

## Data Sheet

<b>USAID Mission:</b>	Azerbaijan
<b>Program Title:</b>	Development of Small and Medium Enterprises
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	112-0130
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$11,000,000 FSA
<b>Prior Year Unobligated:</b>	\$4,327,000 FSA
<b>Proposed FY 2006 Obligation:</b>	\$10,000,000 FSA
<b>Year of Initial Obligation:</b>	2000
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** Growth and development of competitive private enterprises, particularly in rural areas, are being achieved through increased employment, sales, investment, and trade. The strategic objective will achieve this result by: 1) building technical capacity of financial intermediaries to lend in rural areas; 2) strengthening market linkages for agricultural products between producers, processors, and consumers; 3) improving farm productivity through effective use of production inputs; 4) improving the competitiveness of agricultural products through a public-private initiative to develop an effective food quality grades and standards regime; and 5) improving the quality of local economic and business education. With the waiver of Section 907, USAID continues implementation of a closely targeted economic reform program focused on the following areas: strengthening banking supervision at the National Bank of Azerbaijan; improving transparency of financial management practices; promoting reform in energy sector regulation; and building capacity of the Ministry of Economic Development in the areas of investment policy-making.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Strengthen Financial Sector's Contribution to Economic Growth (\$5,425,000 FSA). To strengthen the capacity of the financial sector, USAID will provide technical assistance to 20 financial intermediaries to improve the training capacity of the local Azerbaijan Bank Training Center and the Azerbaijan Micro-Finance Association. These training programs will meet the needs of the financial community to serve agribusinesses, small and medium enterprises (SMEs) and other businesses that support food processing, distribution and manufacturing of value-added products. Given the importance that financial services play in nurturing SMEs, USAID will help improve the banking regulatory environment, implement International Accounting Standards, and build the capacity of the National Bank of Azerbaijan to regulate the banking sector. Principal contractors: Bankworld, ACDI/VOCA, Shorebank, FINCA, and others to be determined (TBD).

Increase Agricultural Productivity (\$2,860,000 FSA, \$692,000 FSA carryover). In an effort to improve private sector competitiveness, USAID will provide technical assistance to 60,000 producers and 75 processors of agricultural goods as part of the value-added market chain. Technical assistance in the areas of procurement, processing, management, marketing, strategic planning, and quality control will result in increased demand for locally-produced, value-added agricultural products in both domestic and export markets. Resulting agribusiness clusters should then be capable of supporting competitive products. USAID intends to build capacity of both private and public food quality laboratories on the development and application of a grades and standards regime.

USAID will promote effective use of technology transfer through livestock feeding trials and agronomy demonstration plots. Work will be coordinated with the 100 members of the Input Dealer Association to integrate services via 10 rural business development centers and support the creation of a private sector demand-driven extension service. A modest USAID contribution will focus on developing the curriculum at key vocational training schools intended to improve the

qualifications of graduates who will be employed in the rural agribusiness sector. Principal contractors: Pragma Corporation (prime), International Rescue Committee (IRC) (prime), International Finance Development Corp (IFDC) (prime), International Executive Service Corps (IESC) (sub), Chemonics (sub), and Flag (sub), TBD.

Improve Economic Policy and Governance (\$2,715,000 FSA, \$3,433,000 FSA carryover, \$202,000 FSA prior year recoveries). Policy-related activities will help the Government of Azerbaijan policymakers pursue the economic reform agenda through the following three initiatives: 1) establishment of a regulatory agency for public utilities, focusing on the development of its institutional structure and human-capacity needs. The state-owned power and natural gas companies will benefit from assistance aimed at improving their operational efficiency; 2) continued capacity building of the Azerbaijan Ministry of Finance and its 85 treasury offices in treasury software operation, fiscal forecasting, and preparation of budget and financial reporting; and 3) technical assistance to the Ministry of Economic Development's Public Investment department to improve the process of soliciting, evaluating and funding capital investment proposals from the State Budget and Oil Fund in accordance with the Poverty Reduction Strategy. Principal contractors: PA Government Services, CARANA, and TBD.

**FY 2006 Program:** Strengthen Financial Sector's Contribution to Economic Growth (\$2,289,000 FSA). USAID will continue to deepen the capacity of local financial intermediaries to provide a wide array of financial services to a broader client base. Principal contractor: TBD.

Increase Agricultural Productivity (\$3,697,000 FSA). USAID may expand its support to more competitive SMEs through improving access to markets, business services, input distribution and food quality initiatives. Principal contractors: Pragma, IRC, TBD.

Improve Economic Policy and Governance (\$4,014,000 FSA). The program will improve economic and general business education undergraduate and/or graduate programs. Graduates who have a good understanding of market economics and management skills can then improve capacity in key economic government agencies and help spur entrepreneurship in the private sector. Interventions will be primarily in Baku and secondarily in key regional cities. The program will continue to expand and deepen energy reforms by focusing on reform of state-owned energy enterprises in preparation for privatization. Funds may be used to initiate reform in the telecommunications sector by developing an independent regulatory commission. Principal contractors: PA Government Services, TBD.

**Performance and Results:** Remarkable progress has been made in the numbers of trained agri-input dealers (100) and their farmer clients (40,000), which in turn has led to increased sales of over \$11 million in fertilizer and seeds, a 400% increase from the previous year. As a result of USAID activities, non-bank financial institutions (NBFIs) have expanded their operations and reached \$35 million in outstanding portfolio (a 100% increase from 2002). NBFIs have serviced 340 urban enterprises and real estate mortgage client, 2,700 agribusinesses, and 8,800 group lending clients with over 35% female clientele. Private sector supported activities reported that over 3,600 jobs were created in FY 2004, including over 140 new jobs in the SME sector, and over 3,500 new jobs supporting cottage industries. USAID's policy activity has made significant progress towards its core objectives, including the development of a draft law on the establishment of a public utilities regulatory agency and the completion of a feasibility study to rehabilitate the country's main power plant.

Continued progress will provide more jobs for both male and female entrepreneurs nationwide, deepen the market economic orientation in the private sector, and improve the regulatory environment.

## US Financing in Thousands of Dollars

Azerbaijan

112-0130 Development of Small and Medium Enterprises	<b>FSA</b>
<b>Through September 30, 2003</b>	
Obligations	44,932
Expenditures	26,837
Unliquidated	18,095
<b>Fiscal Year 2004</b>	
Obligations	10,451
Expenditures	11,462
<b>Through September 30, 2004</b>	
Obligations	55,383
Expenditures	38,299
Unliquidated	17,084
<b>Prior Year Unobligated Funds</b>	
Obligations	4,327
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	11,000
<b>Total Planned Fiscal Year 2005</b>	
Obligations	15,327
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	10,000
Future Obligations	11,000
Est. Total Cost	91,710