbaijan.

### **Findings.**

1. The time consumed by companies on export procedures, official dues and service fees make up around 2.7% of the product exported to the EU (1 liter of pomegranate juice exported to the EU is sold at 2.20\$ USD. This figure was taken as a basis for estimations). According to the international experience, export expenses of companies is around 1% of the total product value.
2. Although Article 14 “On food products” is called “export and import of food products”, there is no information on export in this article.
3. Lack of standards, sanitary-hygiene norms and normatives with the enterprises engaged in export of pomegranate products. Representatives of enterprises are uncertain about how (electronic, printout) and where they will get these norms and normatives.
4. The amount of service fees paid for the laboratory analyses conducted when the certificates of Conformity and Origin are issued is expressed in percentage ratio against the volume of a product (repsectively, volume of production and expoert) and it doesn’t meet international requirements.

5. Failure to fully fulfill the tasks anticipated in the state programs (Optimal certification, laboratory examination, implementation of effective control mechanisms for test and sale of the product, approval of new national standards on the base of international standards and etc.)
6. The fact that standards applied to production in the Republic of Azerbaijan is only applicable in some of the republics in the former USSR and that it lags behind international standards and even the GOST adopted in Russia.
7. Failure to observe technical conditions and quality control system in most of the local enterprises producing food products, lack of funds to set up laboratories to conduct necessary analyses.
8. Lack of internationally accredited independent laboratories with analysis results that foreign partners confide in and lack of experts.
9. Enormity of state authorities responsible for issuance of certificates and quality control. 4 state authorities handle issuance of 5 certificates and 1 confirmation code. Even it is required to apply to the Ministry of Economic Development responsible for issuance of confirmation code, Conformity and Quality certificates 3 times separately.
10. Lack of interest by banks, credit organizations to open up a credit line for business engaged in production of food products to purchase modern laboratories.

#### **Proposals, their content and impact evaluation.**

1. ***Creation of a Single Window under the Ministry of Economic Development to obtain Origin and Quality Certificates, Confirmation code no. for food products during export to the European Union.***

#### **Impact:**

1. There will be no need for separate requests in the given sequence to obtain the certificate of Origin, confirmation code and Quality certificate and submit the papers repeating themselves. And it will reduce the costs of companies they spend on export by 0.4%.
2. The task envisioned in “the State Program on reliable supply of food products for the population in the Republic of Azerbaijan in the years 2008-2015” – eliminating duplicacy in control over safety and quality of food products and making necessary changes on the basis of legislation - will be realized<sup>1</sup>.

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<sup>1</sup> See: Appendix 9.1

3. There will be no need to conduct secondary laboratory analyses when confirmation code no. and Quality certificate are issued.
  4. Total time spent on export permit for companies will fall 26% down to 62 hours due to the Single Window and fall down from 143 AZN to 105 AZN in monetary terms. Further, the total time spent by state authorities on export procedures will fall around 36 hours reduction 61 AZN in monetary terms.
- 2. *Review of service fee tariffs for issuance of the certificates of Origin and Conformity, modification of the approach principles to fixing tariffs. Further, necessity of regulation by the Tariff (Price) Council of tariffs applied when issuing Hygiene and Quality certificates and not by internal decision.***

Tariffs were set under proper decision by the Tariff (Price) Council for the volume of sales in a given quarter (in AZN), while under the decision regulating Conformity certificate, tariffs are estimated for the volume of exported product (tons). In fact, according to international standard, tariffs are to be fixed for the volume of works performed by the relevant state authority. Pursuant to the law on “Regulated prices”, Tariff (Price) Council is to decide the tariffs for issuance of Hygiene and Quality certificates.

**Impacts:**

- 2.1 Making these changes might, in the first place, enable exporters to estimate and plan their costs in advance. Further, exporter costs might go down by 0.3%. So, ratio of the costs in the goods value incurred by companies for export procedures will reduce by 0.7% (0.4% of the reduction will take place for enforcement of a Single Window, while 0.3% as a result of realization of the 2nd proposal).
- 2.2 Besides, it is one of the requirements of the World Trade Organization as this principle includes international approach.
- 2.3 Realization of the second proposal will make it possible to fill the gap in the tariff policy.

**3. *Upgrading national standards. Consistent enforcement of HACCP principles in food production enterprises.***

**Impacts:**

- 3.1 It may lead to gradual increase of the quality of food products, improved quality of the product sold abroad with the product put to sale in the internal market ultimately opening way to gradual elimination of double standards.

3.2 Direct various ministries and their proper bodies to upgrade norms and standards.

- 4. *Making standards, sanitary-hygiene norms and normatives accessible. Printing out and disseminating these standards, norms, and normatives as brochures, placing them on official sites and other popular sites of relevant authorities, placing advertising clips in TVs.***

**Impacts:**

- 4.1 Entrepreneurs' awareness may increase, transparency of the process due to enlightenment may be higher.
- 4.2 Entrepreneurs may be more informed about their obligations within the legislation frame.

- 5. *Setting up regional as well as independent laboratories enabling to conduct quality control analyses, holding trainings for experts. Establishing such laboratories under the relevant State Programs, strengthening technical and expert capacities may be realized. Also, foreign trainers may arrange training for experts responsible for conducting thorough analyses.***

**Impacts:**

- 5.1 Setting up laboratories with high technical capacity,
- 5.2 Preparation of highly-qualified experts facilitates recognition by foreign buyers of physico-chemical, biological, toxicological characteristics given related to the content of the product as a result of thorough laboratory analysis.

- 6. *Inclusion of export rules and terms in Article 14 titled " Import and export of food products" in the law "On food products".***

To give the first paragraph of Law 14 in the following edition:

"Requirements and rules of national certification system in force in the Republic of Azerbaijan are enforced during import and export of food products."

To add 2 paragraphs after paragraph 4 of the same article:

"Only the food products issued with proper certificates may be exported from Azerbaijan into foreign countries.

The food products not issued with proper certificates based on normative papers in force in the Republic of Azerbaijan are not allowed to enter customs territory of the Republic of Azerbaijan”

**Impacts:**

6.1 The process of upgrading legislative acts will continue and normative base will be developed to adopt a more substantiated decisions by relevant entities

***7. Issuance of confirmation code No. twice a year and once in a 6 months. Presently, this code is issued 3 times in accordance with the Rules on “ quality control of liquor and liquor products, fruits and vegetable juices exported from the Republic of Azerbaijan into the countries of the European Union”.***

**Impacts:**

7.1. In this case, time spent by relevant state authorities is economized and cost is reduced.

## **1. Introduction. Problem description. Goals and tasks of the survey**

A number of state entities of our country deal with bringing processing and production terms of unprocessed agricultural products and processed food products having great exporting potential in Azerbaijan into conformity with the EU requirements. It includes studying EU requirements for given export products, bringing legislative acts (Preparation of the "Action Plan on bringing the law of the Republic of Azerbaijan into conformity with the EU law in the years 2010-2012) and certificates into conformity with these requirements, building quality monitoring and management systems beginning from the stage prior to processing of the product to the end of production process. Following study of ISO-22000 standard meeting the system of HACCP (Hazard Analysis and Critical Control Point) principles provided for food safety, several enterprises in our country were able to introduce the technology facilitating export of EU food products, build advanced quality management system, and acquire laboratory equipments enabling to monitor each production stage (step). This made it possible to identify and manage special risks and hazards, enforce effective control and monitoring methods at production, storage, and delivery stage of a product.

Azerbaijan was admitted to "GSP+" program with the status of beneficiary country that is the highest stage of privileged trade system presented by the EU. "GSP+" program provides wider privileges for a beneficiary country than any other stimulation measures. As a result, Azerbaijan has gained the opportunity to export its products to the markets of the European Union over thousands of both vulnerable and non-vulnerable item groups. That privilege expires this year.

Notwithstanding some works done both on the level of state authorities and local enterprises wishing to export their products into the countries of the EU, little use is made of the exporting capacity now. This conclusion may be made based on official statistical data

**Table 1.** Some indicators relating to Azerbaijan in 2010 (thsnd USD)

<b>Total export</b>	<b>21360210.2</b>
<b>CIS countries</b>	<b>1983871.2</b>
<b>Foreign countries</b>	<b>19376339</b>
<i>Including,</i>	
<b>Albania</b>	<b>6940.2</b>
<b>Germany</b>	<b>9906.3</b>
<b>Austria</b>	<b>779.2</b>
<b>Belgium</b>	<b>1286.7</b>
<b>United Kingdom of Great Britain and Northern Ireland</b>	<b>6441.6</b>
<b>Bulgaria</b>	<b>136535.8</b>
<b>Czech Republic</b>	<b>233.7</b>
<b>Denmark</b>	<b>241.3</b>
<b>Estonia</b>	<b>461.5</b>
<b>Finland</b>	<b>24.7</b>
<b>France</b>	<b>1856523.6</b>
<b>Croatia</b>	<b>787168.9</b>
<b>Ireland</b>	<b>26.5</b>
<b>İceland</b>	<b>5.6</b>
<b>Spain</b>	<b>178522.2</b>
<b>İsrail</b>	<b>1744821.9</b>
<b>Switzerland</b>	<b>94428.6</b>
<b>Sweden</b>	<b>99.5</b>
<b>Italy</b>	<b>7044153.9</b>
<b>Macedonia</b>	<b>1.1</b>
<b>Latviya</b>	<b>3896.3</b>
<b>Litva</b>	<b>2056.1</b>
<b>Luxemburq</b>	<b>126.7</b>
<b>Hungary</b>	<b>70.2</b>
<b>Malta</b>	<b>116509.7</b>
<b>Niderland</b>	<b>128902.1</b>
<b>Norway</b>	<b>1171.4</b>
<b>Poland</b>	<b>5771.2</b>
<b>Portugal</b>	<b>224613.5</b>
<b>Roumania</b>	<b>94249.5</b>
<b>Serbia və Montenegro</b>	<b>3.2</b>
<b>Slovakia</b>	<b>355</b>
<b>Slovenia</b>	<b>4.1</b>
<b>Bosnia and Hersogovina</b>	<b>2.1</b>



Item groups	2006	2007	2008	2009	2010
<b>Finished food products, alcoholic and non-alcoholic drinks, vinegar, tobacco</b>	<b>101742.1</b>	<b>229573.8</b>	<b>156236.7</b>	<b>170431.2</b>	<b>214202.9</b>
<i>Including, alcoholic and non-alcoholic drinks, vinegar</i>	19025.6	20965.9	18892.4	11326.6	15142.2

As seen from **Table 1**, most of the Azerbaijani export (90.7%) falls to the EU and other foreign countries. But it is also true that ratio of the products from non-oil sector among export products is little. It may be seen from the data given in the items group “food products, alcoholic and non-alcoholic drinks, vinegar, tobacco” given in Table 2.

**Table 2.** Export in 2006-2010 on the items group covering food products, alcoholic and non-alcoholic drinks, vinegar, and tobacco (thsd USD)

As long as fruit juices and also, pomegranate products weren't included as a separate item group, initial assumptions may be made based on these figures. Share of this item group in export in 2010 was 1%, while special weight of “alcoholic and non-alcoholic drinks and vinegar” made up 0.1%. The last indicator also includes pomegranate juice.

Let's consider other statistical indicators. Turnover of “Aznar” OSC in Goychay, distinguished from others by its advanced technologies and standards in the area of pomegranate processing in the Republic in 2009 made up 1 million 28 thsd AZN. Of this 937thsd 889 AZN comes to the products exported to foreign countries. And it is a very small figure as compared to the production capacity of the enterprise. The equipment installed in the plant is capable of producing fruit juice 20 tons. Founder of the company, “Baku-Azerbaijan Investment” LLC, has invested 3 042 550 AZN in 2008 and 1 336 841 in 2009 to enhance production and apply new technologies in the plant. As seen from above example, there is a wide gap between the production capacity and the volume of production produced and besides, the investment made in the company over the last 2 years exceeds plant's turnover several times. All these

demonstrate existence of problems in the area of export of pomegranate and pomegranate products into the EU.

**Objective of the survey** is to identify barriers and problems emerging when exporting pomegranate products.

**The main task of the survey** is to determine findings based on step-by-step export analysis, develop draft proposals enabling to simplify export procedures and beneficiaries to put exporting capacity to maximum use drawing upon international experience and assess their impact.

## **2. Methodology. Ways of processing gathered database**

Survey methodology aims to identify administrative barriers, streamline database gathered to assess impacts on export volumes and process the time spent by converting it into AZN.

Initially, methodology covers gathering legislative base pertaining to export of pomegranate and pomegranate products to the EU, its expertise, determine legislative obligations and requirements of potential exporters.

Methodological bases of the survey includes creation of database as a result of meetings and interviews held between the entrepreneurs dealing with export of pomegranate products to the EU countries, relevant state bodies issuing export permits (Hygiene and Epidemiology Center under the Health Ministry, State Committee on Standardization, Metrology and Patents, State Service for Phytosanitary Control under the Ministry of Agriculture, Bureau of Expertise of Consumer Goods of the State Service for Control over Consumer Markets under the Ministry of Economic Development) and use of formulae to determine the costs expended by companies and state bodies.

Further, the survey also aims to select proper certification option by drawing upon the terms and international experience required by the EU in respect with food products.

Another direction of methodology-preparation of the following sample questionnaire blanks based on expertise of legislative acts. These questionnaires were used as bases to determine unified principles of processing time and other costs, assess their impacts, determine the costs expended in each step. Surveys were held among the enterprises engaged in export of pomegranate and pomegranate products to the EU based on those sample questionnaire blanks.

Questionnaire blank contains the following questions:

1	2	3=1+2	4	5=3x4	6	7	8=5+6+7
Time spent for labor (hours)	Additional costs (hours)  25%	Total Time (hours)	Average monthly salary per hour	Time expenses of the company( in monetary terms)	Official payments and dues	Unofficial payments	Total expenses (time and payments, AZN)

Formulae were developed to estimate costs based on database gathered as a result of the surveys held and legislative expertise:

$$i \text{ (Total costs)} = C \text{ (Company costs)} + P \text{ (Costs of state authorities)} = (H \times S1) + (A + E) + (D \times S2)$$

$$C = (H \times S1) + (A + E)$$

H – time spent by the company (hour)

S1 – Salary in the company ( per hour)

A – Official payments and taxes

E – Unofficial payments

$$P = D \times S2$$

D – The time spent by state authorities for import procedures, hour

S2 – Average salary in state authorities (per hour)

It should be noted that actual expenses were calculated in the sample fo export of pomegranate product 20 tons on the enterprise level.

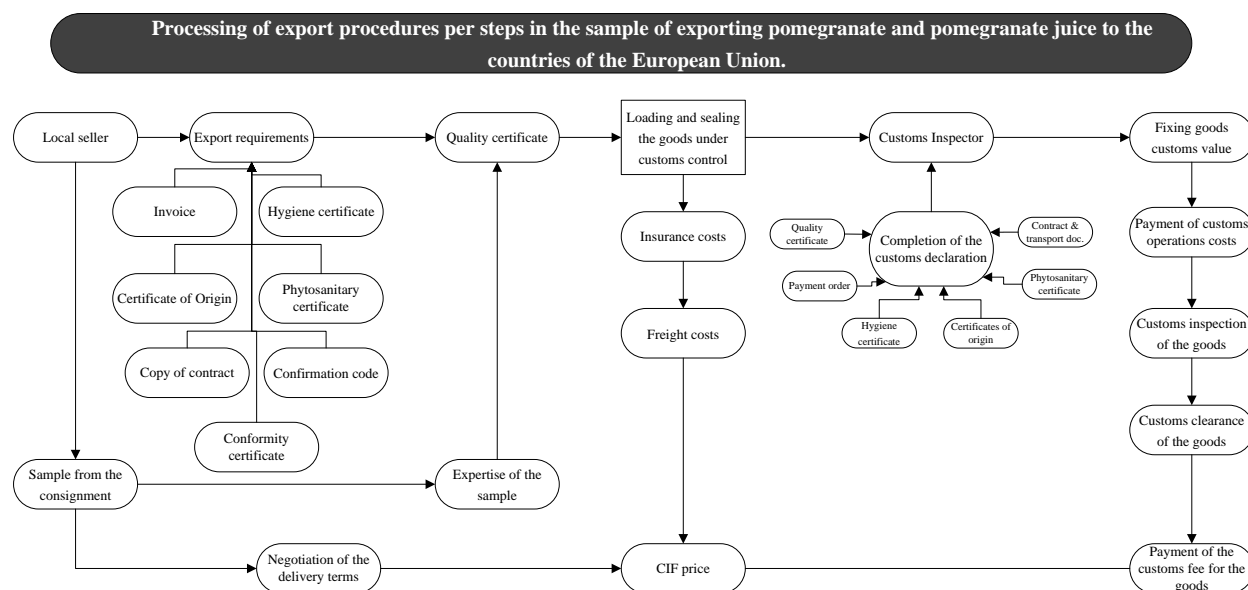
Draft proposals were developed based on findings.

Estimation outcomes were presented in “cost estimation and assessment based on gathered statistical base”.

### 3. Step-by-step analysis of export process

To make export process more simply and clearly understood, team of experts have developed diagrams basing on analysis of requirements and obligations set out in the law of the Republic of Azerbaijan on export of food products to the EU as well as actual exporting process. A unified diagram was initially built reflecting all the export procedures followed by a separate procedural diagrams for each step given in a general diagram. After the surveys and interviews held at “Aznar” OSC in Goychay and “Sabirabad Konserv” CJSC in Sabirabad both engaged in export of pomegranate products to the EU clarifications were made in the procedural diagram pertaining to each stage and a unified steps sequence.

Start of product exporting, negotiation of the payment terms and the steps beginning from signing an agreement to delivery to importer by clearing the batch of product at the customs have all been reflected in the initially built unified export procedure (Diagram №1) . Following the survey methodology the steps under the responsibility of the exporter during export of the pomegranate products given in Diagram 1 are presented.



**Diagram №1. Export procedure (step-by-step) for pomegranate and pomegranate products to the European Union**

Further, to present a more detailed information about export procedure, chain of steps reflecting procedure of issuance of certificate required for export of food products to the EU was built.

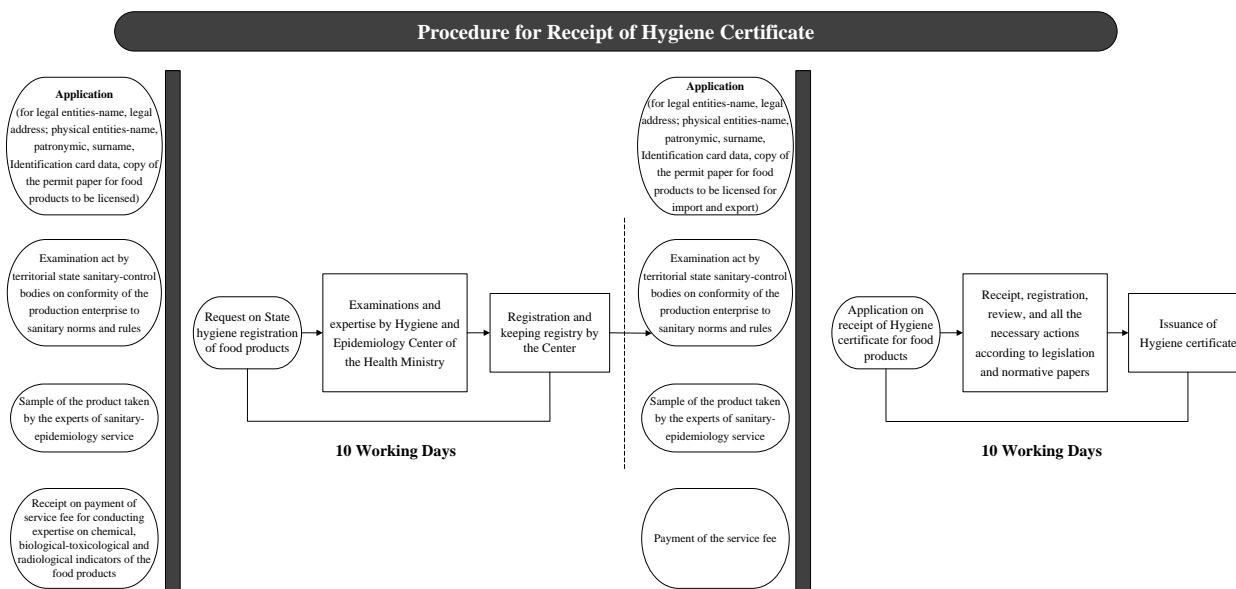
**We should note that legislation specifies receipt of 5 certificates (Hygiene certificate, Conformity certificate, Phytosanitary certificate, Certificate of Origin, Quality certificate) and one confirmation code number for export of pomegranate products to the EU.**

Hygiene and Conformity certificates are actually required for production prior to exporting. Conformity certificate confirms conformity of the produced product to the state standard. To start producing, every producer is to receive these two certificates. Even Conformity certificate contains a note saying it is in force in the territory of the Republic of Azerbaijan.

Due to inconsistency between the national standards and the standard requirements enforced in the EU countries, Quality certificate is required when exporting products to the countries of union. Hygiene and Conformity certificates are required to issue Quality certificate and certificate of Origin. As long as these 2 certificates are directly related to export, procedure of their receipt-required papers and fees, limits of duties and rights of an authorized body in the law-have been developed as a diagram.

### **3.1 Hygiene and Conformity Certificates**

*Diagram 2* reflecting procedures for receipt of hygiene certificate consists of 2 parts. If we look into it carefully it becomes clear that the papers presented in both parts are similar. How can it be understood? The enterprise beginning production in the first year shall apply in writing to achieve entry of produced food products in the state hygiene registry and not to receive Hygiene certificate. In this case, if the expertise of the papers submitted by the Hygiene and Epidemiology Center under the Health Ministry and laboratory testing of the sample product taken by local service of the Center are satisfactory, then entry is made and maintained about the product in the state registry. Hygiene certificate is produced to the product producer only after that. As Hygiene certificate is issued for 1 year, submittal of the same papers and the sample taken from finished product repeats itself the next year. In which case, the product already in registry is registered again and issued with a yearly Hygiene certificate. Hygiene certificate is issued within 10 working days according to the legislation.

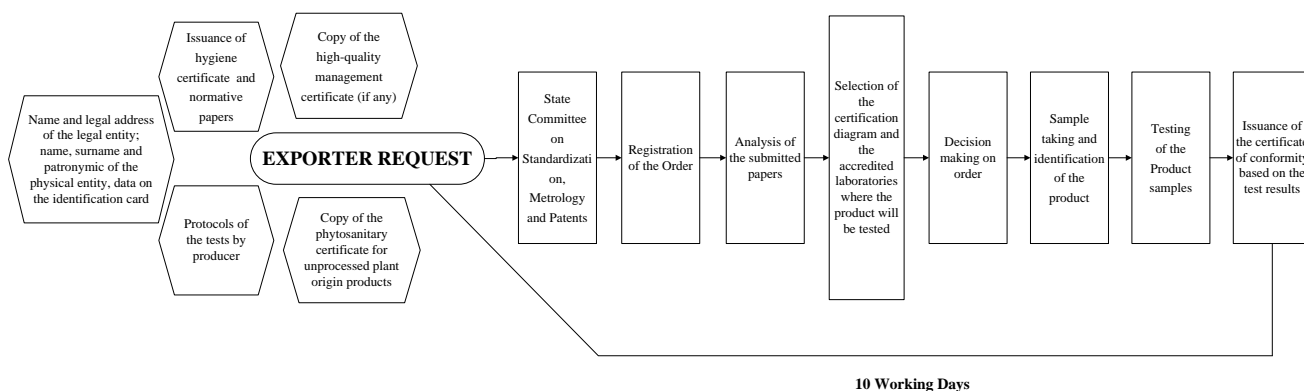


**Diagram №2. Receipt of Hygiene certificate from the Hygiene and Epidemiology Center under the Health Ministry**

Conformity certificate is issued for most of products given in the legislation to confirm conformity to the requirements of proper standard. Conformity certificate is issued for the products about which entry was made in the list of products subject to mandatory certification contained in Resolution 343 of the Cabinet of Ministers. No mandatory certification is carried out for the products not contained in the list.

To receive a certificate, one is to appeal to the certification offices of the State Committee on Standardization, Metrology and Patents. If a producer hasn't tested its product, the certification authority tests the product at an accredited test laboratory. A protocol is drafted on the test outcomes of the product based on outcomes.

Effectiveness data of the conformity certificate in attested production is two years, while it is one year at a production not attested. Effectiveness period of the conformity certificate issued for the batch of product is defined considering condition of storage and shelf life of a product by a certifying body within a year. If everything is in order in the papers, conformity certificate and AZS conformity mark is issued for the enterprise within 10 days .



**Diagram №3. Issuance of Conformity certificate by the State Committee on Standardization, Metrology and Patents**

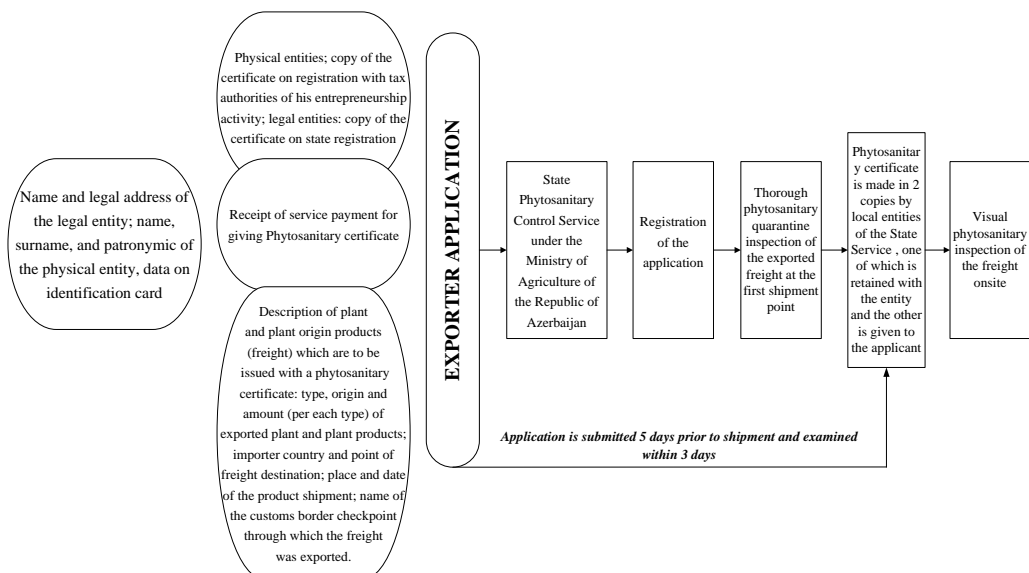
### 3.2 Phytosanitary certificate

Phytosanitary certificate is to be received in the first place as pomegranate is a plant origin product. At least within 5 days before shipping his batch as an export, an exporter applies to the local authorities of the State Service with the papers contained in the diagram defined by the legislation. It is examined within 3 days as of the day of registration of the submitted application.

After the papers are submitted, the product is subject to phytosanitary quarantine examination. Thorough phytosanitary quarantine examination of exported goods is carried out at initial shipment place, air, sea and river ports, railway stations and other secondary loading stations (when export batch is formed). If no inconsistency is found in the goods, then internal quarantine certificate is issued. Internal quarantine certificate is made in 2 copies, one of them is issued for the goods owner and the other retained by the local Quarantine Service. Local body of the State Service immediately notifies border phytosanitary control station where the product is exported on issuance of certificate. When the goods is brought to the quarantine service, the goods is subject to visual quarantine examination by the service and if no inconsistencies are found, the service issues certificates for each transportation means in 2 copies. One of its copies is given to the goods owner, while the other is retained by the border phytosanitary control station of the State Service.

When exported goods are directly sent to foreign countries without being unloaded at phytosanitary control point at border, plant and plant products are packed, sealed, and loaded on transport means where goods batch is formed and sent. Local authorities of the State Service prepare phytosanitary certificate in 3 copies for that goods; one of the copies is retained with the service, while two others are given to the applicant. When the applicant gets

the goods to the border, he is to present a copy of the phytosanitary certificate to the phytosanitary control point of the State Service and the goods has to be sent without opening, dividing, mixing with other goods and repacking by conducting phytosanitary quarantine inspection in the specified manner and in compliance with customs requirements.



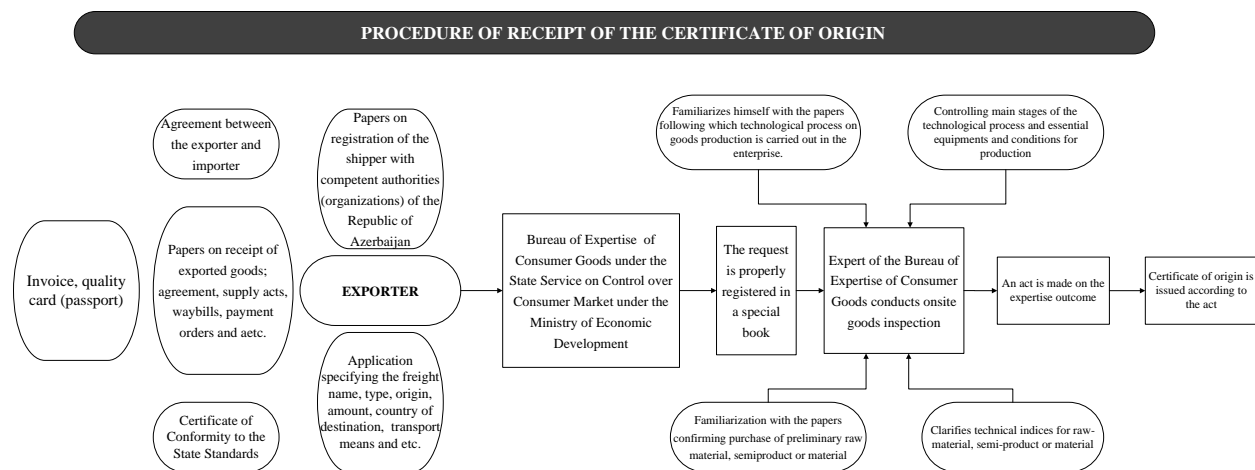
**Diagram №4. Issuance by the State Phytosanitary Control Service of Phytosanitary certificate**

### 3.3 Certificate of origin

One of the certificates for export is the certificate of Origin. Certificate of Origin is issued for batch the same as the Phytosanitary certificate. Certificate of Origin requires that the state of raw-material before production be kept under control and doesn't request only examination of the finished product when this certificate is issued. When the certificate of Origin is issued, experts from the Ministry of Economic Development carry out onsite inspection of the goods and check conformity to technological rules on production familiarizing themselves with the papers reflecting technical data pertaining to the raw-material and semi-product.

Certificate of origin is issued after the country of origin of the goods is determined according to proper rules. Certificate of origin consists of 3 main pages (Form ST-1, Form A and general form and 3 appendices (one appendix per form). Form A certificate is envisioned for export of goods to the EU within the frame of GSP + program.

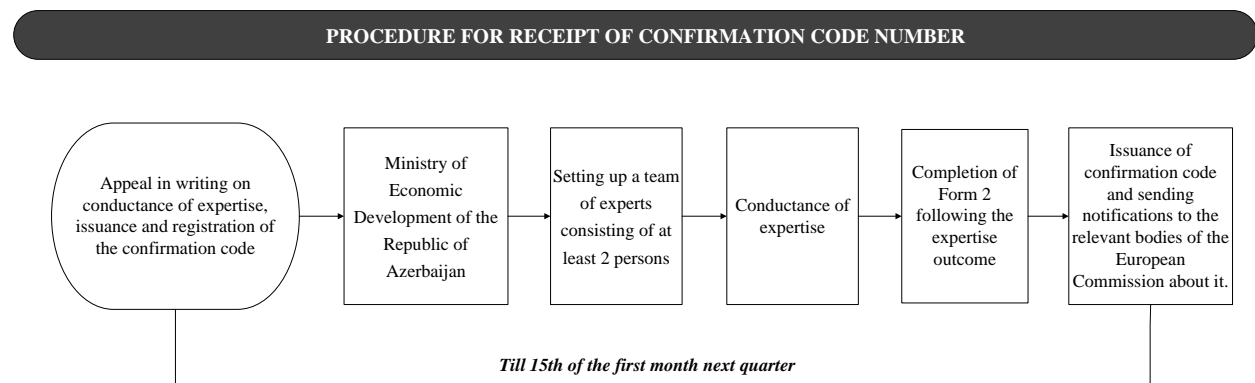




**Diagram №5. Issuance by the Ministry of Economic Development of the certificate of Origin.**

### 3.4 Confirmation Code and quality certificate

The enterprises exporting fruit juices to the union countries as required by the EU have to obtain confirmation code number. This code is issued by the Ministry of Economic Development. For this purpose, the enterprises considered to be consistent with the requirements as a result of the expertise conducted in the same is issued with confirmation code number by 15 of the first month in the following quarter depending on type of production and processing and form of the export and proper notifications are sent to the relevant bodies of the European Commission. Confirmation code is issued every 3 months, four times a year together with its number. The ministry conducts regular expertise at the enterprise issued with the confirmation code number without notification at least once a month.



**Diagram №5. Issuance of Confirmation code number by the Ministry of Economic Development**

Finally, to export pomegranate products to the EU, the last certificate specified in legislation for this purpose is the quality certificate. To receive this certificate, an exporter has to submit the above certificates and the certificate confirming confirmation code number to the Bureau of Expertise of Consumer Goods of the Ministry of Economic Development. The last ring closing the chain of export permit procedures after expertise of the papers and positive opinion on

outcomes after expert examination of the sample taken from the product is the Quality certificate.

Officers of the service also watch conformity of production process in the exporting enterprise to HACCP plan following EU requirements. Quality certificate is made in 3 copies, one of them retained with the responsible authority, one is incorporated in the papers accompanying the product and the last copy is issued to the enterprise. Copy of the completed customs declaration is to be submitted to the Service within 3 days upon export of the product.

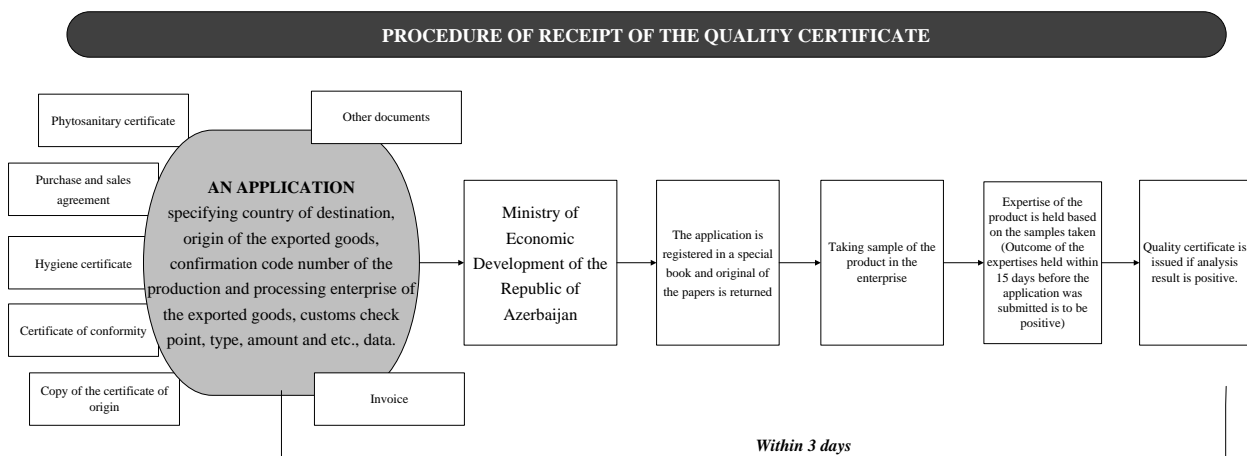


Diagram №5. Issuance by the Ministry of Economic Development of the Quality certificate

## 4. Current Status of the Legislation

### 4.1. Legislative acts regulating export of pomegranate products to the countries of the European Union

The number of legislative acts regulating export of pomegranate products to the countries of the European Union. It includes 6 laws of the Republic of Azerbaijan, 13 resolutions of the Cabinet of Ministers, 2 decrees of the President, 5 resolutions and 2 internal instruction manuals by the Tariff (Price) council, 1 State Program and 1 Charter. (Appendix 9). It includes the followings:

- The Law "On Food products" (November 18 1999, № 759-IQ);
- The Law "On Standardization" (April 16 1996 № 60-IQ);
- The Law "On State fees" (December 4 2001, № 223-IIQ);
- The Law "On Phytosanitary control" (May 12 2006, № 102-IIIQ);

- The Law "On sanitary-epidemiological health" (November 10 1992, № 371);
- The Law "On Customs tariffs" (June 20 1995, № 1064);
- Customs Code of the Republic of Azerbaijan (approved by the Law 311-IQ June 10 1997);
- "Rules on state hygiene registration and maintaining state registry of food products" (Confirmed by the resolution 158 of the Cabinet of Ministers of October 6 2007);
- Rules on issue of hygiene certificate for food products (Approved by resolution 142 of the Cabinet of Ministers of September 25 2007);
- "Rules on state control on compliance with standards and requirements in the area of ensuring quality and safety of food products" (Confirmed by resolution 154 of the Cabinet of Ministers of August 16 2005);
- "Rule on issuance of conformity certificate for food products" (Confirmed by the resolution 142 of the Cabinet of Ministers of September 25 2007);
- "Rules on issuance of quarantine permit, secondary export phytosanitary certificate and phytosanitary certificates for import and export, secondary export, transportation and circulation in the territory of the Republic of Azerbaijan of plant and plant products" (Confirmed by resolution 280 of the Cabinet of Ministers of December 29 2006);
- Resolution of the Cabinet of Ministers "On organization of the work of the State Service on Control of Consumer Market under the Ministry of Economic Development of the Republic of Azerbaijan and confirmation of the "Certificate of origin of goods" (December 5 2000, № 211);
- Rules "On issuance of certificate on origin of goods if necessity arises when the goods is removed from the customs territory of the Republic of Azerbaijan and it is anticipated in proper agreements (treaties), normative-legal acts and international agreements (treaties) to which the Republic of Azerbaijan is a party" (Order № 56, December 24 2001);
- "Rule on determining the country of origin of goods" (Approved by resolution 202 of the Cabinet of Ministers of November 2 2000);
- Rules "On quality control of liquor and liquor products, fruits and vegetable juices exported from the Republic of Azerbaijan to the countries of the European Union"- Decree of the President of the Republic of Azerbaijan "On regulation of export of food products from the Republic of Azerbaijan to the countries of the European Union (№ 218, April 1 2005);

- “On confirmation of the rule on issuance of quality certificates and copy of the certificate when food products are exported to the countries of the European Union” (Resolution 135 of the Cabinet of Ministers of July 13 2005);
- Rules “On application of customs evaluation system of the goods brought to and removed from the customs territory of the Republic of Azerbaijan» (Approved by the resolution 7 of the Cabinet of Ministers of January 12 1998);
- “Amount of the customs dues collected for customs clearance” (In the text approved by resolution 189 of the Cabinet of Ministers of November 27 2007 in addition to the resolution 80 of the Cabinet of Ministers of 12 April 2001);
- Rules “On completion of Customs declarations” (Order № 027, June 17 1998);
- Resolution of the Tariff (Price) Council “On tariffs for services by the State Agency on Standardization, Metrology and Patents of the Republic of Azerbaijan” (April 12, Resolution №3);
- Resolution fo the Tariff (Price) Council “On regulation of the tariffs for the services provided by the State Phytosanitary Control Service under the Ministry of Agriculture of the Republic of Azerbaijan” (Jule 26 2007,Resolution N 18);
- Resolution of the Tariff (Price) Council “On tariffs for paid services provided by the State Phytosanitary Control under the Ministry of Agriculture of the Repulic of Azerbaijan, Republican Control Toxicolocial laboratory” (June 29 2006, Resolution N 12);
- Resolution ofthe Tariff (Price) council “On regulation of the tariffs for issuance by the State Service on Control of Customer Market under the Ministry of Economic Development of certificates of origin for physical and legal entities” (April 30 2008,Resolution N 3);
- State Program on reliable provision of population with food products in the Republic of Azerbaijan in the years 2008-2015
- Charter on the Ministry of Economic Development of the Republic of Azerbaijan (Approved by the decree 504 of the President of the Republic of Azerbaijan of December 28 2006)
- Decree of the President of the Republic of Azerbaijan on liberalization of foreign trade in the Republic of Azerbaijan (June 24 1997 № 609)
- Instruction of the Central Bank “On non-cash settlements and monetary transfers in the Republic of Azerbaijan” (Registration N 292, October 16 2002)

## **4.2. Legislative base of the certificates (Hygiene and Conformity certificates) specified for production and required during export**

Legislative acts regulating issuance of Hygiene and Conformity certificates include the Laws of the Republic of Azerbaijan “On food products”, “Sanitary-epidemiological health” and “Standardization”, “State fees”, “Rules on state hygiene registration and keeping state registry of food products” as approved by the CM, “Rule on issuance of hygiene certificate for food products” , “Rules on state control over compliance with standards and requirements in the area of ensuring quality and safety of food products”, “Rules on issuance of conformity certificate for food products” and the Resolution (Sections 9.2. 1,2, 4, 5, 6, 7, 8, 9, 10, 11, 12) of the Tariff (Price) Council “On tariffs for the services provided by the State Agency on Standardization, Metrology and Patents of the Republic of Azerbaijan”.

The law “On food products” sets out principles on rating and upgrading quality and safety, certification, state hygiene registration and state control of food products for controlling their quality and safety. Further, this law reflects the requirements on production, packing, storage, and sale of food products.

The law “On Sanitary-epidemiological health” specifies requirements on sanitary norms and rules, hygiene normatives. The paper attributes the task of compliance with sanitary norms and rules and hygiene normatives in production process, implementation of measures aiming to prevent environmental contamination and and rehabilitate it and ensuring production control over labor, utility, rest, education and behavioral setting, hygiene indicators of the produced product to heads of enterprises, organizations, and offices and the individuals engaged in private labor. The Law specifies that competent bodies and persons have to undergo attestation and apply advanced research methods in their works in order to implement production control.

The paper also stipulates mandatory publication and free dissemination of sanitary norms and rules, hygiene normatives.

The law “On standardization” stipulates bases of organizing state control over compliance with the normative standardization papers and requirements put to them and standard requirements.

“Rules on issuance of hygiene certificate for food products”, “Rules on state hygiene registration and keeping state registry of food products” and “Rules on state control over compliance with standards and requirements in the area ensuring quality and safety of food products” stipulate requirements on issuance of hygiene certificate for food products, principles of state control over compliance with their state registry and standards. The Rules have established standard form of Hygiene certificate.

Tariffs for the services rendered by Hygiene and Epidemiology Center are presented in the table below. These tariffs haven't been presented in the sites of the Health Ministry and Tariff (Price) Council. It appears that these tariffs have been approved by internal decision.

Service	Payment (Azn)
<b>1. On Sanitary control:</b>	
- Review of normative technical papers, construction and other designs (for an hour)	2
- Issuance of hygiene certificate, sanitary passports, ship certificates and etc not considering the price of laboratory examinations	3
- Regardless of the type of ownership, investigation of sanitary-hygiene status of enterprises and organizations and preparation of sanitary measures ( 1 hour)	3
<b>2. Physico-chemical examinations-name of the indicator examined</b>	
Identifying natrium oxide, acetone, acetylene, dimethylamine, ethylene glycole, dichlorethane, laquer, naphthalin, high-molecular spirits, ethyl spirit, sulfur anhydride and etc., contents in the air	8.0 Each
Identifying benzol, benzene, ammonium, anilin, xylol, kerosene, methylacrylate, general hydrocarbons, carbon oxide, styrolene, complex esters, and carbon dioxide in the air	10.0 Each
Identifying fenol, furturol, chloride benzol, chloropren, and formaldehyde in the air	10.0 Each
<b>3. Toxicological examinations</b>	
Identifying remainder of harmful chemical substances in food products	10.0 Each
Identifying nitrate content in plants	5.0 Each
Bromethyl identification in cereals flour and flour products	10.0 Each
Identification of vitriol content in liquor, juices and fruits	6.0 Each
Defining odor, color durability of doll, toy, polymer and syntethic fabrics	1.0 Each
Identifying heavy metals in vessels and synthetic materials in contact with food products	8.0 Each

“The Rule on issuance of conformity certificate for food products” reflects certification rules and forms of the product. The rules indicate that the food products produced in series and batches may be certified. The Rules also establish a unified form for Conformity certificate.

The Law of the Republic of Azerbaijan “On State fees” stipulates state fees defined for issuance of Hygiene and Conformity certificates and also the fees for services provided by the State Committee on Standardization, Metrology and Patents related to standardization.

Issuance of Hygiene certificate – 15 AZN, issuance of certificate for production and import-export of products (works, services)-20 AZN, management systems (quality, environment, labor protection and safety, food safety and etc)-20 AZN, attestation on accreditation of test and calibration laboratories-20 AZN, attestation on accreditation of certification authority-20 AZN.

With the Decision of the Tariff Council “On tariffs of the services provided by the State Agency on Standardization, Metrology and Patents of the Republic of Azerbaijan” as seen from its name, tariffs for certain services rendered by the State Service have been established. These tariffs are as follows:

Payment normatives for use of national conformity mark: — for the volume of product sold to physical and legal entities in a given quarter:				Amount, AZN
-10000	Up to	Pay men t % -	1,0%	118,0
-30000	Up to	—	0,68%	240,7
-60000	Up to	—	0,5%	354,0
-100000	Up to	—	0,32%	377,6
-200000	Up to	—	0,18%	424,8
-600000	Up to	—	0,09%	637,2
- 1000000	Up to	—	0,059 %	696,2

- 2000000	Up to	—	0,037 %	873,2
- 6000000	Up to	—	0,014%	991,2
- 1000000 0	Up to	—	0,01 %	1180,0
- 1000000 0-	Above	—	0,008 %	—

#### **4.3. Legislative bases for issuance of Phytosanitary certificate for export and organization of phytosanitary control over this activity**

The Law of the Republic of Azerbaijan “On Phytosanitary control” and the “Rules on issuance of import quarantine permit, secondary export phytosanitary certificate and phytosanitary certificates for import-export, secondary export, transportation and circulation in the territory of the Republic of Azerbaijan of plant and plant products” stipulates organization of phytosanitary control over production of plant and plant products, terms and requirements of issuance of certificate for export permit, decisions “On regulation of tariffs for the services provided by the State Phytosanitary Control under the Ministry of Agriculture of the Republic of Azerbaijan”, “On tariffs for paid services rendered by the state Phytosanitary Control service under the Ministry of Agriculture of the Republic of Azerbaijan, Republican Control Toxicological laboratory” and the Law “On state fee” define tariffs and fees relating to rendered services (Appendices 9.2. 12, 13, 14, 15, 16,17).

Article 14 of the Law “On Phytosanitary control” (certification of exported products) reads that when request is made to receive certificate for plant and plant products and state service is paid, required papers are submitted, the goods meant for issuance of certificate were presented for inspection and conduct of other measures, and the shipped goods meet requirements of international standards, then they are certified.

The “Rules on issuance of import quarantine permit, secondary export phytosanitary certificate and phytosanitary certificates for import-export, secondary export, transportation and circulation in the territory of the Republic of Azerbaijan of plant and plant products” contains



list of papers requested for issuance of Phytosanitary certificate and approves standard form of Phytosanitary certificate.

Regardless of the type of transport means, The law “On State fee” confirms fee amount (1 AZN) for issue of Phytosanitary certificates for a transport means (set). The abovementioned resolutions of the Tariff Council service tariffs of the State Phytosanitary Control service for identifying content of chemical remainders of pesticides in water, soil, food, agricultural and liquor products (one analysis) by Gas chromatography and calorimeter method fixed at 9.1 AZN, nitrate and nitrate remainder in agricultural products (one analysis)-1,7 AZN, analysis of fruits, vegetables, and other cereals (1 sample) 0.65 AZN.

#### **4.4. Legislative bases for issuance of certificates (Origin, Quality) and confirmation code number requested by the Ministry of Economic Development for export of pomegranate products to the countries of the European Union**

The main stage of export process begins with receipt of certificate of origin from the Ministry of Economic Development (MED). MED implement a number of procedures according to legislation to receive 2 certificates and one confirmation code number and request papers. The stage of export relating to MED is regulated by 1 law of the Republic of Azerbaijan, 2 Decrees of the President, 5 resolutions by CM and 1 resolution by Tariff (Price) Council. These legislative acts are as follows: Resolution of the CM “On organizing work of the State Service on Control over Consumer Market under the Ministry of Economic Development of the Republic of Azerbaijan and confirmation of the “Certificate on origin of goods”, Rules “On issuance of certificate on origin of goods if necessity arises when goods is removed from the customs territory of the Republic of Azerbaijan and it was envisioned in proper agreement (treaties), normative-legal acts and international agreements (treaties) to which the Republic of Azerbaijan is a party”, “The Rule on identifying the country of origin of goods”, Rules “On quality control of liquor and liquor products, fruit and vegetable juices exported into the countries of the European Union from the Republic of Azerbaijan”, Decree of the President of the Republic of Azerbaijan “On regulation of export of food products from the Republic of Azerbaijan to the countries of the European Union” .

We must note that by the Decree 218 of the President of the Republic of Azerbaijan “On regulating export of food products from the Republic of Azerbaijan to the countries of the European Union” of April 1 2005 MED was charged with a single body status to hold expertise on infrastructural and food safety criteria in food production and processing enterprises exporting to the countries of the European Union, issue of confirmation code numbers and expertise results to exporters, enforce quality control system of those products, keeping registry of production and processing enterprises and implement proper requirements of the European Union in this area. According to the decree, a proper notification was sent to the

European Union on establishment of a single competent body in the area of regulation of food exports to the countries of the EU.

Exporter should initially receive certificate of Origin. For this end, application is to be filed with the Bureau of Expertise of Consumer Goods under the State Service on Control over Consumer Market under the ministry according to the Rules “ On issuance of certificate of origin for the goods where necessity arises when removing goods from the customs territory of the Republic of Azerbaijan and if it is envisioned in proper agreements (treaties), normative-legal acts or international agreements (treaties) to which the Republic of Azerbaijan is a party”. The agreement, supply acts, transport invoices, payment orders and other papers should be submitted with the certificate of Conformity. Rules show that if it is impossible to identify origin of goods based on these papers, then expert of the Bureau may request other papers.

“CT-1” form of the “Certificate on the origin of Goods”, “A” and “General form” (Appendices 1,2, and 3) reflecting origin of goods and the forms (Appendices 4,5 and 6) “appendices to the certificate on origin of Goods” specified for these forms have been approved by the Resolution of the KM “On organizing work of the State Service on Control over Consumer Market under the Ministry of Economic Development of the Republic of Azerbaijan and “Certificate on the origin of Goods”. The law “On State fee” the state fee for issuance of certificate confirming the country of origin of goods is fixed at 20 AZN. Besides, According to the Rule of the Tariff Council “On regulation of tariffs for issuance of the certificate of origin by the State Service on Control over the Consumer Market under the Ministry of Economic Development to legal and physical entities”, service tariffs for issuance of the paper of origin were confirmed as follows:

- Up to 10 tons - 11,8 manats
- 10 to 50 tons - 23,6 manats
- 50 to 100 tons - 35,4 manats
- 100 to 200 tons - 47,2 manats
- 200 to 500 tons - 94,4 manats
- Above 500 tons - 177,0 manats.

After receipt of the certificate of Origin, the exporter is to apply to the ministry to obtain confirmation code number and make entry in the registry in accordance with the Rules “On quality control of liquor and liquor products, fruits and vegetables juices exported from the Republic of Azerbaijan to the countries of the European Union”. Confirmation code is issued 3 times a year every 4 months and written information is fed to the enterprise, customs authorities and relevant bodies of the European Commission within 3 days. After the exporting enterprise receives confirmation code number, he shall apply for receipt of the last paper- Quality certificate. In this case, the certificates obtained until then-(Hygiene, Conformity,

Phytosanitary certificates and the certificate of Origin, Confirmation code number)- shall be submitted to the MED together with invoice and agreement in accordance with the Rules “On approval of the rules on issuance of quality certificates and copies of certificates when exporting food products to the countries of the European Union”. According to the law “On State fee”, the state fee for issuance of the Quality certificate is 20 AZN.

#### **4.5. Legislative acts regulating customs export procedures**

Legislative acts regulating customs procedures at export consist the Laws of the Republic of Azerbaijan “Customs Code”, “On Customs tariff”, Rules “On application of customs evaluation system of the goods brought to and removed from the customs territory of the Republic of Azerbaijan” Rules “On completion of goods customs declarations”, Resolution of the Tariff Council “On regulating tariffs for paid services rendered by the Central Laboratory of State Customs Committee” and “Amount of customs fees collected for customs clearance” (Appendices 9.2. 27, 28, 29, 30, 31, 32, 33).

Customs value of a goods is fixed following the Rules “On application of customs evaluation system of the goods brought to and removed from the customs territory of the Republic of Azerbaijan”. In this case, requirements of the law “On Customs tariff” are observed.

The laws on “Customs Code” and “On Customs tariff” contain rules on declaring and identifying the country of origin of the goods transited through the customs territory. The Rules “On completion of goods customs declaration” indicates which cell was filled and confirmed by whom:

The following cells of GCD is filled by the declarant:

- Indicators in figures: 1, 2, 3, 4, 5, 6, 8, 9, 11, 12, 14, 15, 15a, 16, 17, 17a, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 50, 54;
- In letters: - A B
- Cells 7, D and S are completed by officers of customs authorities.

As an appendix to Resolution 80 of the Cabinet of Ministers of April 12 2001, “the amount of customs fees collected for Customs clearance” in the revision approved by Resolution 189 of November 27 2007 it reads that the following customs dues are collected depending on the goods customs value based on each goods customs declaration or customs income order for customs clearance of goods transited through the customs border of the Republic of Azerbaijan including also transport means ( including also in unaccompanied luggage and international mail deliveries):

- **10,0 AZN when customs value is up to 1000 AZN;**
- **50 AZN when customs value is from 1001 to 10000 AZN;**
- **100 AZN when customs value is from 10001 to 100000 AZN;**
- **275 AZN when customs value is above 100001 AZN.**

Further, 10 AZN customs dues is collected for each page of customs goods declaration regardless of the nature of transaction.

Following the Resolution of the Tariff Council “On regulating tariffs of the paid services provided by the Central Laboratory of the State Customs Committee”, dues are collected from exporters for analysis of fruit and vegetable products analyses, and identifying heavy metals and pesticides in food products according to the following tariffs:

- 1. Identifying soluble dry matters (refractometric method) - 10,0 AZN**
- 2. Identifying ash and alkali content -15,0 AZN**
- 3. Identifying titrated acidity – 14,0 AZN**
- 4. Identifying mineral mixtures – 10,0 AZN**
- 5. Identifying heavy metals in food and non-food products (Cu, Zn, Pb, Fe, Ni, Cr, Co, Hg, Cd, As, Sn, Mn) with atom – absorption method - 25,0 AZN**
- 6. By chromatomasspectrometric method - 125,0 AZN**

Order of bank transaction at transportation is regulated by the “instruction of the Central Bank on non-cash settlements and monetary transfers in the Republic of Azerbaijan” (Appendix section 9. 34).

#### **4.6. Accessibility of information**

The extent to which the data placed on the sites of official authorities about the certificates necessary for export of pomegranate products are accessible has also been evaluated. In this case, availability of the sites of official authorities responsible for issuance of certificates and whether relevant laws and resolutions of the Cabinet of Ministers and Tariff (Price) council were placed on site, was investigated. Besides, the address where these papers (if not available on the official sites of competent bodies) may be accessed were included in the table evaluating information accessibility.

No	Type of certificate	Competent body	Data on procedure on receipt of certificate	Remark
1	Hygiene certificate	Hygiene and Epidemiology Center of the Health Ministry	Not available	<p>Hygiene and Epidemiology Center has no site of its own. The site of the Health Ministry only includes resolutions of the Cabinet of Ministers only after 2009 (<a href="http://www.sehiyye.gov.az">www.sehiyye.gov.az</a>). Resolution 142 of the Cabinet of Ministers “On approval of forms of the conformity, hygiene and veterinary certificates issued for food products and the rules of issuance of conformity, hygiene and veterinary certificates” of September 25 2007</p> <p>May be accessed via the following links: <a href="http://www.e-ganun.az/files/framework/data/13/c_f_13598.htm">http://www.e-ganun.az/files/framework/data/13/c_f_13598.htm</a>  <a href="http://azstand.gov.az/index.php?id=27&amp;sub_id=123&amp;sid=118&amp;lang=3">http://azstand.gov.az/index.php?id=27&amp;sub_id=123&amp;sid=118&amp;lang=3</a>  <a href="http://vescc.az/Default.aspx?task=Browser&amp;did=20518&amp;lid=1">http://vescc.az/Default.aspx?task=Browser&amp;did=20518&amp;lid=1</a></p> <p>Besides, the site of the Ministry doesn't include resolution of the Tariff Council. In general, although Tariff Council doesn't have such a paper, the Center is likely to compute service dues based on the internal paper it approved itself.</p>
2	Conformity certificate	State Committee on Standardization, Metrology and Patents	Partial	<p>Rules on issuance of conformity certificate may be accessed at the following site of the committee: <a href="http://azstand.gov.az/index.php?id=27&amp;sub_id=123&amp;sid=118&amp;lang=3">http://azstand.gov.az/index.php?id=27&amp;sub_id=123&amp;sid=118&amp;lang=3</a> . No information was placed on service fees. This information may be accessed via the following link <a href="http://rusum.az/tarif_komiteler_standartlasma.php">http://rusum.az/tarif_komiteler_standartlasma.php</a> or</p>

				<p>site of the Tariff Council:</p> <p><a href="http://www.tariff.gov.az/?/az/resolution/view/52/">http://www.tariff.gov.az/?/az/resolution/view/52/</a></p>
3	<b>Certificate of origin</b>	<p>Bureau of Expertise of Consumer Goods LLC under the State Service on Control over Consumer Market under the Ministry of Economic Development</p>	Qismən	<p>The “Rules on issuance of certificate on origin of goods if necessary when goods are transited through the customs territory of the Republic of Azerbaijan and it was envisioned in proper agreements (treaties), normative-legal acts or international agreements (treaties) to which the Republic of Azerbaijan is a party” wasn’t placed on the site of the Bureau (<a href="http://www.ekspertiza.az">www.ekspertiza.az</a>). This paper may be accessed via the following link: <a href="http://eganun.az/files/framework/data/10/c f 10976.htm">http://e-ganun.az/files/framework/data/10/c f 10976.htm</a> .</p> <p>But the “Frequently asked questions submenu” on the Bureau site states the papers necessary to obtain the certificate of origin, as well as the amount of payable state fees (20 AZN). It requires a lot of work to do to find this site as it hasn’t been placed on the main site. The order of issuance of the certificate of origin appears when clicking on the separately placed menu called “Information on the services provided by the Bureau of Expertise of Consumer Goods to entrepreneurship entities and the papers requested for this type of activity”. The Resolution of the Tariff (Price) Council “On regulating tariffs for issuance of the certificate of origin by the State Service on Control over the Consumer Market under the Ministry of Economic Development for legal and physical entities” (April 30</p>

				2008, Resolution 3) sets out tariffs of the certificate of origin issued for various goods. This paper hasn't been placed on the site of the Bureau. It may be accessed on the following site of the Tariff (Price) Council: <a href="http://www.tariff.gov.az/?/az/resolution/view/62/">http://www.tariff.gov.az/?/az/resolution/view/62/</a>
4	<b>Phytosanitary certificate</b>	State Phytosanitary Control Service under the Ministry of Agriculture of the Republic of Azerbaijan	Not available	The site of the State Phytosanitary Service doesn't work, and there are no rules on how to issue phytosanitary certificate on the site of the Ministry of Agriculture only stating dues and service fees. <a href="http://www.agro.gov.az/index.php?cat=79&amp;ses=e4105">http://www.agro.gov.az/index.php?cat=79&amp;ses=e4105</a> Order of issuance of phytosanitary certificate may be accessed via the following link <a href="http://www.e-ganun.gov.az/print.php?internal=view&amp;target=1&amp;doid=12610&amp;dotype=0">http://www.e-ganun.gov.az/print.php?internal=view&amp;target=1&amp;doid=12610&amp;dotype=0</a> .
5	<b>Confirmation code number</b>	The Ministry of Economic Development of the Republic of Azerbaijan	Available	<u>"Rules on quality control of liquor and liquor products, fruit and vegetable juices from the Republic of Azerbaijan to the countries of the European Union"</u> has been placed on the site of the Bureau of Expertise of Consumer Goods LLC (www.ekspertiza.az): <a href="http://www.ekspertiza.az/index.php/qanunvericilik/qaydalar/145-avropa">http://www.ekspertiza.az/index.php/qanunvericilik/qaydalar/145-avropa</a> Further, "the frequently asked questions submenu" of the "Applications" menyü on the site of the Bureau states the papers necessary to obtain confirmation code number in the form of questions and answers.: <a href="http://www.ekspertiza.az/index.php/muracietler/faq">http://www.ekspertiza.az/index.php/muracietler/faq</a>

6	Quality certificate	The Ministry of Economic Development of the Republic of Azerbaijan	Available	<p><u>The resolution (135) of the CM on approval of the rule on issuance of the quality certificate and issuance of the quality certificate when exporting food products to the countries of the European UnionAvropa has been placed on the following site :</u></p> <p><u><a href="http://www.ekspertiza.az/index.php/qanunvericilik/e-sasnameler/149-avropa-ittifaq-lklrin-veyinti-mhsullarnn-ixrac-zaman-keyfiyyt-sertifikatlar-n-verilmsi-gaydasnn-v-sertifikatlar-n-munsinin-tsdiq-edilmsi-bard-arnk-qrar-135">http://www.ekspertiza.az/index.php/qanunvericilik/e-sasnameler/149-avropa-ittifaq-lklrin-veyinti-mhsullarnn-ixrac-zaman-keyfiyyt-sertifikatlar-n-verilmsi-gaydasnn-v-sertifikatlar-n-munsinin-tsdiq-edilmsi-bard-arnk-qrar-135</a></u></p> <p>Further, “the frequently asked questions submenu” of the “Applications” menyu on the site of the Bureau states the papers necessary to obtain confirmation code number in the form of questions and answers and the amount of the state fee (20):</p> <p><u><a href="http://www.ekspertiza.az/index.php/muracietler/faq">http://www.ekspertiza.az/index.php/muracietler/faq</a></u></p>
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**Table 3.** Evaluation of the information accessibility

## 5. Cost estimation and evaluation based on the gathered statistical base

Following the methodology, the time spent by a company (actual) and state authorities (stipulated in the law) on receipt of each certificate during export procedures, official fees and service tariffs, unofficial payments by companies are included in the table. Time spent reflected in the table per each stage is the entirety of time spent for the steps indicated in the diagrams given in “step-by-step analysis of export process” of the survey. When expressing the time spent in monetary terms, the average salary paid by enterprises in the pomegranate production sector (based on the survey results) was taken as a basis for it.

Ite	Indicators	Time	Time spent	Total time	Official	Unofficial
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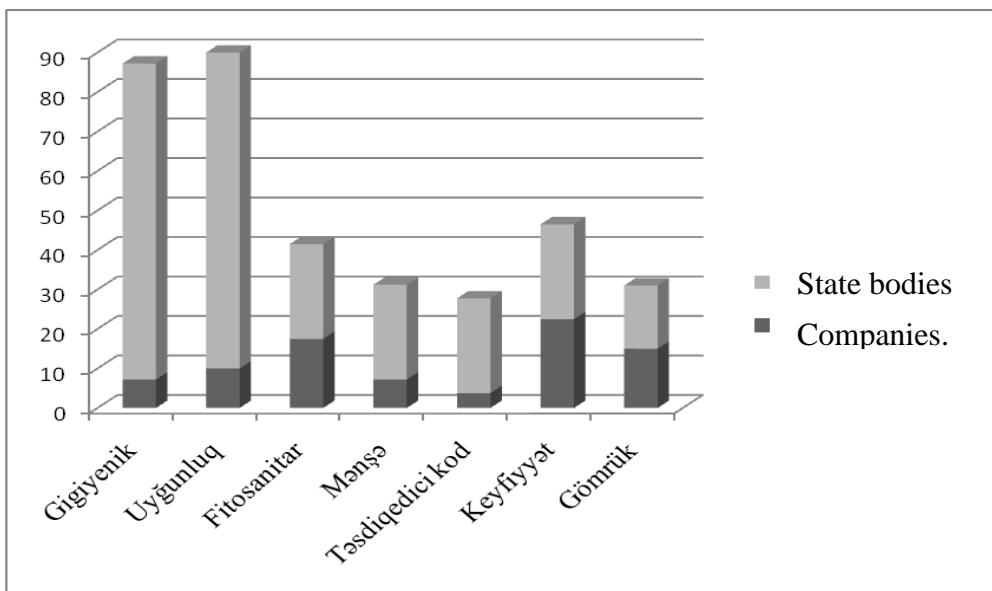
<b>m No</b>		<b>spent by the company (hour)</b>	<b>by state bodies for export procedures (hour)</b>	<b>spent by the company and state authorities on export procedures, hour</b>	<b>payments (AZN)</b>	<b>payments (AZN)</b>
<b>1.</b>	<b>Time spent on receipt of Hygiene certificate</b>	<b>6</b>	<b>80/16</b>	<b>86/22</b>	<b>52</b>	<b>50</b>
<b>2.</b>	<b>Time spent on receipt of conformity certificate</b>	<b>8</b>	<b>80/24</b>	<b>88/32</b>	<b>234</b>	<b>No information is available</b>
<b>3.</b>	<b>Time spent on receipt of phytosanitary certificate</b>	<b>14</b>	<b>24/20</b>	<b>38/34</b>	<b>15</b>	<b>30-40</b>
<b>4.</b>	<b>Time spent on receipt of the certificate of conformity</b>	<b>6</b>	<b>24/20</b>	<b>30/26</b>	<b>44</b>	<b>50-70</b>
<b>5.</b>	<b>Time spent on receipt of confirmation</b>	<b>3</b>	<b>24/20</b>	<b>27/23</b>		<b>No information is available</b>

	<b>code number</b>					
<b>6.</b>	<b>Time spent on receipt of the Quality certificate</b>	<b>18</b>	<b>24/20</b>	<b>42/38</b>	<b>20</b>	<b>No information is available</b>
<b>7.</b>	<b>Time spent on the customs procedures</b>	<b>12</b>	<b>16/16</b>	<b>28/28</b>	<b>150</b>	<b>50-100</b>
<b>8.</b>	<b>Total</b>	<b>67</b>	<b>272/136</b>	<b>-</b>	<b>515</b>	<b>Approx. 250</b>
<b>9.</b>	<b>Additional time, 25%</b>	<b>17</b>	<b>-</b>			
<b>10.</b>	<b>Total</b>	<b>84</b>	<b>272/136</b>	<b>356/220</b>	<b>515</b>	
<b>11.</b>	<b>Average salary (per 1 hour)</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	
<b>12.</b>	<b>Monetary expression of time consumption</b>	<b>143</b>	<b>462/231</b>	<b>605/374</b>	<b>-</b>	

Note: It is impossible to precisely compute the time and human resources used by state structures on export process and certification. Various legislative acts regulating issuance of various certificates stipulate that officers of state structures are to take samples from the product for analysis and conduct onsite inspection of the production process. And it makes travelling costs unavoidable. Besides, to carry out these works laboratory analysis and tests may not be confined to one person. Considering this, the maximum time limit spent by state structures to implement procedures according to the law was taken as a basis

Comparative analysis of the data given in the table showed that most of the time spent on documentation and implementation of each step of exporting product to the EU countries comes to the state authorities.

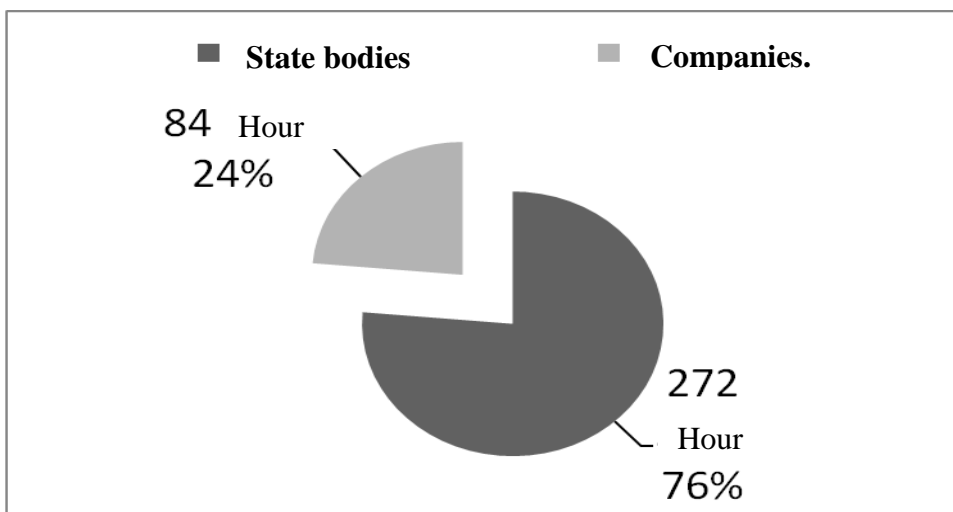
**Diagram1. Time spent on each step by companies and state authorities to export procedure (hour)**



**From left:** Gigiyenik-Hygiene; Uyğunluq-Conformity; Fitosanitar-Phytosanitar; Mənşə-Origin; Təsdiqedici kod-Confirmation code; Keyfiyyət-Quality; Gömrük-Customs;

Total time spent on export procedures in the sample of companies and state bodies may be seen in the following Diagram 2. As seen from the diagram, the time spent by state bodies on this process supersedes the time spent by companies more than threefold.

**Diagram 2.Total time spent by state bodies and companies on export**



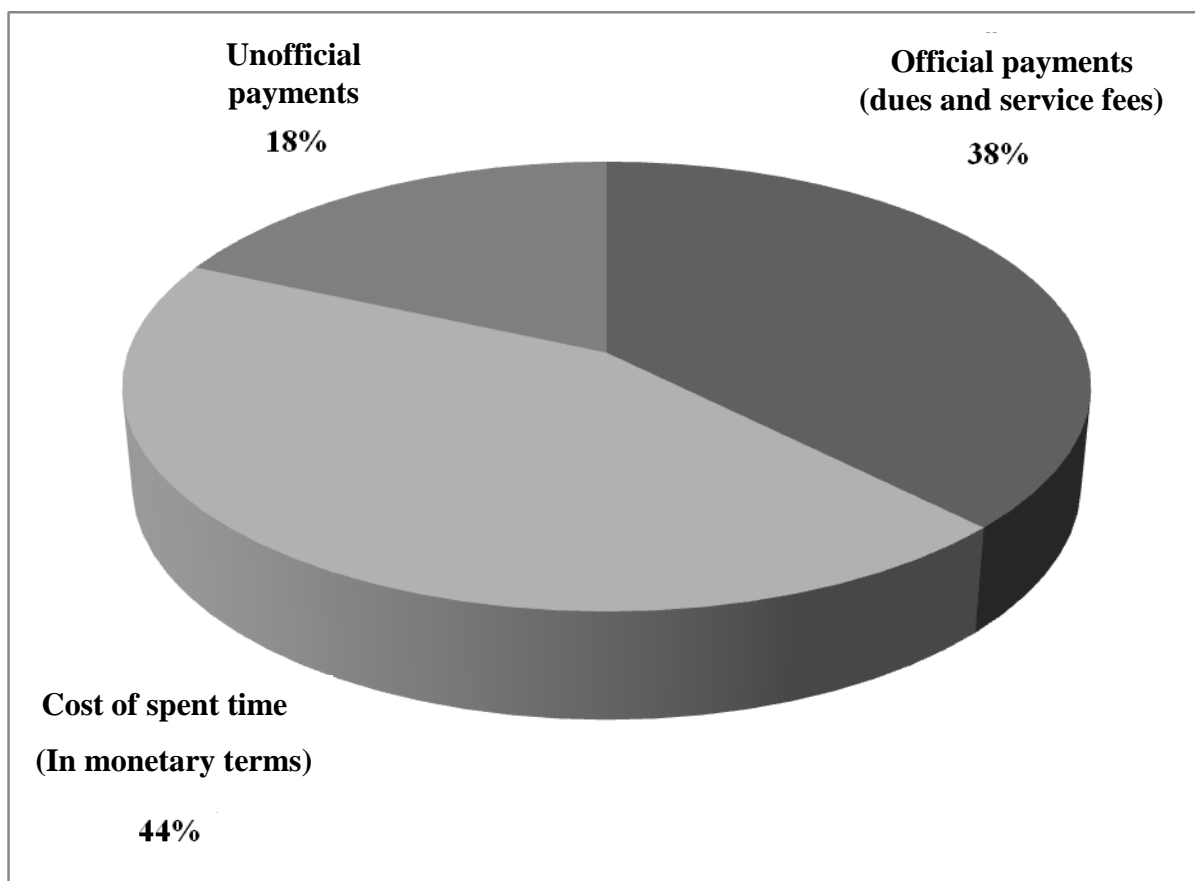
As seen from the data in the table, the total costs of organizing and implementing export of pomegranate juice 20 tons to the EU countries was fixed at 658 AZN ( 143 spent time + 515 AZN official payments). If we were to consider also unofficial payments, then these expenses reach 900 AZN.

The expenses on exercise by state bodies of their functions at estimations was estimated to be 462 AZN (in the sample of exporting pomegranate juice 20 tons). Time spent by companies on similar procedures made up 143 AZN.

Moreover, given that, the law establishes upper limit relating to implementation of different procedures, then one may see that in most cases, actual time spent is in fact lower and it makes it possible to fix those expenses 231 AZN instead of 462 AZN.

Total expenses of all the concerned parties during exportation of pomegranate juice 20 tons makes up 1120 AZN (605 AZN total spent time expenses + 515 AZN official payments). Considering also unofficial payments this figure may be 1370 AZN.

**Diagram 3.Total export expenses**



Following estimation outcomes, we may assess the situation with export of pomegranate juice to the EU countries as relatively favorable in terms of both expenses and time spent. Given that, in the previous survey, fish feed accounted for up a huge ratio of unofficial payments in import process, we can see that this indicator is substantially lower making up 18% of total expenses at export.

***Considering that total expenses are not expressed in big figures one may conclude that these payments don't pose any administrative barriers to exporting.***

Another particular aspect of export operations is that these costs include the expenses related to some types of production not directly relating to export. For example, receipt of Hygiene and Conformity certificates.

## **6. Assessment of the works done on state level in realization of the EU requirements on standardization and certification and actual status**

The requirements on export of food products by the EU are connected with the Commission "Alimentarius Codex" established as a tool to help with preparation of quality standards of food products in partnership between the World Health Organization and Food and Agriculture Organization, UN, in 1963. This Commission has been developing international standards in the area of food products aimed at protecting consumer health and creating a fair regime in trade with food products for over the 48 years. Further, to regulate food safety and simplify trade turnover between countries, the EU has adopted a number of directives containing general requirements to food products. Also, HACCP prepared as an international standard of food safety management system. Proceeding from this standards system, several leading European countries have developed their own standards (for example, IFS (International Food Standard) jointly developed by BRC, England, HDE, Germany, and FCD, France and etc) of which Austrian ISO-22000 is the most widespread. ISO-22000 meeting all the HACCP requirements guarantees verification and safety of food quality beginning from growing and providing with agrotechnical care of a product to all stages of processing and production process.

Identifying the problems of organizing and increasing annual export of food products to the EU countries, and learning requirements of the European countries, a number of measures have been taken on the level of the President and state bodies. With a view to harmonize the country laws with the requirements of the European countries, create entrepreneurship enabling environment, enlighten business people, attract potential buyers to our country and in a word, enhance export capacity of the country, Export and Investment Stimulation (AZPROMO)

Foundation was set up in Azerbaijan in 2003 to develop parallel measures along with the Ministry of Economic Development. The Foundation has rendered actual help with enhancing export capacity of entrepreneurs, expanding investment potential, finding potential partners and implementing joint cooperation projects. The “State Program on ensuring the population with reliable food products in the Republic of Azerbaijan in the years 2008-2015” has set annual targets apart from amendments and additions in the legislative acts and tasked state bodies with making maximum use of the export capacity.

By the Decree of the President of May 14 2010, “On additional measures in the area of upgrading the rules on adjusting import-export operations in the Republic of Azerbaijan”, the procedure of expertize and registration by the Ministry of Economic Development of the agreements signed by the entrepreneurs engaged in private sector was abolished, the restriction on advance payment of payables for sale of goods at export (service and intellectual property) or realization of it via irrevocable letter of credit or on the basis of first bank warranty was lifted, some of the papers required during import-export operations were removed from the list. So, one of the procedures observed during import-export operations was liquidated thus reducing the time spent on export procedure by 3 days.

Further, Bureau of Expertise of Consumer Goods LLC was created according to the State Program, a new laboratory commission for use on quality and safety control of the food products under the State Service on Antimonopoly Policy and Protection of Consumer Rights, draft “Action Plan on stimulating export of non-oil products” (2011-2013) was prepared and submitted to the Cabinet of Ministers by the ministry.

Nevertheless, problems are still remaining in this area. In fact, enterprises sometimes put to sale in the internal market the kind of products not required to be of a higher quality below state standards. It has become a tradition with the State Service on Antimonopoly Policy and Protection of the Consumer Rights under the MED to identify and liquidate low-quality products at trade outlets.

**From the “report on the work of MED in 2010”:**

- To prevent sale of food and non-food products with unknown origin, expired shelf life, subject to be certified according to the law, but certification, labelling, quality and safety indicators of which not meeting requirements of normative papers during the year, it conducted 2092 inspections and identified violations of law in 1758 cases.

- Mineral waters and cooling drinks (various drinks, lemonades, fruit juices and etc) 135,0 tons were put out of circulation in 2010, 85.7 tons of these products were properly liquidated, 49,2 tons returned to sale after harmonization with the requirements of normative papers, and investigations are underway regarding 0,1 tons.

The products exported abroad are examined by foreign buyers not confiding in our standards, laboratories and officers and submit papers accordingly. This mechanism is typical for Europe and America. In the CIS countries export pomegranate products as per simple scheme (without confirmation code and Quality certificate). Consequently, due to incoherent and uncoordinated work of various state certification bodies, low-quality products are exported to different countries. There are sufficient information on sites of official bodies of such countries as Russia, Ukraine which removed from sale low-quality Azerbaijani juices from market<sup>2</sup>.

## **7. Findings**

The following findings were made as a result of the survey:

1. The time spent by companies on export procedures, official dues and service tariff expenses makes up approx. 27% of the cost of the product exported to the EU (a liter of pomegranate juice exported to the EU is sold at 2.20. This figure was taken as a base at computations). According to the international experience, export costs of companies is around 1% of the product value.

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1 (<http://ripi-test.ru/node/688>, <http://inter.ua/forum/viewtopic.php?f=11&t=10&start=90>, <http://yutu.customs.ru/ru/reviews/index.php?id695=29476>, <http://localka.com.ua/100-5-ka-proizvoditelej-nekachestvennogo-granatovogo-soka.html>, [http://www.bagnet.org/news/prosperous-min/ugol\\_potreb/2011-06-02/133045](http://www.bagnet.org/news/prosperous-min/ugol_potreb/2011-06-02/133045))

2. Although article 14 of the Law “On food products” is named “Import and export of food products”, lack of export related information in the Article.
3. **Lack of any standards, sanitary-hygiene norms and normatives in any enterprises engaged in exporting pomegranate products.** Representatives of the enterprise are uncertain as to how and where they will get these norms and normatives (electronic, printout). But the law “On Sanitary-epidemiological health” stipulates compulsory publication and free dissemination of sanitary norms and rules, hygiene normatives (Article 3).
4. **According to the laboratory analyses conducted when Conformity certificate and the certificate of Origin are issued, paid service fees are defined in percentage ratio in the product amount (respectively production and export volume) and it doesn't meet international requirements.** The requirements of the World Trade Organization recommend to take as a base volume of works rather than amount of production and export when fixing tariffs of such type of services. Further, tariffs for issuance of Hygiene and Quality certificates are regulated by internal regulation against the law.
5. Failure to fully perform the duties **specified in “the State Program on ensuring reliable provision of the population with food products in the Republic of Azerbaijan in the years 2008-2015”**. These are:
  - a) Selection of effective control mechanism for optimal certification, laboratory examination, testing, analysis methods, production and sale of food products,
  - b) Associated with adoption of new national standards on the base of international standards
6. **Reduction every year of export of products from Azerbaijan to the countries of the EU on privileged terms.**

According to the official information of the Ministry of Economic Development, confirmation code numbers were issued for 28 enterprises meeting HACCP requirements to export to the EU countries until now. Azerbaijan has joined GSP+ regime allowing for privileged export as of January 2009. But on the official level, AZPROMO confessed on its site that, **“Unfortunately, the extent GSP + is used in our country falls every passing year”**.<sup>3</sup>

7. **The fact that the standards enforced to production in the Republic of Azerbaijan is mainly recognized in some republic of the former USSR and it lags behind**

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<sup>3</sup> <http://www.azpromo.az/AZExportGSP.html>



**international standards, and even GOSTs that are in force in Russia.** For example, “The hygiene requirements to safety and nutritious value of food products (sanitary-epidemiological rules and normatives)” is the translated version of the normatives adopted by Russia in 2001. The only addition to the paper was made after the products were returned by reason of high concentration of aflatoxin in the nut product exported from Azerbaijan to the EU countries in 2007. It is a single page table titled “the admissible levels of aflatoxin in some products exported to and imported from the countries of the European Union”.

- 8. Failure of most of the local enterprises producing food products to comply with technical conditions and quality management system and shortage of funds to set up laboratories enabling to conduct necessary analyses.**
- 9. Lack of independent accredited laboratories in analyses results of which foreign partners confide in and lack of experts.**
- 10. Enormity of state bodies responsible for issuance of certificates and quality control.** 4 state bodies deal with issuance of 5 certificates and 1 confirmation code. Even it is required to apply to the Ministry of Economic Development that deals with issuance of confirmation code, the certificate of Origin and Quality certificate 3 times separately.
- 11. No interest by businesses dealing with production of food products to buy modern laboratories through opening credit line of banks and credit organization.** Because little guarantee is given to return funds since establishing laboratories in this case increases actual company costs along with ensuring food safety but not enhances production capacity of the enterprise.
- 12. Lack of interest by businesses to upgrade equipment and buy laboratories in enterprises.** It emanates from lack of strict quality control by state structures and also, favorable conditions provided by current legislative acts for businesses to assume no responsibility and increase of net value of a product because of such expenses.

## 8. Proposals, their content and impact assessment

Item No	Proposals	Content	Impacts
1.	<i>Creation of a Single Window at the Ministry of Economic Development to issue the certificates of Origin and Quality as well as Confirmation code number when exporting food products to the EU countries</i>	Enormity of time spent by state bodies on receipt of the certificates of Origin, Quality, and Confirmation code number, secondary submittal of papers increases necessity of applying Single Window principle.	<p><b>1. 1.</b> There will be no need for separate applications in the state sequence and submission of duplicate papers in order to obtain certificate of Origin, confirmation code and Quality certificate. It will reduce costs spent by companies for export by 0.4%.</p> <p><b>2.</b> The tasks envisioned in the “State Program on reliable supply of the population with food products in the Republic of Azerbaijan in the years 2008-2015” – elimination of duplicacy in safety and quality control of food products and making necessary changes on the legislative base will be realized<sup>4</sup>.</p> <p><b>3.</b> There will be no need for conducting secondary laboratory analyses when issuing confirmation code and Quality certificate.</p> <p><b>4.</b> The total time spent by companies on</p>

<sup>4</sup> See: Appendix 9.1

			export permit will reduce by 26% due to a Single Window and make up 62 hours, decreasing from 143 AZN to 105 AZN in monetary terms. Further, the total time spend by state bodies on export procedures will fall by around 36 hours and 61 AZN in monetary terms.
2.	<p><i>Review of the tariffs for service fees on issuance of the certificates of Origin and Conformity, amendment of the principle of approach to identification of tariffs.</i></p> <p><i>Adjustment of the tariffs applied when issuing the confirmation code number, certificates of Hygiene and Quality, not by internal decision, but by the Tariff</i></p>	<p>Tariffs were defined for the volume of sales in a quarter when Conformity certificate is issued according to the relevant decision of the Tariff (Price) Council.</p> <p>According to another decision of the Council regulating issuance of the certificate of Origin, tariffs are computed for the amount (tons) of product exported.</p> <p>In fact, tariffs should be defined for the volume of works done by relevant state authorities according to international standards.</p> <p>Section 3.1 of the Article</p>	<p>1. Making this change would in the first place, enable exporters to compute and plan their expenses in advance. Besides, exporter's expenses would reduce 0.3%. So, ratio of the expenses by the companies on export procedures in goods value would decrease 0.7% (0.4 of decrease will take place due to enforcement of a Single Window, while 0.3% -realization o f the second proposal)</p> <p>2. Further, as long as this principle includes international approach, it is also a requiremet of the World Trade Organization.</p> <p>3. Realization of the second proposal would make it possible to fill the gap in the tariff policy.</p>

	<i>(Price) Council.</i>	3 of the Law “On regulated prices” (circule of application of Regulated prices) indicates that regulated prices are applied to the products of natural monopoly, state monopoly and monopoly price forming subjects (goods, works, services), as well as other products the prices of which are subject to state regulations (goods, works, services) by the legislative acts of the Republic of Azerbaijan. Therefore, the serfice tariffs received when certificates of Hygiene and Quality are issued are to be fixed by the decision of the Tariff (Price) Council	
<b>3.</b>	<i>Upgrading of the National</i>	The national standards which are mostly consistent with old	1. This would make it possible to gradually increase quality of products, improving quality of the product

	<i>standards</i>	GOSTs will be more upgraded thanks to consistent application of HACCP principles.	<p>marketed in the internal market and the product sold abroad and ultimately, gradual withdrawal from double standards.</p> <p>2. Will direct ministries and their relevant authorities to upgrading of norms and standards.</p>
4.	<i>Ensuring accessibility to standards, sanitary-hygiene norms and normatives</i>	Printing out and disseminating these standards, norms and normatives as brochures, placing them on official sites and other popular sites of relevant bodies, placing advertising clips in TVs.	<p>1. Entrepreneur's level of awareness may increase, greater transparency of the process may be achieved due to enlightenment.</p> <p>2. Entrepreneurs are more informed about their obligations within the frame of the law.</p>
5.	<i>Setting up independent laboratories enabling to conduct quality control analyses, holding trainings for specialists</i>	Establishing such laboratories within the frame of proper State Programs, strengthening technical and specialist capacity may be realized. Besides, trainings may be organized by foreign trainers for experts dealing responsible for in-depth laboratory	1. Creation of laboratories with higher technical capacity, preparation of highly qualified experts facilitates recognition by foreign buyers of physico-chemical, biological, toxicological characteristics given in connection with in-depth laboratory analysis..

		<p>analyses.</p> <p>The MED and AZPROMO have experience holding such arrangements with the help from State Programs and foreign donors.</p>	
6.	<p><i>Incorporation of rules and terms relating to export in Article 14 of the Law "On food products" called "Import and export of food products"</i></p>	<p><b>To give the first paragraph of Article 14 of the Law in the following edition:</b></p> <p>"Requirements and rules of national certification system in force in the Republic of Azerbaijan is applied when importing and exporting food products."</p> <p><b>To add the following 2 paragraphs after paragraph 4 of the same article:</b></p> <p>"Only the products issued with proper certificates may be exported from Azerbaijan to foreign countries.</p> <p>The food products having no proper certificates issued based on normative papers in force in the Republic of Azerbaijan are not allowed to enter the customs territory of the Republic of Azerbaijan."</p>	<p>The process of upgrading legislative acts will continue and normative base will form for relevant authorities to make more substantiated decisions.</p>

7.	7. Issuance of confirmation code number twice a year, once in six months.	Currently this code is issued three times a year according to the Rule “On quality control of liquor and liquor products, fruit and vegetable juices exported from the Republic of Azerbaijan to the EU countries”. Proper inspections and expertise should be conducted each time code is issued and it is not real.	In this case, time of the relevant state authority is spared and costs are reduced.
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## 9. Appendices

### State Program on reliable provision of population with food products in the Republic of Azerbaijan in the years 2008-2015

#### 5.8. Measures on strengthening safety and quality control of food products

5.8.1.	Eliminating duplicacy in safety and quality control of food products and making necessary changes in the legislative base	Ministry of Economic Development, Health Ministry, Ministry of Agriculture, Justice Ministry, State Agency on Standardization, Metrology and Patents	2008-2010
5.8.2.	Finalizing organizational works of Azerbaijan in connection with its accession to Codex Alimentarium	Ministry of Economic Development, Health Ministry, Ministry of Agriculture, Ministry of Foreign Affairs, State Agency on Standardization, Metrology and Patents	2008
5.8.3.	Inclusion into the national standards system of Codex Alimentarius, ISO,	State Agency on Standardization, Metrology and Patents, Ministry of	2008-2010

	HACCP, standards of the European Union on food products	Economic Development, Health Ministry, Ministry of Agriculture	
5.8.4.	Creation of information-service center integrating standards base	State Agency on Standardization, Metrology and Patents, Ministry of Economic Development, Health Ministry, Ministry of Agriculture	2008-2010
5.8.5.	Completing harmonization of food products certification system to the international experience as well as legislation of the European Union	Ministry of Economic Development, Health Ministry, State Agency on Standardization, Metrology and Patents, Justice Ministry	2008-2012
5.8.6.	Promoting enterprises and organizations as well as produced products to which Food safety management systems are applied	State Agency on Standardization, Metrology and Patents, Ministry of Economic Development, Health Ministry, Ministry of Agriculture	2008-2015
5.8.7.	Creation of central food laboratory according to the international standards on quality and safety control of food products	Ministry of Economic Development, State Agency on Standardization, Metrology and Patents	2008-2009
5.8.8.	Strengthening control over circulation of genetically modified organisms and their derivatives	Health Ministry, Ministry of Agriculture, Ministry of Ecology and Natural Resources, State Customs Committee, State Agency on Standardization, Metrology and Patents	2008-2015
5.8.9.	Strengthening control over quality and safety of child food	Ministry of Economic Development, Health Ministry, State Agency on Standardization, Metrology and Patents	2008-2015
5.8.10.	Strengthening logistics base of sanitary-epidemiological control bodies to adjust food safety to international requirements	Health Ministry, Ministry of Economic Development, Ministry of Finance, State Agency on Standardization, Metrology and Patents	2008-2011
5.8.11.	Organizing sanitary and quarantine protection measures at all check points of the state border on the level of modern requirements	Health Ministry, State Customs Committee	2008-2011
5.8.12.	Expanding customs laboratory net	State Customs Committee	2008-2010
5.8.13.	Strengthening measures against the incidents of violation of law in connection with production, processing, transportation, storage and sale of food products	Ministry of Economic Development, Health Ministry, Ministry of Agriculture, State Agency on Standardization, Metrology and Patents, Ministry of Justice	2008-2015