

Data Sheet

USAID Mission:	Azerbaijan
Program Title:	Development of Small and Medium Enterprises
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	112-0130
Status:	Continuing
Planned FY 2006 Obligation:	\$13,670,000 FSA
Prior Year Unobligated:	\$1,481,000 FSA
Proposed FY 2007 Obligation:	\$11,088,000 FSA
Year of Initial Obligation:	2000
Estimated Year of Final Obligation:	2010

Summary: USAID assists the Government of Azerbaijan (GOAZ) to improve the efficiency and transparency of its fiscal management and the environment for business through an economic reform program focused on strengthening the financial sector and its regulatory environment; improving government fiscal and financial management and planning; promoting reform in the energy sector; and improving the environment for commerce, investment, and trade. Growth and development of competitive private enterprises, particularly in rural areas, can only be achieved if Azerbaijan's rapidly increasing oil and gas revenues do not result in a substantial appreciation of the local currency and the corresponding loss of competitiveness of local products. The strategic objective will be achieved by helping the government and the financial sector develop the institutional capacity to manage the petrodollars that will flow through the economy from public expenditures, state owned enterprises, donor loans, and financial intermediaries. This must be done in a way that preserves macro-economic stability and channels these funds towards social and infrastructure investments that will position Azerbaijan for long term prosperity. USAID will continue to focus on the competitiveness of agricultural producers and processors.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Economic Policy and the Business Environment (\$5,670,000 FSA, \$630,000 FSA carryover). Policy-related assistance will help policymakers preserve macroeconomic stability, efficiently provide for the needs of the people of Azerbaijan, and make needed social and infrastructure investments. Initiatives will include: establishment and development of the capacity of an independent regulatory agency for public utilities; installing computerized financial management systems in the state owned gas company and some power generators; implementing a heating and energy conservation strategy; and increasing capacity of the GOAZ for more efficient and accountable fiscal planning and management, particularly in its public investment program. USAID will also begin a set of initiatives to improve the environment for commerce, investment and trade. Principal contractors and grantees: PA Government Services (prime), CARANA (prime), and to be determined (TBD).

Increase Agricultural Sector Productivity (\$3,200,000 FSA, \$500,000 FSA carryover). In an effort to improve private sector competitiveness, USAID will provide technical assistance to producers and processors of agricultural goods in Azerbaijan's economic corridors as part of the value-added market chain. The assistance will cover the country's four main agricultural production areas in the Guba economic corridor in the north-east with seven districts; the Lenkoran economic corridor in the south with 12 districts; the Agstafa economic corridor in the west with seven districts; and the Zagatala economic corridor in the north-west with four districts. More than 100 private enterprises (processors and producers) will receive technical assistance to adapt their products and services to better meet market needs. The assistance will be provided through training, trade fairs, grant support, local and international consultants, and assistance in accessing credit. Principal contractors and grantees: Pragma Corporation (prime), International Rescue Committee (IRC) (prime), Chemonics (sub), and Flag (sub), and TBD.

Program Support (\$50,000 FSA, \$210,365 FSA carryover, \$140,676 FSA prior year recoveries). USAID will utilize these funds to support program-funded staff and to cover other costs related to program design and development.

Strengthen the Financial Services Sector and Increase Access to Capital (\$4,750,000 FSA). Given the importance that financial services play in nurturing small and medium enterprises (SMEs), USAID will continue helping SMEs with access to credit, improving the legal and regulatory environment, building capacity in financial regulators and associations, training financial professionals and strengthening financial institutions. Principal contractors: Bankworld (prime), ACDI/VOCA (prime), and TBD.

FY 2007 Program:

Improve Economic Policy and the Business Environment (\$3,000,000 FSA). USAID will continue developing the capacity of a regulatory agency for public utilities. It will continue building the capacity of the GOAZ for more efficient and transparent public expenditure planning and management. USAID will help the GOAZ with planning, investing and accounting for its oil enhanced revenues. Initiatives to improve the environment for commerce, investment, and trade will continue. Principal contractors and grantees: PA Government Services (prime), and TBD.

Increase Agricultural Sector Productivity (\$4,008,309 FSA). USAID will continue support to increase the competitiveness of SMEs through improving access to markets, business services, input distribution, and food quality initiatives. Principal contractors and grantees: Pragma (prime) and IRC (prime).

Program Support (\$579,691 FSA). USAID will utilize these funds to support program-funded staff and to cover other costs related to program design and development.

Strengthen the Financial Services Sector and Increase Access to Capital (\$3,500,000 FSA). USAID will improve the legal and regulatory environment for providers of capital, strengthen the competence of financial regulators, and deepen the capacity of local financial institutions to provide a wide array of financial services to a broad client base. Principal contractors and grantees: ACDI-VOCA (prime), and TBD.

Performance and Results: A solid foundation has been laid for the improvement of the GOAZ public investment program. The development of the computerized financial management system will be completed by FY 2006. The GOAZ has adopted the heating strategy developed by USAID. There has been substantial improvement in the regulatory regime for commercial banks. New tools have been developed for bank regulators including a manual for on-site inspectors and a software system that will generate uniform bank performance reports. The financial and operational sustainability of USAID supported non-bank financial institutions has been achieved. As a result of USAID support, non-bank financial institutions have expanded their operations and disbursed \$25 million in new loans and lent to more than 7,000 new borrowers. USAID-assisted agricultural processors and producers created 804 jobs and increased investment in plant improvements by over \$4 million. Success in this objective would lead to heightened investor confidence in the policies, regulations, and practices of the GOAJ. Further, this objective will help provide investors with better access to financial services, and the infrastructure required for growth. Together these results should induce SME expansion that can be sustained beyond the oil boom.

US Financing in Thousands of Dollars

Azerbaijan

112-0130 Development of Small and Medium Enterprises	FSA
Through September 30, 2004	
Obligations	55,383
Expenditures	38,299
Unliquidated	17,084
Fiscal Year 2005	
Obligations	11,000
Expenditures	0
Through September 30, 2005	
Obligations	66,383
Expenditures	38,299
Unliquidated	28,084
Prior Year Unobligated Funds	
Obligations	1,481
Planned Fiscal Year 2006 NOA	
Obligations	13,670
Total Planned Fiscal Year 2006	
Obligations	15,151
Proposed Fiscal Year 2007 NOA	
Obligations	11,088
Future Obligations	11,000
Est. Total Cost	103,622