

Strategic Plan
Azerbaijan
FY 2001 - FY 2003



USAID/CAUCASUS

June 2000

STRATEGIC PLAN

2001 - 2003

AZERBAIJAN

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ACRONYMS

ABA/CEELI	American Bar Association/Central and Eastern Europe Law Initiative
ACDI/VOCA	Agricultural Cooperatives Development International/Volunteers in overseas Cooperative Agriculture
ADRA	Adventist Development and Relief Agency
AED	Academy for Educational Development
AHAP	Azerbaijan Humanitarian Assistance Program
BHR	Bureau for Humanitarian Response of USAID
CAD	Children Aid Direct
CDC	Citizens Democracy Corps
CEC	Central Electoral Commission
CHF	Cooperative Housing Foundation
EBRD	European Bank for Reconstruction and Development
ECHO	European Community Humanitarian Office
ESAF	Enhanced Structural Adjustment Facility
EU/TACIS	European Union/Technical Assistance in the Commonwealth of Independent States
FINCA	Foundation for International Community Assistance
FSA	FREEDOM Support Act of the United States Government
FSN	Foreign Service National
GDP	Gross Domestic Product
GEF	Global Environmental Facility
IBRD	International Bank for Reconstruction and Development
ICRC	International Committee of the Red Cross
IDP	Internally Displaced Person
IFC	International Finance Corporation
IFES	International Foundation for Electoral Assistance
IMC	International Medical Corps
IMF	International Monetary Fund
IR	Intermediate Result
IRC	International Rescue Committee
IRI	International Republican Institute
ISAR	Initiative for Social Action and Renewal in Eurasia
LOL	Land O'Lakes, Inc.
MCI	Mercy Corps International
NDI	National Democratic Institute
NGO	Non-Governmental Organization
OE	Operational Expenses
OSCE	Organization for Security and Cooperation in Europe
PAO	Public Affairs Office
PRRO	Protracted Relief and Rehabilitation Program of WFP
PVO	Private and Voluntary Organization

R4	Results Review and Resource Request
Section 907	Portion of the United States FREEDOM Support Act
SME	Small and Medium Enterprise
S/NIS/C	Office of the Coordinator for Assistance to the New Independent States
SO	Strategic Objective
SOE	State-owned Enterprise
TA	Technical Assistance
TI	Transparency International
UMCOR	United Methodist Committee on Relief
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission on Refugees
UNICEF	United Nations Children's Fund
USDA	United States Department of Agriculture
USDH	United States Direct Hire
USG	United States Government
USPSC	United States Personal Services Contractor
WB	World Bank
WFP	World Food Program
WHO	World Health Organization
WVI	World Vision International

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Embassy of the United States of America

Baku, Azerbaijan
May 16, 2000

Mr. Donald L. Pressley
Assistant Administrator
Bureau for Europe and Eurasia
United States Agency for International Development
Washington, D.C.

Dear Mr. Pressley:

I personally want to assure you that the Transitional Strategy prepared by USAID Caucasus/Baku has my full support and the support of my staff.

During the preparation of the Strategy, Mr. McKinney, the USAID Country Coordinator and his staff have coordinated with the Embassy on every aspect of completing this critical planning document. This has resulted in a comprehensive analysis of the political, economic and social situation in Azerbaijan. This document, the first of its kind for Azerbaijan, presents a congruent view of all United States Agencies, operating in Azerbaijan at this time. From this perspective we consider it a major accomplishment. I also note it is in line with the most recently completed R4 as for the first year of implementation. Likewise, this USAID Strategy has also provided critical data and is representative of the Embassy's MPP plan regarding economic assistance activities.

As you and your staff review this document, please bear in mind that I seek not only your concurrence to the planned activities but your strong support to provide the increased level of resources to accomplish the objectives set forth in the strategy. I will also encourage Ambassador Taylor to support the need for expanding the development financing for the program in Azerbaijan.

I look forward to beginning the proposed activities in the transitional strategy.

Sincerely,

Stanley T. Escudero
Ambassador of the
United States of America

PART I: SUMMARY ANALYSIS OF THE ASSISTANCE ENVIRONMENT AND RATIONALE FOR STRATEGIC CHOICES

1. Introduction

This Strategic Plan represents USAID's first Azerbaijan country strategy since initiating a humanitarian assistance program in 1992. Because of the current lack of resolution of the Nagorno-Karabakh conflict, near-term political uncertainties and current U.S. legislative restrictions, the strategic planning period is three years, beginning in FY 2001.

This is a transition strategy designed to create the foundation for expanded reforms toward a market economy and participatory democracy. Azerbaijan is approaching a crossroads in its political and policy direction, which will impact directly on the nature and content of USAID's future development assistance program. Consequently, the plan identifies a number of assumptions, which set basic parameters for the strategic choices and program formulated in this strategy.

Given that this transition strategy is for a limited time frame of three years, it is too early to discuss the potential for "graduation." If, during the planning period, a formal peace accord is achieved or a significant change in reform policy is demonstrated, the strategy may need to be revised and the program adjusted accordingly. However, this strategy does not expect significant change, and anticipates that a thorough review will be conducted in year three to determine future options.

2. U.S. Foreign Policy Interests

An independent, secure, democratic and prosperous Azerbaijan will benefit U.S. economic and strategic interests. Azerbaijan holds large, proven oil and gas reserves. Moreover, it occupies a critical geo-strategic position between Russia and Iran – an important but volatile region, racked by armed conflict and a precipitous decline in living standards dating back to the demise of the Soviet Union. Consequently, Azerbaijan has a crucial role in regional stability and economic revitalization. A potentially wealthy country of seven million people, straddling Europe and Asia, Azerbaijan seeks closer ties to the U.S. and fuller integration into the global economy.

The involvement of U.S. firms in the development and export of Azerbaijan's oil and gas is important for diversifying the sources of U.S. energy imports and for promoting American exports. The U.S. supports the use of multiple pipeline routes to export Azerbaijan oil, as a key factor in ensuring economic growth and political stability. Besides its sizeable oil and gas resources, Azerbaijan is endowed with fertile land that presents promising opportunities for U.S. agri-businesses and related investments.

Political reform and the establishment of democratic rule in Azerbaijan will shape the character of the country's oil-driven economic development and help determine to what extent Azerbaijan becomes a stabilizing force in the region. A solid bilateral relationship with Azerbaijan enables the U.S. to play an influential role in achieving a permanent,

comprehensive peace settlement in the Nagorno-Karabakh conflict through its involvement in the Organization for Security and Cooperation in Europe's (OSCE's) Minsk Group. The long-term prosperity and prospective democratic future of the Caucasus depends on a negotiated end to the conflict.

This three-year USAID strategy fully coincides with the Azerbaijan Mission Performance Plan (MPP), which identifies transition to a democratic society and an open market economy as basic tenets of the USG efforts in Azerbaijan.

3. The Development Challenge

A. Economic Restructuring

Progress on economic transition is constrained by the disruption of trade and financial links with Russia and other, now independent, republics of the former Soviet Union following its dissolution. Azerbaijan's industry looked to the other Soviet republics both for low-cost inputs and as markets for finished goods. In the mid-1990s, political turmoil in Georgia and in Chechnya compounded this problem, disrupting critical transport routes and raising the cost of interstate commerce. Imports of natural gas from Turkmenistan at world market, rather than discounted prices, constituted another unexpected blow to Azerbaijan's financial condition.

As the military conflict over Nagorno-Karabakh stabilized in the wake of the 1994 cease-fire, the Azerbaijan government turned its attention increasingly toward revitalizing the economy. In 1996, the government reached agreement with the IMF on an Enhanced Structural Adjustment Facility (ESAF), which resulted in unification of the exchange rate and a dramatic drop in inflation, in turn bringing much needed macro-economic stabilization. Price and trade liberalization was carried out and modest reforms in the banking sector were introduced. However, following the release of one tranche, the government was unable to meet ESAF conditionality, so the IMF program remains in suspension. Privatization has proceeded exceedingly slowly and enterprise restructuring has barely commenced. Further, there is a palpable risk that policymakers will opt to postpone indefinitely the inescapably painful measures required to push economic reform forward, as they look to the much anticipated boom in oil revenues to obviate the need for such steps. Even the most optimistic scenarios, indicate that it will be 3 to 5 years before Azerbaijan sees a substantial rise in oil-generated income.

The country's would-be economic prosperity is inextricably tied to the development of Caspian Sea oil. Azerbaijan has chosen to develop offshore deep-water reserves in conjunction with a number of foreign oil companies. To date, 18 production sharing agreements have been signed with consortia of foreign firms. A recent British study estimates \$23 billion in future foreign investment will be required. Much of this projected sum will be needed to retool the country's existing, but greatly deteriorated oil industry infrastructure. Currently, there is only limited interest in active investment because of uncertainties associated with the economic and political climate.

Agriculture also is expected to continue to play a pivotal role in the country's quest for economic rejuvenation, but its anticipated contribution is in doubt in light of the minimal progress on transforming the Soviet agricultural framework into a competitive production and marketing system. Agriculture contributes 30 percent of the Gross Domestic Product (GDP) and provides employment to 45 percent of all households. A large producer of cotton and a wide variety of fruits and vegetables, Azerbaijan holds great promise in the area of agribusiness, including value-added enterprises such as food processing. Despite the potential, however, productivity has fallen. Inadequate outdated technical and managerial know-how, scarcity of credit and lack of investment to upgrade faltering infrastructure (e.g. irrigation systems, which cover 85 percent of cultivable land) characterize the sector.

If Azerbaijan's hopes for petroleum sector development are fulfilled, it must contend with both the political and economic forces that will be released. The economic forces will not be sector neutral. Rather, the dynamics will push various sectors in directions that depend on how petrodollars are spent, and how they affect the prices of traded and non-traded goods and services. At risk will be elements of the agricultural sector – especially wheat and cotton – and the non-petroleum-related industrial sector. The services sector and construction will enjoy a newfound prosperity. In fact, elements of these effects already can be seen. Some redirection of the non-petroleum sector is to be welcomed, and some of the unwelcome aspects can be avoided by fiscal and monetary policies that protect against currency over-valuation, encourage household savings and give impetus to small and medium value-added enterprises.

Corruption is endemic in Azerbaijan's society and affects almost every facet of the economy. Transparency International's (TI) Corruption Perception Index for 1999 ranks 140 countries based on data from multiple surveys. Azerbaijan was ranked near the bottom at number 137, indicating how businesspeople, risk analysts and the general public view the level of corruption.

Whether the prospective oil-based wealth of the country will lead to broad-based economic prosperity is closely tied to the emergence of democratic political institutions and practices. A robust civil society, in which citizens participate in the policy-making process through free and fair elections and various forms of collective action, would increase the odds that projected oil wealth will be directed toward solving the nation's formidable socio-economic problems, including the plight of IDPs and other vulnerable segments of the population.

B. Democracy and Governance

Since declaring independence in 1991, Azerbaijan has experienced a number of upheavals that have impeded progress toward openness and democracy. The military conflict over the fate of the largely ethnic Armenian enclave of Nagorno-Karabakh has left some 20 percent of Azerbaijan's territory under Armenian control. While a cease-fire has been in place since 1994, the war produced more than 700,000 refugees and internally displaced persons (IDPs), and diverted precious human and material resources

needed to accelerate the country's economic and political development. Despite the prospect of windfall revenues from major deposits of oil and gas in and adjacent to the Caspian Sea, Azerbaijan will continue to face an uncertain future in the absence of a comprehensive peace settlement. But peace has proven to be elusive.

The country also has been beset by internal political turbulence. President Heydar Aliyev came to power after the previous government of the democratically elected Azerbaijan Popular Front collapsed. He then won a 1993 election that did not conform to internationally recognized standards. This was repeated again in 1998 with similar doubts about fairness. A Communist Party Secretary in the Soviet period, Aliyev presides over an authoritarian, highly centralized regime in which decision-making power is concentrated largely in the hands of a constitutionally strong presidency.

Although the constitution provides for a republican form of government "based on the principles of democracy"... and "the division of powers," the country has made little headway in realizing these principles. The Aliyev government has a poor human rights record. Harassment of journalists, pressures for self-censorship and violations of citizens' political and civil rights are commonplace. The judiciary remains an instrument of the executive branch, and corruption is known to be widespread. Three national elections held over the past five years for the presidency, parliament and local councils have fallen short of internationally accepted standards, and opposition political parties have little room to maneuver. The government tends to view advocacy-minded, non-governmental organizations (NGOs) as potential threats to political order. Associations were used as fronts for businesses during the communist era, leading to lingering suspicions about such entities now. Institutions outside government became so impoverished that the citizenry currently suffers from a low level of political efficacy and organizational skills, creating further barriers to collective action. These weaknesses in civil society are compounded by a history of Soviet-style dependency on government, which complicates the process of group initiative for civic action as well as entrepreneurship. The task of establishing and operating independent institutions continues to face numerous difficult bureaucratic and attitudinal obstacles.

Still, there are signs of political pluralism, and the emergence of a small middle class and pro-reform clusters within the intelligentsia gives reason for optimism in favor of a democratic future. Against the odds, opposition parties continue to be active in Azerbaijan political life. Independent print and broadcast media are up and running, despite government interference and shutdowns, and chronic shortages of money and management expertise. Similarly, NGOs, including humanitarian service delivery groups and those seeking to influence the course of public policy, are beginning to gain some political space. However, they remain weak, understandably apprehensive given the government's suspicion of their role and goals, and as yet, have built little constituency beyond Baku. At least one independent labor union is engaged in promoting the interests of its members, in this case in the crucial oil sector. These encouraging developments notwithstanding, it is clear that democratic political change in Azerbaijan will be a long, uneven, and arduous process.

C. Social Transition

With regard to the population's general welfare, as elsewhere in the former Soviet Union, the decline of the centrally planned system coupled with the transition toward a more open market economy has been accompanied by widespread hardship. The majority of citizens have experienced a steep slide in living standards. The cradle-to-grave social benefit system of the communist era has all but collapsed and the cash-strapped government (due in part to poor tax collection) has not moved to establish a more sustainable alternative. Fewer and fewer people have access to decent, affordable medical care, while an array of long-standing environmental problems has contributed to a decline in overall public health. Azerbaijan has seen the *de facto* privatization of health care as doctors and medical facilities now insist on payment for service, a generally positive development, but one that is unregulated and also has left the poorest segments of society unable to obtain needed care.

The news is just as discouraging in other social sector areas. Public education has been hard hit by the general erosion of material conditions. The system is under severe strain, from a dearth of new textbooks, minuscule teacher salaries and deteriorating physical plant. Private schools are being established, but their quality varies widely and these often-expensive institutions cannot be expected to replace a public system, particularly at the primary and secondary levels.

Almost all of the socio-economic difficulties accompanying the breakdown of the Soviet system have been exacerbated by the hundreds of thousands of IDPs suddenly generated in the mid-1990s, whose plight the government has been slow to address. Their circumstances result in greater demands on state institutions that are financially and administratively ill-equipped to deal with the fallout from the war and the collapse of the Soviet Union.

The exodus of refugees and IDPs from lands overrun by Armenian forces created a humanitarian emergency. Many fled with barely any possessions and were reduced to abject poverty after having enjoyed a reasonably well-off life in some of the country's most fertile regions. The international community – and to a far lesser extent, the Azerbaijan government – mobilized to ameliorate the impact of the crisis by providing food, shelter and limited medical care. While the overall situation has stabilized, far too many refugees and IDPs still endure deplorable conditions, and the vast majority continue to require enhanced opportunities. Refugees and IDPs constitute a highly disproportionate share of Azerbaijan's vulnerable population.

The government and international donor community now confront a post-emergency situation in which income generation and related programs can serve as first steps in the transition to a development-oriented assistance strategy in which individuals, extended families, and makeshift communities take on more responsibility for improving their own immediate circumstances. The government committed itself to a policy of creating economic opportunity and independence for IDPs in an Aide-Memoire signed with the

UNDP, UNHCR and the World Bank in 1999, but has not yet made significant progress in carrying out a program to support this agreement.

It is USAID's position that assistance programs need not and arguably should not, benefit IDPs exclusively. Rather, such programs also should target the most vulnerable segments of the population, whether IDPs or elderly pensioners, female-headed households, handicapped, etc.

4. Legal Restrictions: Section 907

All U.S. Government-funded activities in Azerbaijan are subject to the provisions of Section 907 of the FREEDOM Support Act (FSA). Section 907 states that, "United States assistance under this or any other Act may not be provided to the Government of Azerbaijan until the President determines, and so reports to Congress, that the Government of Azerbaijan is taking demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh." Exemptions have been allowed in subsequent annual appropriations bills. In FY 1999, six types of assistance were exempted: humanitarian assistance; democracy and governance activities; non-proliferation (Title V) or international border security programs; Trade and Development Agency programs; Overseas Private Investment Corporation programs; Export-Import Bank programs; and Foreign Commercial Service activities. No changes were made in FY 2000 legislation (see Appendix A).

Section 907 provisions were enacted over the strong objection of first a Republican administration, and now a Democratic one. The Department of State and USAID have expressed concern that the statute is counter-productive to American interests in the region and to the goal of finding a solution to the conflict over Nagorno-Karabakh. Nevertheless, the prospect that Section 907 will be repealed in the near future seems remote. Nor does a peace settlement, which likely would result in the elimination of Section 907 restrictions, appear to be on the immediate horizon, as ongoing peace efforts have made only limited progress.

Beyond the two exceptions of Section 907 that most directly apply to USAID programs (humanitarian assistance and support for democracy activities), typical USAID-assisted efforts with government ministries and instrumentalities in areas such as institutional capacity-building are barred in Azerbaijan. Although authority has existed to work with the government on democracy and governance programs since 1998, the government's lack of political will to genuinely bring about democratic change remains a key challenge affecting all aspects of governance and political participation.

Yet, even though the Act by the U.S. Congress has restricted the scope and potentially limits the overall effectiveness of USAID's country assistance program, there remains considerable latitude for Section 907-compliant activities that can make – and already are making – a substantial contribution to Azerbaijan's transition from communist rule. This is evidenced by the U.S. position as the major bilateral donor providing humanitarian assistance support.

The adverse impact of Section 907 is somewhat reduced, since USAID programs in Azerbaijan normally are implemented through international private voluntary organizations and local non-governmental partners. USAID and its implementing partners have adapted to Section 907 constraints. However, over the longer-run, the inability to work with the government to improve its institutional capacity and policies that deal with humanitarian crises and reform actions, poses a major impediment to USAID's chief aim of promoting sustainability.

The statute also creates problems in the area of training and exchange programs, where the ban on participation of government employees generates considerable resentment, especially among talented and dedicated faculty and professionals in state universities and research institutions. Both the size and caliber of the applicant pool is diminished, as well as the prospective impact of the programs. Despite this limitation, USAID-supported training programs are important. They take on added significance and have already shown that they are a wise use of resources, although their ultimate pay-off may be further down the road.

Notwithstanding these serious handicaps, Section 907 does allow for numerous activities that can contribute to the establishment of a market economy and a democratic system. Valuable development work still can be carried out with local NGOs and community groups, independent media, private farm organizations, small businesses, independent labor unions, and other non-governmental associations and actors. In fact, the statutory inability to provide assistance to much of Azerbaijan's government means that citizens have greater responsibility for ensuring the regime's adherence to the rule of law and to improved standards of public administration (e.g. transparency). In short, making virtue of necessity, the USAID program has focused on bolstering the underdeveloped non-state sector – a strategy that could work to the long-run advantage of Azerbaijan's citizens.

Also, it is important to note that the Government of Azerbaijan, through its ministries such as Finance, Health, and Agriculture, is receiving development assistance from United Nations agencies, the World Bank group and bilateral donors that do not impose legal restrictions on economic assistance programs. Consequently, coordination with other donor programs takes on even greater importance.

5. Donor Coordination

Considering that in the early 1990s Azerbaijan confronted a humanitarian emergency necessitating the fastest possible provision of basic supplies to newly-created IDPs, coordination among the numerous international organizations and donors was, and remains, relatively good. A spirit of cooperation generally prevails, helped along by the urgency of the task at hand. The decision to divide up responsibilities among foreign donors and their implementing partners on a regional basis also served to reduce potential coordination problems.

With the humanitarian situation stabilized, with increasing attention directed toward subsequent phases of the relief effort, and with diminishing assistance resources, there is a need for more systematic coordination. To the extent possible, this cooperation should go beyond information sharing and geographic focus. Genuine collaboration of the kind based on joint planning and actual program synergy is still the exception. In this regard, Azerbaijan poses a particular challenge because many of the PVOs have their main in-country offices in Baku, while the bulk of their program operations are outside the capital area.

USAID in Baku has played an important and widely acknowledged role in facilitating greater cooperation among the foreign donors, international PVO community and indigenous relief organizations. Regular meetings that bring together representatives from the various organizations have been helpful. More specialized working group meetings in the areas of food security and shelter construction also have enhanced donor coordination.

6. Strategic Priorities and Concerns

A. Strategic Program Direction

The overarching goal of the strategy is to increase citizen representation and participation in democratic processes and economic activities. The challenge for the U.S. assistance strategy for Azerbaijan is to shift from a humanitarian assistance program focused on crisis interventions to a more development-oriented program, and to do so in a manner consistent with Section 907 provisions. This necessarily civil society-based strategy is designed to help meet the essential needs (e.g. medical care) of identified vulnerable individuals and communities, while laying the foundation for a democratic and prosperous free-market future. As the immediate humanitarian crisis has abated, greater priority now can be given to fostering democratic political and market-oriented economic reform. Equitable economic growth and democratic governance, in turn, are essential to Azerbaijan's ability to meet longer-term material and social needs of the nation's citizens. It is a strategy of transition to help move the society and the economy to a sounder footing for economic change and political development.

Consequently, the strategy's framework focuses on three Strategic Objective areas: development of private enterprise, support for democratic processes and reduced human suffering. While it adopts a three-year time frame of 2001-2003, the strategy prudently proceeds with the following critical assumptions:

- The strategy is one of transition, preparing improved conditions for substantial change when the environment of peace, politics and security becomes better defined.
- The Nagorno-Karabakh situation will persist, or if settlement should occur, it will not impact significantly on the planned orientation of development priorities set forth in this strategy. Strategic priorities for Azerbaijan would not change, and they would be supportive of appropriate first steps to follow a peace settlement.

- Azerbaijan’s political leadership and policies will not undergo major change in direction during the strategic planning period. (President Aliyev’s term in office ends shortly after completion of this strategy’s time frame.)
- Section 907 of the FSA will continue to be in effect throughout the strategic planning period.
- Investment in hydrocarbon fuel infrastructure and industry will not distort the economy, and oil/gas revenue generation will not be sufficient to affect strategic priorities during the planning period.
- In the event circumstances render any of these assumptions invalid, the existing program will continue, but with possible expansion or adjustments in the mixture of ongoing development activities.

The key shift that could take place, if there is a peace settlement and Section 907 restrictions are lifted, is that the USAID/Caucasus program would work with the government to improve the policy, legal and institutional environment for democratic change and private sector development to the fullest extent feasible. This would provide USAID with the opportunity to foster changes in the present government's questionable political will, inadequate public administration and management capacity, and endemic corruption.

B. Geographic Focus

Given the level of program resources currently planned, the strategy gives geographic focus to program implementation of Strategic Objectives related to humanitarian assistance and enterprise development. Selection of these areas is based upon a set of criteria, discussed in subsequent sections, that permit the effective attainment of identified results. While not exclusive recipient areas of assistance, such target areas will receive the bulk of resources under these two objectives. The third objective – to foster democracy – of necessity, will have countrywide geographic scope.

Four areas have been identified for focusing of private sector SME development activities. The criteria set forth under SO 1.3 give clear direction and rationale for selection of these areas, or possible future alternative sites.

Although about one-third of IDPs are in the Baku-Sumgait urban areas, it is understood that they are relatively better off than IDPs located in remote towns and camps. Urban IDPs have greater access than other IDPs to employment and services. Moreover, future oil and gas investments will bring increased probability of employment and social sector support to the Baku vicinity. However, even though the strategy emphasizes a shift away from the capital area toward rural locations, some resources are planned for targeting IDPs in Baku and surrounding environs. The other locus of support to vulnerable populations is the “IDP Belt,” specifically identified under SO 3.1.

C. Program Linkages

Building upon the geographic focus, to the extent feasible, the strategy will carry out democracy and enterprise development activities in the same communities. Association building for business development will foster advocacy and a more active civil society. Localities comprised of various organizations united for collective benefits, whether civil society NGOs or professional business associations, can be mutually supportive in achieving their objectives and serve to build a more effective demand for political and economic representation.

Similarly, this synergy also can apply to activities aimed at helping vulnerable populations become more self-sufficient through organized micro-enterprise initiatives. When successful, such activities might move up the scale to small enterprises, thereby shifting from SO 3.1 to SO 1.3 activities. Also, institution-building at all levels for socio-economic development will reinforce civil society (SO 2.1) objectives.

D. Gender

Women possess the same legal rights as men in Azerbaijan, including the right to participate in all aspects of economic and social life. However, traditional social norms continue to restrict women's roles in the economy. Women are greatly underrepresented in higher levels of the workforce, and only a few hold executive positions in economic enterprises. About 20 women's NGOs are registered that deal with women's issues.

As a result of social and physical displacement, as well as loss of jobs by men, women have increasingly become family breadwinners among the IDP population. This trend also is believed to apply to other segments of vulnerable populations. This situation should provide an opportunity for increasing numbers of women to participate in NGOs and associations that will benefit them, socially and economically. Females represent a large proportion of small traders and vendors, so the challenge will be for them to move into small enterprises.

Partners will collect disaggregated gender data under each Strategic Objective in order to track females' access to and influence on development change. Likewise, the number of youth, both men and women, who benefit from the assistance program, will be identified to the extent practicable, since they represent a major investment in Azerbaijan's future political and economic development.

The Mission is committed to conducting a gender assessment early in the Strategic Plan Period in order to gain knowledge and improve the baseline data.

E. Environment and Bio-diversity

USAID recently completed a bio-diversity assessment in Azerbaijan ("Bio-diversity Assessment for Azerbaijan," Chemonics, November 1999). The report summarizes the

status of bio-diversity and analyzes the impact of current and prospective USAID activities in this sector. The assessment meets the requirements of Section 119.d (2) of the Foreign Assistance Act to conduct an assessment, and addresses issues under Sections 117 and 119 of the Act concerning bio-diversity and natural resources in Azerbaijan. The findings indicated that a range of environmental issues and problems exist. Among problems identified are a centralized prescriptive conservation legal system, a low level of environmental awareness, a weak database on bio-diversity and ineffective conservation management.

As a littoral country with offshore and onshore hydrocarbon extraction activities, Azerbaijan is especially susceptible to a range of environmental hazards and pollution. One of the fundamental needs is for the government to promulgate sound environmental legislation. This framework is essential, since investment in oil and gas drilling, pipelines and related industrial goods is expected to climb sharply in the coming years.

Managing natural resources in disputed areas, and deforestation by refugees and IDPs to meet fuelwood and other subsistence needs are significant issues. The assessment anticipates USAID's strategy to improve the living conditions of vulnerable groups should have a positive affect in reducing unsustainable, short-term natural resource exploitation. USAID assistance, through ISAR, to environmental NGOs will support capacity-building and promote public awareness about conservation needs.

USAID is supporting the Caspian Sea Initiative, a regional effort to improve environmental conditions in the Caspian. Also, the World Bank is assisting in this area through the Global Environmental Fund (GEF), an environmental improvement program for Azerbaijan. Being unable to work with government, USAID looks to other donors for leadership in the environmental sector.

F. Conflict Resolution

Through the Minsk Group, the U.S. State Department manages continuing USG participation in negotiations to seek settlement of the Nagorno-Karabakh conflict. USAID has no direct role.

Aside from the sharp differences with the Armenian population, there are not other important large ethnic divisions in the society. Although regional, clan and cultural variations might result in rivalry and geographic schisms, they would not be considered divisive enough to cause serious conflict.

Rulers, leaders and governing systems of the past have not encouraged trust or confidence in government institutions at any level, or among individual citizens. Social and economic security is centered in the clans. The concept of nationhood is relatively weak in a country that has endured foreign domination for much of its history.

The strategic goal, to increase citizen representation and participation in democratic processes and economic activities, should foster amelioration of potential conflicts. A

common theme throughout all Strategic Objectives is to build and strengthen associations and organizations with common bonds to achieve shared purposes. Broad-based participatory development will directly counter the potential dual economy created by the oil and gas industries that, in turn, could form the seeds of future discontent between “haves” and “have-nots.” The nature of development presented in this strategic plan is a fundamental aspect of conflict prevention.

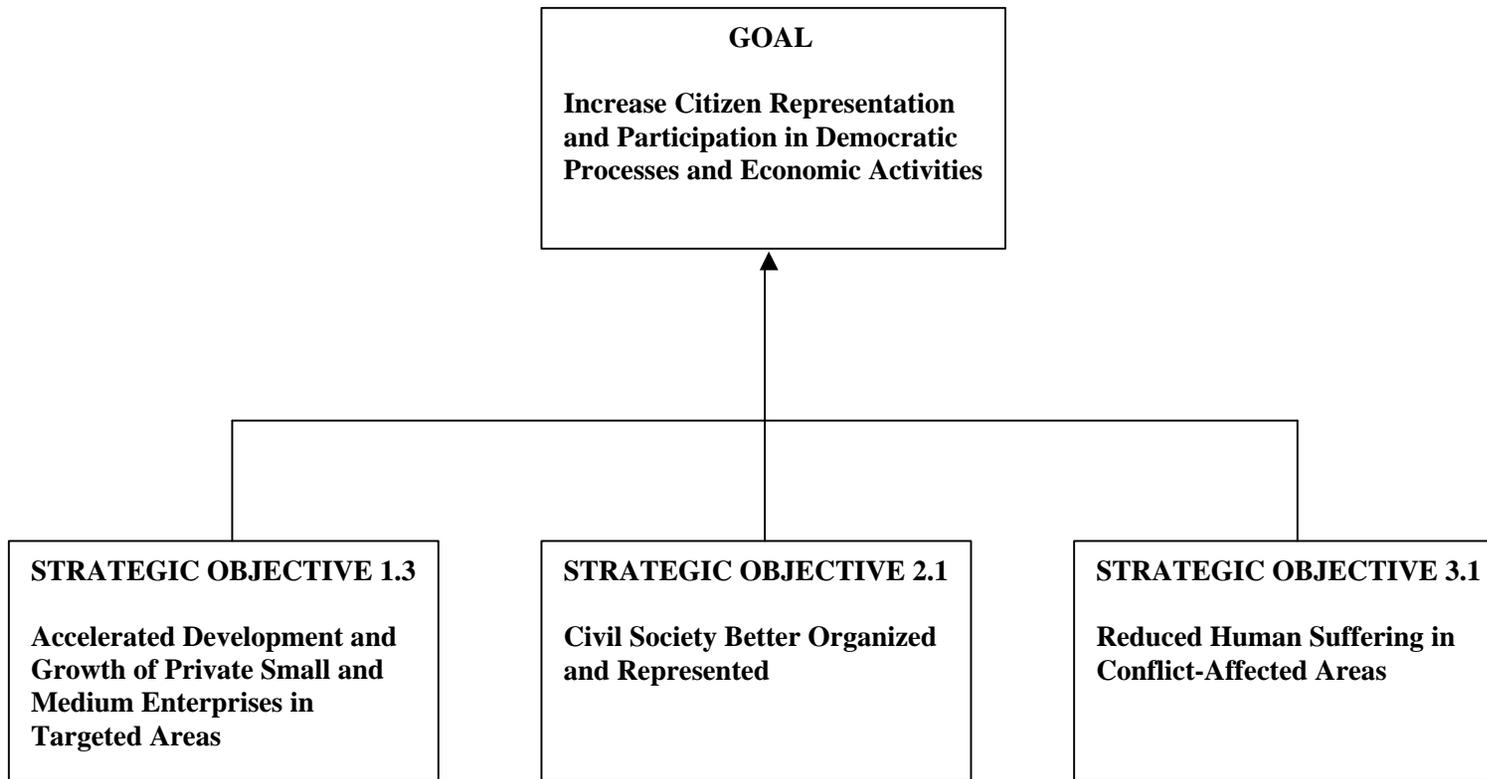
A particularly noteworthy aspect of the program envisaged by the Mission is a substantial training initiative directed especially toward Azerbaijani youth, who represent diverse ethnic and geographic backgrounds, and may become future leaders. Regional exchanges of ideas and views open vistas of new knowledge, facilitate friendship and nullify prejudices and animosities. Dialogue at the individual level could do more than most other actions to mitigate potential future conflict.

7. Customer Focus

The framework for this transition strategy has been vetted and reviewed with implementing partners and other donors at various stages in its preparation. At the early stages of strategy preparation, a number of assessments were conducted, which involved intensive input from partners, other donors and customers. These assessments included a private sector assessment, public awareness survey, public opinion survey, NGO assessment, business survey and humanitarian assistance assessment. In addition, the participation of NGO partners together with SO teams in formulation of results and indicators was particularly valuable. Since partners have a key role in gathering data and information used to measure results, their guidance and assurance that relevant indicators can be effectively collected added considerably value to the strategic planning process. Customer views have influenced the shaping of this strategic plan.

Given its community-based and geographic focus, this strategy emphasizes support to specific segments of Azerbaijan’s population. Consequently, customers are readily identifiable and reasonably accessible. Through implementing partners and participating organizations and institutions, SO teams will have a relatively direct line of contact with the ultimate customers. Monitoring measures for results of USAID-assisted activities will reflect the input of customers.

A number of methods already are used to obtain feedback from customers, including regular meetings with partner institutions, informant interviews with assistance providers and recipients, site visits, rapid appraisals, assessments, surveys and evaluations. USAID staff meet frequently with grantees and contractors. Strategic Objective team leaders are responsible for the coordination of customer feedback and reporting requirements.



PART II: STRATEGIC OBJECTIVES AND PROGRAM PLANS

Strategic Objective 1.3: Accelerated Development and Growth of Private Small and Medium Enterprises in Targeted Areas

1. Statement of Strategic Objective

SO 1.3, Accelerated Development and Growth of Private Small and Medium Enterprises in Targeted Areas. Support for small and medium enterprises, to include microenterprises, forms the core of this objective. Private SME development is an essential requisite for economic growth in Azerbaijan's transition from a Soviet-style economy. It is an area where progress can be made in the current political and economic climate, despite the absence of policies and laws that encourage private investment and business growth. Emphasis will be at the firm level, and or strengthening service providers, input supply and market systems that directly support these enterprises.

The largely neglected agricultural sector (including agri-business) will be the focus of this SO, although not exclusively. Not only does this SO address the imbalance of government resource allocation, development of the agricultural sector, which comprises a major portion of the GDP, is vital for a stable market-oriented economy that will create jobs and increase incomes among a currently disadvantaged part of the population.

To obtain the intermediate results envisioned in this strategy for SO 1.3, the SO focus is further limited to geographic "targeted areas." This approach increases the likelihood that the program can result in meaningful progress toward the SO, given the overall policy, legal and resource constraints. There is strong central government control of organized social and economic activity in local areas. Criteria for selecting targeted areas include progressive local authorities that support private sector development. Few districts meet that criterion. For the four areas targeted, and by the end of the three-year strategy, USAID expects to have created a critical mass of financially successful private enterprises and associations of those enterprises so that continued economic growth can be sustainable. The impact of achieving this result could multiply under the following possible scenarios: (a) the central government approves of the results and encourages other local authorities to replicate them; or (b) the policy, legal, and regulatory environment improves through donor and central government efforts at reform.

2. Problem Analysis

Azerbaijan has made little headway in dismantling the central planning system inherited from the Soviet Union. Privatization and economic restructuring are in their infancy. Industrial enterprises, including oil and gas, power generation and various types of manufacturing, remain overwhelmingly in state hands. Privatization has occurred in the agricultural sector and slightly more so in retail trade. Officially, the public sector supports 42-44 percent of employment and GDP, while the private sector is at 30-32 percent. In reality, private sector employment likely equals that of the public sector, and foreign and informal employment account for the remainder. Agriculture is the largest

private sector contributor to GDP at 28 percent. With Section 907 precluding economic assistance to the government and a corresponding urgency to support nascent elements of private enterprise, USAID plans to focus its economic reform attention on the resource-starved but extremely promising agribusiness sector. Land privatization is occurring for small plot owners. The major crops produced are vegetables and fruit under intensive land production. However, fiber and grain crops such as cotton and wheat, which are most economically produced in large contiguous plots, are still under state control.

A major constraint is heavy taxation and the corruption that it fosters. Rigorous enforcement of taxation would deplete between 64 percent and 78 percent of all gross earned income for registered businesses. The government is collecting only 42 percent of its projected revenue, and the difference either is not collected or pocketed at various levels of the bureaucracy. Corruption is built into the system by paying tax officials a wage below the poverty line, but selling the tax collector job at a price according to its potential earnings through corruption. For the taxpayer, the bribe typically is cheaper than the tax. For a business or an association of businesses out of political favor, tax compliance and other forms of enforcing state licensing requirements and standards are formidable tools for control. The government shut down the USAID credit program from June 1999 through May 2000 for non-compliance with licensing requirements. The court system does not provide recourse for business as it lacks transparency, and both the judge and the defense lawyer are accountable to the prosecutor appointed by the Ministry of Justice. Until such time as the policy, legal, and regulatory environment improves, it is important for USAID to operate in areas where the local authority is more likely to support initiatives taken by the business community, both alone and in association with other civil society organizations.

Credit finance is limited by high interest rates (currently 24 percent to 40 percent for 3 months to 1 year). There are 74 banks in Azerbaijan, four of which are State-owned and control 61 percent of all credit portfolios. Currently, a financial sector restructuring is underway, which is bringing consolidation to the banking industry. For the agricultural sector, only large-scale agribusiness has the collateral to enter the financial market or sell equity to the bank, as one State-owned Enterprise (SOE) to another. Donor-supported financial intermediaries are the only formal and viable source of credit for SMEs.

Technology and its knowledge base are both out of date and out of step with the requirements of a modern market economy, especially regarding production and marketing systems. Most of the Soviet-era equipment in SOEs needs rehabilitation or replacement by more recent technology. The formal education system is not equipped to bring market-oriented business skills, information, and contacts to rural areas. Product differentiation and packaging for customer satisfaction are foreign concepts to Azerbaijani managers trained in meeting low (but standard) quality, large volume production targets.

3. Progress to Date

USAID-financed activities in Azerbaijan over the past six years have been humanitarian in nature, focusing on crisis intervention and critical needs of refugees and IDPs. Only during the past two years has USAID become involved in SO 1.3 accelerated growth activities in a limited way. These modest pilot initiatives have centered on refugees and IDPs, with little measurable impact on the collective vulnerable population. The progress described below is presented within these parameters that characterize the current USAID program.

The focus on the small business sector began in 1998, and has met its modest expectations. ShoreBank provided training to loan officers and credit committees, as well as technical assistance on the loan process, to three private Azerbaijani commercial banks. These banks have received lines of credit totaling \$3.4 million from the International Finance Corporation (IFC) for on-lending of amounts up to \$100,000 to production firms. To date, nine loans totaling \$491,000 have been made in this effort to create a small business lending capacity by private banks.

Barents Group has conducted a training program for technical and managerial staff of private banks. Working through the Association of Azerbaijan Banks, training on bank management, risk management and basic international accounting standards was given to 231 officers from 45 banks. Private banks account for only 20 percent of Azerbaijan's banks, and since Section 907 precludes working with government bank, the training has been quite limited. However, EU/TACIS is planning a similar training project that will be able to work with all banks, so USAID is discontinuing this program.

In support of small business development, the ACDI/VOCA Farmer-to-Farmer Program has provided hands-on technical assistance and intensive training to farmers and farm cooperatives in the areas of production management, business techniques, processing, packaging, marketing and finance. A total of 18 technical experts and agro-processors have traveled to Azerbaijan on two-to-four-week assignments. They have reached 3,000 farmers, directly and indirectly. Examples are honey production and marketing, and mushroom production for domestic and export markets. ACDI/VOCA assisted in creation of a food processing system benefiting 2,000 IDPs, 90 percent of whom are women. The system involved providing technical services and training in high-value fruit and vegetable production, setting up two food-processing lines to make preserved products; and marketing products. The result is a 25 percent rise in income among those participating in the project.

One of the most significant achievements of ACDI/VOCA has been to assist in formation of an indigenous agribusiness consultancy and training firm with a skilled array of technical and business planning skills. This local private enterprise support organization, currently consisting of 90 persons, sells its services to farmers, processors and other entrepreneurs in agribusiness.

In September 1999, the Citizens Democracy Corps (CDC) began implementation of an activity for economic and enterprise development. CDC will provide training, technical assistance and professional services to SMEs and business support organizations. Activities will help improve and modernize technical and managerial skills, initially related to contracts for goods and services in the oil and gas industries, which offer the greatest immediate opportunities for the nascent SME business community.

The strategy envisages building on the successful experience already gained in small and medium enterprise development in targeted areas.

4. Results Framework

A. Causal Linkages

The Results Framework appears at the end of this section. Accomplishment of **SO 1.3 Accelerated Development and Growth of Private Small and Medium Enterprises in Targeted Areas** will result in the economic development of such enterprises through individual business growth. Change will be measured in terms of increased growth of assets and employment, disaggregated by gender. The scope is limited to targeted areas because the overall policy and legal environment contains far too many constraints for business. The targeted areas meet a number of criteria that make them optimal for economic results. The knowledge, skills, technology and support mechanisms developed to achieve the target level of growth can be applied to other regions of the country, given appropriate funding, if the policy, legal, and regulatory environment improves. While not identified as a specific target area, USAID will apply successful models developed under this SO to programs in the regions served by SO 3.1 Reduced Human Suffering in Conflict-Affected Areas, as opportunities permit genuine small enterprise development in these areas.

Five intermediate results and three sub-intermediate results are required to achieve Strategic Objective 1.3:

IR 1.3.1 Increased Access to Production Inputs

This IR focuses on the agricultural sector and recognizes improved seeds, fertilizers, livestock feed, improved equipment, replacement parts, fuel or other inputs must be supplied at reasonable prices. Increasing information about suppliers increases competition among them. Organizing demand into large volume purchases, and supplying credit for purchases can help reduce the cost of, and increase demand for, inputs. Inputs new to farmers often require technical assistance or training to assure maximum results at minimal risk. For example, fertilizer improperly applied may burn the crops and improper equipment for the application of herbicides creates a health hazard. Improved seed and fertilizer sales in target areas will serve as the leading indicators of access to inputs.

IR 1.3.2 Increased Access to Credit

In the absence of an appropriate banking system, this IR will be achieved through donor supported financial intermediaries and monitored by the value of their loan portfolios and

the number of loans. Credit targets are defined in aggregate amounts, but data will be reported disaggregated by target area and by gender. Credit often allows the purchase of needed inputs, covers operating costs until accounts payable are received, provides new equipment to increase efficiency or production, or buys research and development time to bring a new product or service on-line. Developing a new product or packaging an old one for a new market may require credit. Other donor credit programs will contribute toward this result and USAID will collaborate with the IFC, World Bank and EU/TACIS.

IR 1.3.3 Increased Market Responsiveness of Enterprises

There is a need to overcome the legacy of central planning by reorienting enterprises to a market-led business environment. If enterprises are to become competitive in domestic, regional or global markets, marketing and market research skills must be developed, production must be adapted to market requirements and demands, and business skills must be enhanced. Achieving this result will increase the number of products that enterprises sell and the number of market points that buy them.

Attaining IR 1.3.3 requires three lower level sub-results: **IR 1.3.3.1 Improved Enterprise Business, Technical and Marketing Skills; IR 1.3.3.2 Increased Adoption of Grades and Standards; and IR 1.3.3.3 Improved Access to Market Information.**

Enterprises must understand market economics, how to market, and the technology required for production, packaging, marketing, transport and display to meet customer demand. As niche markets are defined, enterprises must adopt the required grades and standards to stay in those markets. In lieu of working with government agencies, assistance efforts will target self-regulating organizations and associations to establish the necessary standards and grades. Grades and standards become especially important when producers join to meet a common market demand. Without consistent quality and quantity, customers may choose another supplier who meets their standards. And, of course, in order to be responsive to markets, enterprises need information about those markets in terms of tastes, quality and quantity requirements, packaging preferences, timing, and the price that the market will bear. Increased market information, skills, and adoption of grades and standards are sufficient to cause an enterprise to increase its market responsiveness.

IR 1.3.4 Private Membership Associations Organized

Mechanisms must be created to multiply the impact and sustain the achievement of other results. Business associations can begin to replace donors as the link to production inputs, credit, market contacts and information, skills training or technical assistance. An informal association might combine the production of several members to define and enforce product standards in order to supply customer demand larger than any one producer could meet. An association of technical business specialists has already begun to provide technical assistance and training to enterprises on a fee-for-service basis. At some future point, a larger grouping of such associations could positively affect the policy, legal and regulatory environment through advocacy efforts.

IR 1.3.5 Improved Policy/Legal/Regulatory Environment and Physical Infrastructure Supporting Small and Medium Enterprises

To achieve this result, SO 1.3 is dependent upon some of USAID's partners and SO 2.1 (Civil Society Better Organized and Represented). Section 907 prevents work with the Azerbaijan government under this SO. However, the World Bank is assisting with policy reform and related legislation, and on infrastructure development, both of which are necessary to have greater impact on SME development. One criterion USAID will take into account when selecting target areas is whether they align with World Bank infrastructure projects. Also, SO 2.1 includes a result aimed at (among other laws) adoption of commercial laws. A Civil Code recently was enacted. These laws will contribute toward an improved policy, legal, and regulatory environment for private enterprise. Regarding infrastructure, the World Bank supports irrigation and road improvement projects that favorably impact on SME development, and will be considered in selection of target areas.

The five intermediate results described above are interactive in that they mutually reinforce each other. Inputs often require credit, and neither makes sense if there is no market to buy the production that results. A successful business enterprise cannot function efficiently in a policy, legal and regulatory environment that exacts an arbitrary and growing percentage of the total cost of doing business. And, successes achieved by a business during the strategic planning period will benefit from participation in a fee-for-service organization that helps assure continued future growth and replaces donor-created services. Each result is necessary, and together they are sufficient to achieve SO 1.3, and to sustain achievement.

B. Critical Assumptions

- Political stability will continue and security problems, if any, will not impact on market development or physical access between production and marketplaces.
- Within the next three years there will be no oil boom of sufficient magnitude to make agriculture non-competitive for labor.
- Land privatization will continue at its current rate.
- Government will not reverse its direction toward restructuring and reform spearheaded by the World Bank and IMF.

5. Program Approaches

The envisioned activities will be designed to strengthen and expand nascent private SME businesses, with an emphasis on the agricultural sector. Key indicators for determining a positive impact on the sector are increases in enterprise employment and assets resulting from the program. USAID and its partners will select target areas using the following criteria for decision-making: (a) products of the area; (b) demand-driven high value products; (c) product timing and potential contribution to GDP; (d) markets; (e) local authority support; (f) USAID experience; (g) facilities and infrastructure; (h) World Bank/EBRD involvement; (i) accessibility; and (j) oil-generated growth areas (e.g. pipeline routes, etc.). The proposed target areas based on the above criteria are: Masally, Guba, Sheki, and the immediate surrounding urban regions of Baku.

USAID has identified six activities for SO 1.3, which are viewed as being viable for program support, and meet the restrictions under Section 907:

* **Market Responsiveness:** The activity would provide technical assistance and training to private producers, input and service suppliers and entrepreneurs that emphasizes production of high quality products, value-added through processing, and improved packaging. Opportunities exist, with the infusion of technical assistance and training, to address the issues of product diversification, import substitution, and expansion of regional market opportunities. If these improvements can be implemented, they should attract indigenous as well as foreign investors, who can provide equity and investment funds, improved technology and attract additional markets.

* **Production Inputs:** An important complement to the program described above is a technical assistance and training activity designed to develop viable distribution systems for production inputs such as fertilizer, seed, and livestock feed. Also, machinery, equipment, parts, fuel and maintenance services are critical for supporting agribusiness activities. Private sector-supported technical assistance will be provided through cooperatives, associations and input supply dealers.

* **Credit:** A loan program will be established to provide loans to SMEs, the majority of which will be in the agribusiness and rural services industries. Until the government completes formal restructuring of the financial sector, the only viable source of credit for rural SMEs is donor-funded intermediaries. Credit support and availability is critical for the growth of SMEs in rural Azerbaijan. In the perimeter of Baku, this SO may benefit from a link to SO 3.1 (Reduced Human Suffering in Conflict-Affected Areas), which includes a result that supports increased access to economic opportunities and services through community-based lending, which aims to increase their access to markets.

* **Business Development:** Establish a Business Resource Center that will provide technical assistance and training to develop small and medium size businesses in rural services and industries. The Center would have the technical capability to assist private firms with business plan development, provide financial advice, and assist with incorporating improved technology and overall management techniques into enterprises. The objective is to create risk-worthy enterprises that can attract investments. A small team of highly skilled advisors, acting as the core for providing guidance and training to indigenous teams of advisors, also would work with local private firms and businesses. USAID-funded volunteer assistance activities would supplement technical skill requirements and training needs of the Center. The aim is to establish an indigenous and sustainable capability to provide services to the private sector business community in Azerbaijan. This activity would build and expand upon existing projects that provide technical advice on agriculturally oriented income generation projects for IDPs and other socially vulnerable citizens. The Business Resource Center also would work in close collaboration with those international relief organizations that have initiated pilot income generation projects, if they require such services (in support of SO 3.1 Reduced Human Suffering in Conflict-Affected Areas).

Training: Long-term and short-term training is one of the best tools available from USAID to foster change and extend the application of improved technology in Azerbaijan. Training will assist with the infusion of free market concepts, improved management and business techniques, and provide opportunities for Azerbaijanis to begin developing information networks, exploring new markets, and becoming knowledgeable about the requirements to become competitive in these markets. USAID will support training that focuses on improving skills that address priority constraints, and which provides the highest impact for private sector business development in the country. Training will be supported under SO 4.2 (Cross-Cutting Programs).

* Private Associations: Support is required to strengthen, and in some cases create, private business owner associations. Associations selected for support would provide an economic benefit of sufficient importance to their members that they would support its costs. For example, associations might provide a technical service for a fee (veterinary service and supplies), a market link (quality control and packaging for several producers to supply large orders) or low cost/high volume input purchases. Such organizations can, and have, become effective advocates and lobbyists on behalf of their members in several countries in Eastern Europe and the former Soviet Union.

6. Development Partners

Agriculture is the priority sector for the World Bank in Azerbaijan. It is supporting a four-year, \$72 million program focusing on two areas: (a) farm restructuring and land privatization, and (b) rehabilitation of irrigation and drainage systems and agricultural credit. The World Bank program is contingent on specified progress in macro-economic stabilization and is closely coordinated with the IMF. USAID will take World Bank programs into account in the selection of target areas for the program.

The European Union Technical Assistance to the Commonwealth of Independent States (EU/TACIS) program, likewise, places a high priority on agriculture in its assistance effort. Their \$24 million program concentrates on cooperative banking and marketing in the grains and milling industry, primarily wheat and barley.

7. Sustainability

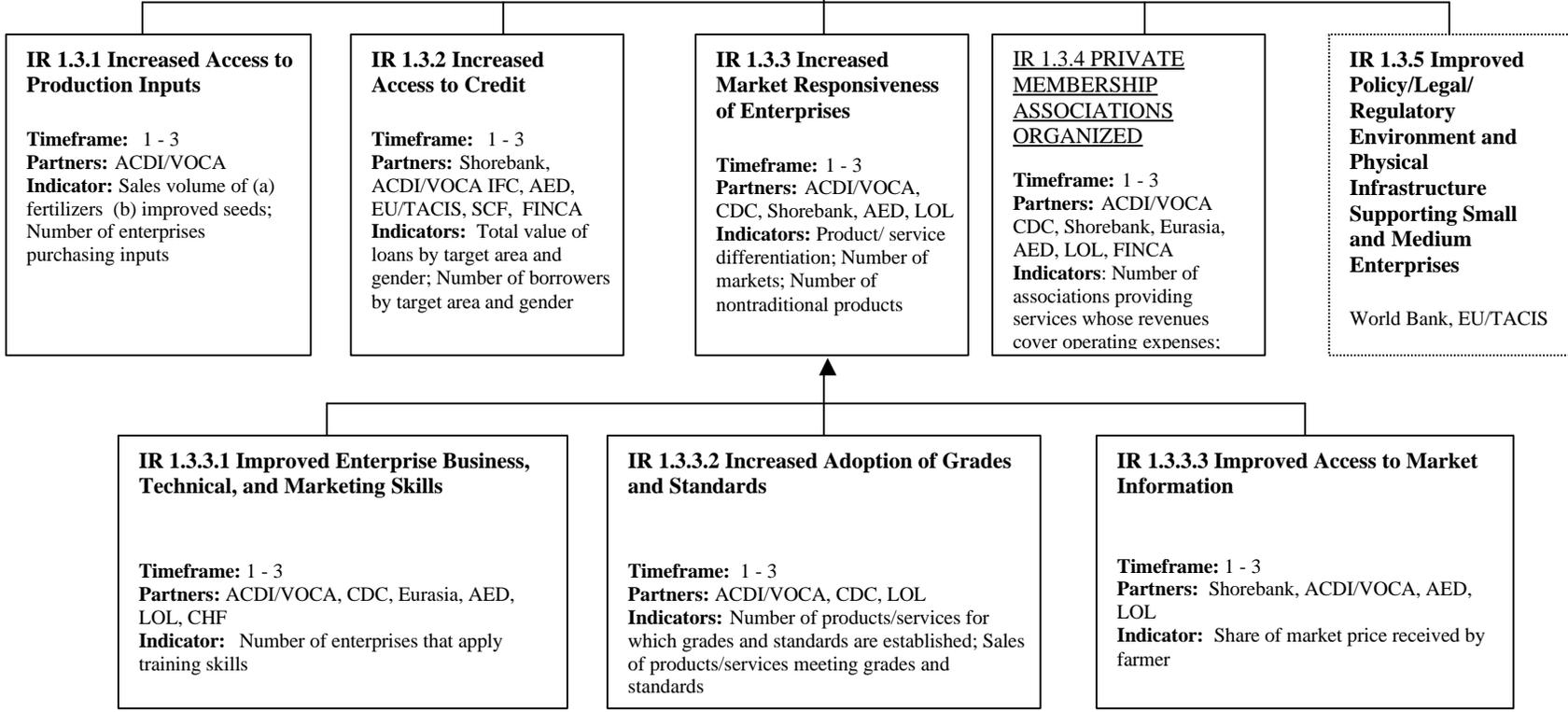
Given the restricted environment, it is not expected that this SO will be fully sustainable by the end of the strategic plan. Important progress can be made, however, to create the firm foundation necessary to actively build a sustainable, competitive private SME sector as the political and economic climate permit.

The chief mechanism to constitute the base for sustainability is implementation of **IR 1.3.4 Private Membership Associations Organized**. Private associations will assume responsibility for the technical assistance, training, business contacts, credit and advocacy services supported by USAID. USAID already has organized one association of technical professionals to provide fee-for-service technical assistance to business. In essence, USAID's implementing partner replicated itself with Azerbaijani professionals.

In a similar manner, other kinds of associations will form around other needs. USAID plans to work with those associations until they achieve a level of revenue from providing value-added services to clients to cover their operating expenses. As the associations become sustainable through the quality of service provided, the services also become sustainable.

SO 1.3 Accelerated Growth and Development of Private Small and Medium Enterprises in Targeted Areas

Timeframe: 1 - 3
Indicators: Growth of assets of assisted enterprises by target area; Increase in employment of assisted enterprises by target area desegregated by gender.



Strategic Objective 2.1: Civil Society Better Organized and Represented

1. Statement of Strategic Objective

SO 2.1, Civil Society Better Organized and Represented, is an intentionally modest objective, appropriate for the current state of democracy in Azerbaijan. It seeks to lay the basic foundation needed to create space in Azerbaijan for citizen engagement. USAID limited the scope of the objective because citizen participation in economic and political decision-making would require an unprecedented and unlikely change in the way the Government of Azerbaijan operates in the near future.

Citizen participation requires more than effective issue-based organizations. It also requires accountable government institutions, political space, freely elected representatives, and respect for the basic freedoms of speech, assembly, and association. The government is centrally controlled, even at the local level, and there is little understanding or acceptance, both within and outside of government, of the role of civil society institutions in a democracy. The government does business the Soviet way – top down. USAID does not believe that current reform efforts are sufficient to materially change the way government does business within the next three years. Achievement of the Strategic Objective will ensure that, at a minimum, the people of Azerbaijan have a voice in the public arena on issues of concern to civil society. It will produce an infrastructure of non-government, formal and informal organizations, that includes political parties, professional and business associations, and issue advocacy and community groups, to sustain that public voice and to represent individuals behind the voice to the government. The measures of results are the extent to which the general public is aware of the issues promoted by these formal and informal professional and issue-based organizations, the extent to which the public is aware of the organizations that promote the issues, and the extent to which opposition political parties participate in the political process.

2. Problem Analysis

The political system in Azerbaijan is an authoritarian, highly centralized regime in which decision-making power is largely concentrated in the hands of an already constitutionally strong presidency. Although the constitution also provides for a republican form of government "based on the principles of democracy..." and "the division of powers," the country has made little headway in realizing these principles.

The Government of Azerbaijan has a poor human rights record, and has done little to create opportunity for political opposition and the development of civil society. Harassment of journalists, pressures for self-censorship and violations of citizens' political and civil rights are commonplace.

The judiciary remains an instrument of the executive branch. Corruption is known to be widespread. The 1995 parliamentary elections, the 1998 presidential elections and the

1999 local council elections fell short of internationally accepted standards, and opposition political parties have had little room to maneuver.

The combination of control by the government, a history that thwarted the development of a functioning civil society – let alone a sense of what civil society is – and left citizens feeling they have little ability to bring about change, is a challenge to democratic transition in Azerbaijan.

The government tends to view advocacy-minded, civil society organizations as potential threats to the political order. Civil society organizations, including both issue-based and professional associations, also face numerous bureaucratic obstacles at the operating level. Associations were used as fronts for businesses during the communist era, leading to lingering suspicions about their present form and credibility. Institutions outside government became so impoverished that the citizenry currently suffers from a low level of political efficacy and organization skills, creating further barriers to collective action. As a result, there is a tendency for civil society organizations to be viewed, even by ordinary citizens, as fronts for political parties or business activities, and some, in fact, fall into those categories.

However, Azerbaijani civil society organizations, including formal and informal advocacy groups, opposition political parties, professional associations, community development organizations, and humanitarian service delivery NGOs are beginning to establish some political space. There are approximately 200 active non-governmental organizations operating in Azerbaijan (Azerbaijan NGO Sustainability Index, August 1999). While the majority of the population is unfamiliar with civil society organizations, and their roles and functions in society, there are signs of growing awareness.

This vanguard of opposition political parties, issue advocacy groups, and professional associations has yet to develop the skills to broaden the base of support and influence the country's political evolution. Opposition political parties tend to focus on elections, rather than on the political process that takes place between elections, such as platform development based on local issues and constituency development. The opposition political parties rarely reach out to communities to engage in a dialogue on the issues of concern to voters, though they have become more effective in broader message development and communications. Most civil society organizations lack clear strategies or clearly defined organizational and management structures. According to a recent study (ISAR, Building Civil Society in Azerbaijan, 1999), civil society organizations are mostly occupied with basic needs such as obtaining funding, office space and equipment. Rarely do civil society organizations focus on constituency building and public awareness, particularly beyond Baku. Furthermore, they are apprehensive about assuming a highly visible public role, given the government's suspicion of their role and goals.

It is evident that beyond the development of basic organizational capacity by civil society organizations and associations, greater focus must be paid to increasing public awareness

of their roles and activities in democratic society. The advantages of uniting for the purposes of advocacy and selected service delivery must be made clear. These efforts, along with increased public outreach, should improve the public's perception of them and broaden their support.

The policy, legal, and regulatory environment places serious constraints on the development of civil society. Azerbaijan lacks a media law that guarantees free speech and information rights, and establishes a transparent licensing and frequency allocation process. An NGO law that recognizes and provides better protection of non-profit, advocacy activities also is needed. A bill, currently in parliament, while flawed, is an improvement over the current ambiguous situation. Azerbaijan also needs a law on the bar that establishes the independence of private lawyers.

Furthermore, judges are not independent of executive power, and owe their conditions of employment to accommodating the outcomes dictated by prosecutors. A new civil code recently was enacted, but its contents have not yet been reviewed. Commercial codes do not establish clear parameters for association development and the definition of legal persons.

Complicating the lack of an enabling environment, the legal profession is ill-equipped and poorly organized to play a role in defending the rights of civil society and media organizations. To practice law, lawyers must be members of the Collegium of Advocates, the existing lawyers' association, which is under the control of the Ministry of Justice. Furthermore, there are few trained trial attorneys, little experience in the independence of the bar, in upholding adversarial defense of clients, or in establishing client-attorney privilege safe from state intervention. Of approximately 500 lawyers in the Collegium, only about 20 are believed to be independent enough to defend politically sensitive clients. Those who do, often experience harassment and threats of prosecution and physical harm. In addition, it is often difficult for lawyers to obtain access to the legal codes and other law publications required to represent clients effectively. Laws are not published in a timely manner. Presidential decrees, which may supersede or contradict laws, are not widely disseminated. Regulations are rarely known outside the relevant government agency.

A low level of political awareness among citizens is in part a function of state domination of the media. Restrictions on press freedom, including constraints on licensing and frequency allocation, together with modest skills and know-how among print and broadcast journalists, constitute major barriers to a better informed, politically-active citizenry and to the democratic process more broadly. Based on a survey of public attitudes conducted by the International Foundation for Electoral Systems (IFES, Public Opinion in Azerbaijan, 1998), approximately 29 percent of the public relies extensively on Azerbaijan private television for gathering news and information. By contrast, 57 percent of the public rely on state television. Independent print and broadcast media are operating despite government interference and shutdowns, and chronic shortages of financial resources and management expertise. Most of the small independent press is

closely affiliated with opposition political parties, which tends to compromise their objectivity and journalistic professionalism.

3. Progress to Date

USAID's principal contributions in the democracy sphere have come in the areas of assistance with elections and political parties, and independent media strengthening via grants to the US PVOs IFES, NDI, IRI, and Internews. IFES provides assistance to the Central Election Commission, legal analysis of election legislation and regulations, training of election officials, and voter motivation and education. NDI and IRI work with a variety of political and non-political organizations to strengthen political parties, build the capacities of domestic election observers and promote citizens' participation in the electoral process. Internews works with independent television stations to strengthen basic reporting and editing skills, and provides technical capacity for specialized reporting, such as campaign or election coverage.

Another effective program has been implemented by the Initiative for Social Action and Renewal in Eurasia (ISAR), which provides training, technical assistance and small grants to local NGOs with an emphasis on capacity building. With funding from USAID, ISAR continues to provide grants to environmental, civic action and social-sector NGOs in Azerbaijan. ISAR also provided organizational development assistance to NGOs that work in these and other sectors. Members of NGOs, ISAR and Soros are providing assistance with the elaboration of a new NGO law that is slated for enactment in May 2000. The government supplied a copy of the draft law on NGOs to the NGO community for review – a first – which resulted in their comments being reflected in the final draft. Eurasia Foundation awards grants in the areas of rule of law, association building and media support.

ABA/CEELI recently opened a liaison office in Azerbaijan, and is working to promote development and enactment of a Law on the Bar. The World Bank is providing assistance for a judicial qualification process, starting in April 2000, with 986 judges applying for 300 judgeships.

USAID will conduct a comprehensive legal assessment in June 2000 to determine the shape of its legal reform program for the strategic planning period. It is anticipated that a comprehensive rule-of-law program, including the training of judges, will result.

Through the Academy for Educational Development (AED), USAID has funded U.S.-based training for journalists, commercial lawyers, human rights activists/lawyers, and political party officials – several of whom hold important positions in Azerbaijan's embryonic civil society. Exchange programs such as the "Bradley Program," which brings Azerbaijani high school students to the U.S., can positively influence the evolution of Azerbaijani society. Anecdotal evidence strongly suggests that returnees frequently become actively engaged citizens.

4. Results Framework

A. Causal Linkages

The Results Framework appears at the end of this section. Accomplishment of **SO 2.1 Civil Society Better Organized and Represented**, will produce an awareness within the general population that they can have a voice in exploring societal issues and options if they wish to exercise it. They also will learn that there are alternatives to government leadership and institutions to represent their interests. The level of awareness and size of the population reached will be monitored through sampling and polling. The number of political parties with issue-based platforms who participate in election campaigns also will be monitored.

Three intermediate results and seven sub-intermediate results are required to achieve Strategic Objective 2.1:

IR 2.1.1 Issue-Based, Formal and Informal Associations/Advocacy Groups Organized and Active

This result includes a variety of formal and informal associations or advocacy groups with the common characteristic of being organized around an issue or professional interest. It includes political parties which have an issue-based platform built with constituency input, associations of professionals, business associations with a policy focus, consumer and/or community groups with local (or global) environmental, health, housing, or similar issues. The issue could be local, national or international in scope. USAID will work to increase the number of such groups and to increase their ability to organize and manage themselves, as well as their ability to promote public awareness of their issues. Progress will be measured by the number of organizations conducting five or more advocacy and outreach activities during the year. USAID partners will collaborate to maintain a common list of the organized groups, which will define the program focus for this IR.

Two lower level sub-results have causal connections necessary to achieve IR 2.1.1. They are **IR 2.1.1.1 Improved Capacity for Public Outreach, Awareness and Advocacy** and **IR 2.1.1.2 Improved Organizational Management**. Existing and new groups organized around an issue need knowledge and skills in managing their own organization as well as skills in how to conduct advocacy and outreach activities to expand their sphere of influence. Results from training and technical assistance activities in those areas, combined with information access and an improved environment, are sufficient cause to generate more issue-based groups. A survey of public awareness is currently underway, which will provide a baseline for this sub-IR.

IR 2.1.2 Legal and Policy Advocacy Environment Supports Civil Society and Media Development

The media profession and political parties are the lightning rods for testing the environment for freedom of expression. Government treatment of media professionals and opposition party members is a good indicator of the present legal and policy

environment. Much work needs to be done, and USAID will support activities leading to the adoption of key laws meeting international standards, increasing the professionalism of lawyers and judges (including providing access to current laws, regulations, and codes), and increasing the public's awareness of their rights under the law. USAID partners also will work with the government to provide input into the quality of the legislation adopted and to provide alternatives to the government when it is tempted to adopt old-line solutions to present day problems. There will be a number of associations and/or advocacy groups working for an improved legal and policy environment, including professional associations within the justice field. Those groups will conduct public awareness campaigns about legal issues and justice system issues in order to promote their respective objectives. Monitoring changes in the annual U.S. State Department Human Rights Report for Azerbaijan will provide an indication of an improved legal and policy environment that supports civil society, political and media development. USAID also will track the number of private lawyers and law firms as indicators of citizens' access to justice and legal representation.

Three lower level sub-results contribute to IR 2.1.2. **IR 2.1.2.1 Increased Professionalism of Civil/Human Rights Lawyers and Judges** involves training lawyers in international standards for ethics of the profession in order to create awareness of room for improvement. Also, lawyers and judges need information about laws and codes so as to better apply and interpret the law. **IR 2.1.2.2 Adoption of Key Laws and Policies in Accordance with International Standards** will provide the legal framework from which to move society toward greater freedom of association and freedom of the press. At times USAID and/or its partners also must take an active role with government to keep it from backsliding on improving conditions for civil society to operate. **IR 2.1.2.3 Increased Public Awareness of Legal and Policy Advocacy Framework** is the vehicle for dissemination of information about the legal framework. These three sub-results plus some advocacy and support from the media are sufficient cause to improve the policy and legal environment. However, USAID has set moderate targets for these results.

IR 2.1.3 Increased Access to Objective/Varied Information

This result focuses on the media, with an emphasis on private television. Television is the medium of choice for the population as a whole, and the only TV stations with national outreach are state-owned. Within Baku, the government periodically closes independent stations by revoking their license when their news reports touch politically sensitive issues. Some licensed and independent stations avoid the problem by avoiding news reporting. USAID will support increasing the number of licensed, independent TV stations doing more objective news reports, and will measure progress by the coverage of non-government television stations with news programs. The PAO and Internews will provide quality ratings on the objectivity of the news in general. USAID anticipates that some associations or advocacy groups will organize around issues of freedom of the media and access to objective/varied information sources and will conduct related public awareness activities. Access to laws and regulations will be required to influence the legal and policy environment under IR 2.1.2.

Two sub-results are necessary to achieve IR 2.1.3: **IR 2.1.3.1 Increased Professionalism of Media** and **IR 2.1.3.2 Increased Regional Media Linkages**. Training the media in professional skills and in an internationally accepted Code of Ethics for the profession will increase the objectivity of news reporting. To the extent that they organize around issues, the media will contribute to IR 2.1.3, and also increase public awareness about limitations on information access. The media can contribute information and generate public awareness about the issues and options for the adoption of laws and policies under IR 2.1.2.2. Linkages under IR 2.1.3.2 are designed to increase the awareness of the media professionals by exposure to the legal and policy environments, professional skills and ethics, level of objectivity and freedom of expression in other countries of the region. The linkages will be person-to-person and electronic, and will provide media professionals with an opportunity to share experience and technology. Increased professionalism of media professionals and their exposure to regional standards, when combined with an improved legal and policy environment and increased internet access, are sufficient to cause increased access to objective and varied information.

The intermediate results are mutually reinforcing. Without advocacy and organization, issues would not evolve into options for action, nor reach the state of awareness in which large groups of people could focus on the issue and alternative responses. Without a legal and policy environment to permit both objective information and the association of citizen interest groups, civil society development is limited and largely underground. Both access to information (including laws, regulations and administrative codes) and advocacy will be required to improve the legal and policy environment. Last but not least, without objective and varied information about issues of concern to citizens, building a significant consensus on any issue is difficult. Consensus built on faulty information is easily dismissed. Organized groups promoting public awareness, freedom from interference, and access to information are sufficient to generate public awareness of the issues and of the groups promoting them. There is no lack of issues.

B. Critical Assumptions

- Current political and social stability will be maintained, particularly in the process of any political change or challenge in the parliamentary or executive branches of government.
- At worst, government antipathy towards the development of civil society will not increase over the period of the strategy.

5. Program Approaches

USAID programs will focus on strengthening Azerbaijan's nascent civil society by promoting the organizational and public awareness capacities of civil society organizations and associations.

Priority will be given to organizations which seek to influence public policy and/or educate the citizenry on issues related to democracy (e.g. human rights, civic/voter education) and to those groups attempting to build a constituency beyond Baku. Priority

also will be given to organizations focussing on women's rights and needs. Both service and advocacy organizations that meet these criteria will be strengthened. A chief goal is to help combat public apathy and cynicism, promote public awareness, and persuade a passive citizenry that individuals joining together in common cause can effect change.

Technical assistance will focus on management, funding and finances, project development, and communications. The absorptive capacity of the relatively small NGO sector is a legitimate concern, and while increasing the number of advocacy groups will address this limitation, the paramount goal of USAID's program in this sphere should be enhanced effectiveness and impact of NGOs and constituent associations. Work with the twenty leading NGOs to involve local and international businesses in partnerships should translate into greater sustainability.

USAID will continue and possibly expand existing efforts to augment the capacity of local NGOs through training, technical assistance and a companion Eurasia Foundation small grants program. The training approach will be enhanced with additional training activities carried out under Strategic Objective 4.2 (Cross-Cutting Programs).

Professional and business associations offer another promising target for NGO assistance efforts. The legal profession is one possibility. In addition to a small cadre of courageous lawyers active in promoting human rights, there is a growing number of attorneys, many of whom received USAID-funded training, involved in commercial and civil activities and who are interested in organizing to influence the content of associated legislation. There also may be an opportunity to work with the faculties of those private universities that offer legal curricula. Based on the needs identified in the June 2000 legal assessment, work with judges and court personnel also is anticipated.

Support for the development of professional and business associations and their advocacy functions also will contribute directly to the achievement of results under Strategic Objective 1.3 relating to the development of private enterprises. Similar non-partisan efforts to strengthen consumer protection organizations will build a broader base of citizens engaged in improving their own quality of life and holding businesses accountable for their products and services.

Programs to strengthen non-governmental political parties could result in greater pluralism. The November 1995 elections, which produced a parliament with opposition legislators, and some parties active in the 1999 local council elections do provide a modest starting point for possible USAID-funded programs to help pro-reform parties build issue-based constituencies, especially beyond the national capital.

USAID will continue to work directly with the Government of Azerbaijan, and indirectly through non-governmental partners, to improve the policy, legal, and regulatory environment for civil society development. USAID has identified a key set of laws and regulations that it will seek to influence, as well as existing laws and polices that will be defended.

Support for a free and independent media help to broaden informed public debate and move the stagnating democratic reform process forward. The current USAID program providing assistance to independent TV stations has contributed to elevating the quality of programming and improving station management and operation. However, the government's recent shutdown of four TV stations does not augur well for efforts to ensure greater freedom of expression. A more promising approach will be to expand regional news exchange programs, third-country internships and long-term training to prepare a cadre of journalists for greater press freedom.

Improving the quality and professionalism of Azerbaijani print journalists is more complicated and sensitive because the non-state press is analogous to opposition political party newspapers. With the right technical assistance and training, some of these newspapers could become genuinely independent and non-partisan publications.

The integrated media strategy will include training on the role of the press in a democratic society, emphasizing professional standards (striving for objectivity and balance) and responsibility to inform the general public.

U.S.-based training programs through AED and other partners will continue to reserve a generous percentage of slots for participants to receive skills training, formal training and internships in the democracy and governance area. More specifically, the roster of participants will reflect, and the training courses support, the priority areas identified under this Strategic Objective.

To the fullest extent possible, USAID programs will seek to enhance women's involvement in political and economic life for no lesser reason than the country's potential democratic and free-market future may very well depend on it. At a minimum, training programs will make a concerted effort to ensure strong participation by women. This is generally not too difficult since NGOs are disproportionately staffed by women, including in leadership positions.

6. Development Partners

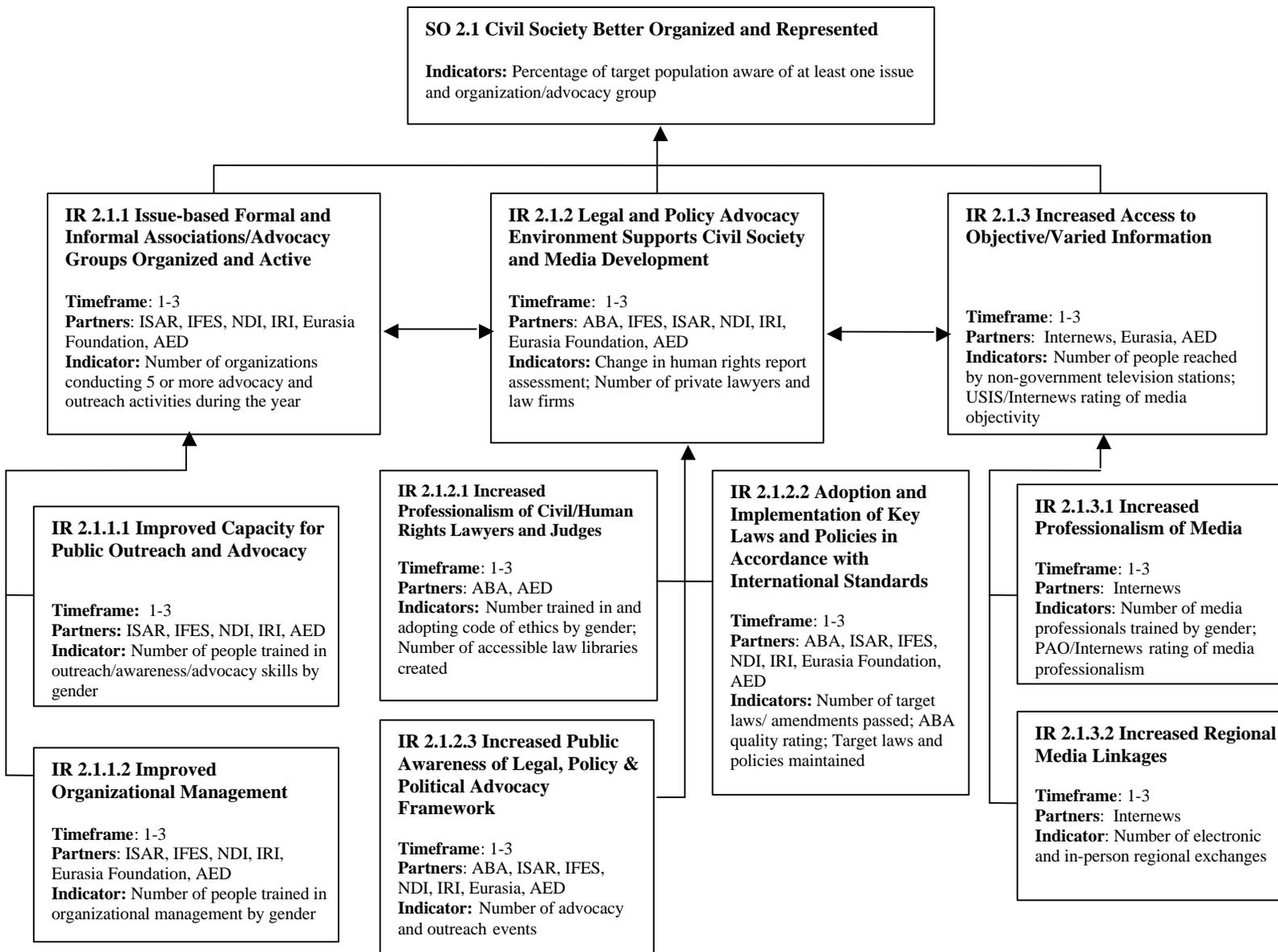
To date, the donor community has done little in the area of democracy and governance in Azerbaijan. The Soros Foundation has supported some small activities. The UNDP is considering a project that would focus on print media. EU/TACIS has a small NGO development project which involves ISAR (USAID's implementing partner for NGO strengthening). The World Bank is supporting a new initiative on judicial reform.

7. Sustainability

Sustainability under this SO can be viewed on two levels. The indigenous institutional capacity to provide the training and support that USAID-funded partners are initiating must be developed, and the rule-of-law and legal framework must be improved. Given the constraints under which this SO will be operating, and the modest results being sought, expectations for moving closer to sustainability in both areas are modest.

Within the existing program, USAID already is building the indigenous capacity to support the development of NGOs. These efforts will continue and be strengthened during the years ahead, and be extended to the legal and judiciary systems. The heavy emphasis on training will contribute significantly to sustainability. Sustainability of the program to promote the organization and representation of civil society will be further enhanced by the common approach used to strengthen organizational capacity and outreach skills across all types of civil society, advocacy, media and political organizations. For example, by increasing political parties' focus on platform development and constituency participation between elections, these groups will be more representative of the public, and more sustainable over the long run.

At the same time, strengthening the constituency building of all types of civil society should lead to the enhancement of certain aspects of the legal framework and advocacy environment that supports an independent civil society. Over time, an improved policy and regulatory climate will augment the sustainability of changes made in civil society organizations.



Strategic Objective 3.1: Reduced Human Suffering in Conflict-Affected Areas

1. Statement of Strategic Objective

SO 3.1, Reduced Human Suffering in Conflict-Affected Areas, contributes to Azerbaijan's transition toward a market-oriented, democratic society by promoting actions that develop community self-reliance. USAID will consider this objective to have been met when improvements in the health, nutritional, and poverty status of vulnerable groups in conflict-affected areas are being achieved. These improvements will be accomplished through self-help, development-oriented activities initiated and implemented by community organizations located in these areas. These new activities mark the completion of the transition that has been underway for the last two years, from relief activities to community-based activities aimed at laying the groundwork for development. USAID will focus on conflict-affected areas because they contain internally displaced persons (IDPs), as well as other groups whose livelihoods and access to basic needs were disrupted by the conflict.

2. Problem Analysis

Since declaring independence in 1991, the military conflict over the fate of the largely ethnic Armenian enclave of Nagorno-Karabakh has left some 20 percent of Azerbaijani territory under separatist control. While a cease-fire has been in place since 1994, the war generated more than 700,000 refugees and IDPs. The exodus of refugees and IDPs from lands overrun by separatist forces created a humanitarian emergency. Many fled with barely a few possessions and were reduced to abject poverty after having enjoyed a reasonably well-off life in some of the country's most fertile regions.

The World Bank estimates that in 1995, nearly three-fourths of all IDP households fell below the poverty line compared to a national poverty rate of approximately 60 percent. Moreover, a larger proportion of IDP households (38 percent) is considered very poor, compared to a national average of 20 percent. Overall, in conflict-affected areas, over 70 percent of households are poor and 35 percent are very poor (World Bank, Azerbaijan Poverty Assessment, Volume I: Main Report, 1997, p. 3.).

The international community – and to a far lesser extent, the Government of Azerbaijan – mobilized to ameliorate the impact of the crisis facing IDPs by providing, food, shelter and limited medical care. While far too many households in conflict-affected areas still face deplorable conditions and the vast majority continue to require enhanced opportunities, the overall situation has stabilized. In fact, there is evidence that in some regions, while IDPs remain poor, assistance received has made them relatively better off than the non-IDP poor, creating a serious issue of equity.

The Government of Azerbaijan has not accomplished any significant change in the living conditions of the vulnerable population. This failure is due largely to inadequate economic management, and a lack of resources and planning, exacerbated in part by reduced financial support for health, education and social services in response to the need for fiscal

stabilization. Moreover, until 1999, the government had been reluctant to support the socio-economic integration of IDPs, fearing that such activities could be perceived as impeding the right of the IDPs to return home following a peace settlement.

Azerbaijan's IDP and refugee population remains highly dependent on the international community in two ways: First, the IDPs depend on donors for the provision of essential commodities and services, such as food, shelter, and health services. Second, the IDP and refugee population relies on non-indigenous organizational mechanisms to deliver these commodities and services.

Lessening the material and psychological dependence on foreign humanitarian aid donors of vulnerable groups in conflict-affected areas, including IDPs is an uphill challenge, made more difficult by their generally meager circumstances and decades of state paternalism. In addition to the obstacles to reducing dependence on humanitarian assistance presented by the lack of any experience in genuine community development, the capacity of indigenous, non-governmental humanitarian relief organizations is low.

This condition of dependence is not sustainable. USAID and other donors cannot sustain a condition whereby the broader crisis has stabilized, yet a substantial number of vulnerable individuals lack self-sufficiency and the means to take greater control of their lives. The government and international donor community now confront a post-emergency situation that requires a transition to a development-oriented assistance strategy in which individuals, extended families, and makeshift communities take on more responsibility for improving their immediate circumstances.

USAID has been phasing out relief programs, such as food and shelter assistance, in favor of increased numbers of economic opportunity and community development activities. A modification in Section 907 of the FY 1998 FSA permitted health services delivery to be included in humanitarian assistance, which enabled the elements of capacity-building and sustainability in health to be added.

Additional support for the transition of activities under this SO came from a 1999 Aide-Memoire signed by the Government of Azerbaijan with the World Bank, UNDP and UNHCR for the socio-economic integration of IDPs. Although this commitment by the government has yielded few tangible results to date, it has helped establish a climate that reinforces the move to more development-oriented activities.

The central requirement now is to increase self-reliance on the part of the most serious conflict-affected segments of the population. Consequently, USAID assistance under this SO will be directed toward communities of vulnerable populations to better organize themselves in order to meet their own needs through business development and income generation activities, and through improving community access to social and community services, such as primary health. It is intended that these types of activities will lay the groundwork for the expansion of other SOs into these communities.

Although not an intermediate result, it is assumed that the presence of NGOs and other implementing partners for USAID and other donor programs will serve as a donor mechanism to render assistance in response to potential unanticipated future crises, if necessary. This additional benefit will be particularly valuable over the short-term where great uncertainty exists concerning peace, security and political conditions.

Program activities will be concentrated within conflict-affected areas where there are a significant number of vulnerable individuals. These areas include the so-called “IDP Belt” consisting roughly of the Yevlakh, Geranboy, Barda, Ter-Ter, Agdam, Fizuli, Aghjabedi, Beylagan, Ganja, Mingachevir, Imishli, Bilasuvar, Saatli, and Sabirabad regions of Azerbaijan, the Nakhchivan Autonomous Republic, and areas in and around Baku and Sumgait where significant numbers of IDPs are congregated.

3. Progress to Date

Despite the restrictions of Section 907 of the FREEDOM Support Act, USAID has played a leading role in providing humanitarian and transitional assistance to vulnerable civilians affected by the Nagorno-Karabakh conflict, primarily IDPs. USAID support of the multilateral feeding activities of the World Food Programme (WFP) has provided that crucial margin of supplemental calories necessary to prevent widespread malnutrition. Efforts to refine beneficiary lists, striving to ensure that recipients are on only one list instead of several, also have contributed to information gathering on the needs of IDPs and helped ensure close cooperation among organizations distributing food. The WFP currently provides food to approximately 180,000 beneficiaries.

An extensive network of mobile and stationary health clinics provides access to basic primary health care for approximately 400,000 people, with nearly 30,000 patients seen each month. The private Azeri doctors and nurses who provide most of these services have benefited from training and exposure to modern health care practices. Recently, more of this work has been shifted to government facilities, with the added benefit of providing training to government physicians in order to enable them to provide this humanitarian assistance. Through coordination with UNICEF (which also receives significant USAID funding), these health programs have increased the rate of immunization within their program service areas. Although the health of many IDPs remains precarious, serious outbreaks of disease have been prevented.

Housed initially in run-down public buildings and tent camps, significant numbers of IDPs now have access to minimally adequate housing and sanitation facilities due to USAID-funded programs. Most of the public buildings housing IDPs in Baku and Sumgait have received emergency safety, health, and sanitation-related repairs, improving the lives of the nearly 115,000 residents of those 700 buildings. In rural areas, activities have provided 6,510 mud-brick shelters, latrines and potable water to approximately 30,000 people. These beneficiaries were concentrated in two large tent camps and in numerous small roadside impromptu settlements.

Shelter programs have included a significant community development component. Recipients have done the bulk of the labor themselves, and have established community organizations to address their problems.

Progress in the economic opportunity portion of this SO has been more limited. As a result of the collapse of the Russian economy and domestic economic mismanagement, deterioration of economic conditions in Azerbaijan over the past 18 months has made it increasingly difficult for small businesses to survive, especially in rural areas. Still, over 2,980 loans have been made through USAID activities, enabling entrepreneurs to establish small businesses, to provide for their families, and to hire employees. More importantly, the areas where these activities have been carried out, have gained experience in small business lending, helping to lay the groundwork for future development activities. In addition, USAID has assisted vulnerable populations in urban areas through micro-credit programs that provide income and opportunity through urban-based activities.

USAID's humanitarian assistance program already has reduced human suffering in conflict-affected areas with its focus on provision of emergency food, health and shelter to vulnerable individuals. In partnership with other donors, USAID has contributed to the stabilization of the crisis confronting these vulnerable groups, permitting many to enjoy improved standards of living. The challenge now is to help the vulnerable population become more self-reliant by further improving their economic and social conditions.

4. Results Framework

A. Causal Linkages

The Results Framework appears at the end of this section. **SO 3.1 Reduced Human Suffering in Conflict-Affected Areas**, will be achieved when IDPs and other segments of the population made vulnerable by conflict enjoy adequate caloric intake, reduced morbidity and mortality, and a decline in poverty incidence.

One intermediate result and three sub-intermediate results are required to achieve Strategic Objective 3.1:

IR 3.1.1 Vulnerable Communities Better Able to Meet Their Own Needs

This IR will signify improved self-reliance in the provision of livelihoods both through micro-credit and income generation, and through social and community services, such as health. USAID will measure progress by tracking the number of direct beneficiaries of activities by gender, and the number of micro-projects completed by community organizations. Also, the value and percentage of external contributions to these projects will be monitored.

Achievement of IR 3.1.1, requires that three lower level sub-results be met. **IR 3.1.1.1 Increased Access to Economic Opportunities and Support Services** is necessary for vulnerable communities to take greater control of their livelihoods. The result will be

achieved from income generating opportunities such as microenterprises development. Vulnerable populations also require access to the skills that will be necessary to support those income-generating opportunities. Progress will be monitored by the number of jobs created, number of loans used for income-generating purposes and the number of individuals receiving support services. **IR 3.1.1.2 Communities Organized to Address Self-Defined Needs**, requires the identification of business development opportunities, and access to social and community services such as housing and infrastructure improvements, water and sanitation, and primary health services. Change will be tracked by the number of community groups organized and their ability to mobilize community resources. **IR 3.1.1.3 Communities Have Access to Better Quality Services**, will result in the improvement of the quality of social and economic services sought by communities, including primary health care, community services, and economic infrastructure. USAID-assisted training and capacity building activities will help achieve this sub-result. It will be measured by tracking: (a) the number of health, social and economic service providers who receive training or technical assistance; (b) the percentage of health providers applying their training; (c) the utilization rate of health facilities; and (d) the number and percentage of health facilities meeting selected WHO standards.

B. Critical Assumptions

- Regardless of the outcome of current negotiations towards a peace agreement on Nagorno-Karabakh, internally displaced persons and other vulnerable segments of the population in conflict-affected areas will continue to be vulnerable to higher rates of poverty and disease.
- While there may be some efforts on the part of the government to resettle IDPs to their former homes, the scale of any such resettlement in those areas will not mitigate the human suffering experienced by the poor and very poor households in conflict-affected areas.
- There will be no change in the Government of Azerbaijan's policy of seeking socio-economic integration of IDPs into the mainstream of society. For most of the IDPs this will mean integration where they are now living. This assumption supports USAID's proposed focus on enhancing the ability of IDPs and other vulnerable segments of the population to earn livelihoods through skills and enterprise development and to organize to solve their own problems.
- Section 907 of the FREEDOM Support Act will not significantly impede the attainment of this Strategic Objective, but will continue to restrict and limit certain program activities, thereby reducing sustainability.
- Capacity to respond to urgent humanitarian crises will be maintained. A flexible mechanism for emergency response exists, which is also an effective mechanism for implementing a significant portion of this transitional strategy.

5. Program Approaches

IR 3.1.1: USAID will focus on assisting communities to better meet their own needs. Community development activities likely will concentrate on increasing the provision of and access to economic opportunities, and social and community services such as water and sanitation, and primary health care, as identified by each assisted community. Improvements in the quality of social and economic services required by communities will result from USAID-assisted training and capacity-building activities, particularly in the areas of primary health care, maternal and child health, and reproductive health. Health partnerships will be an important vehicle for implementing these activities, particularly in Baku. Also, the AHAP umbrella comprised of NGOs, and UNICEF will carry out USAID-assisted health activities. Broad-based multi-sectoral community organizations will link economic opportunity activities and institution building with civil society (SO 2.1) and enterprise development (SO 1.3).

6. Development Partners

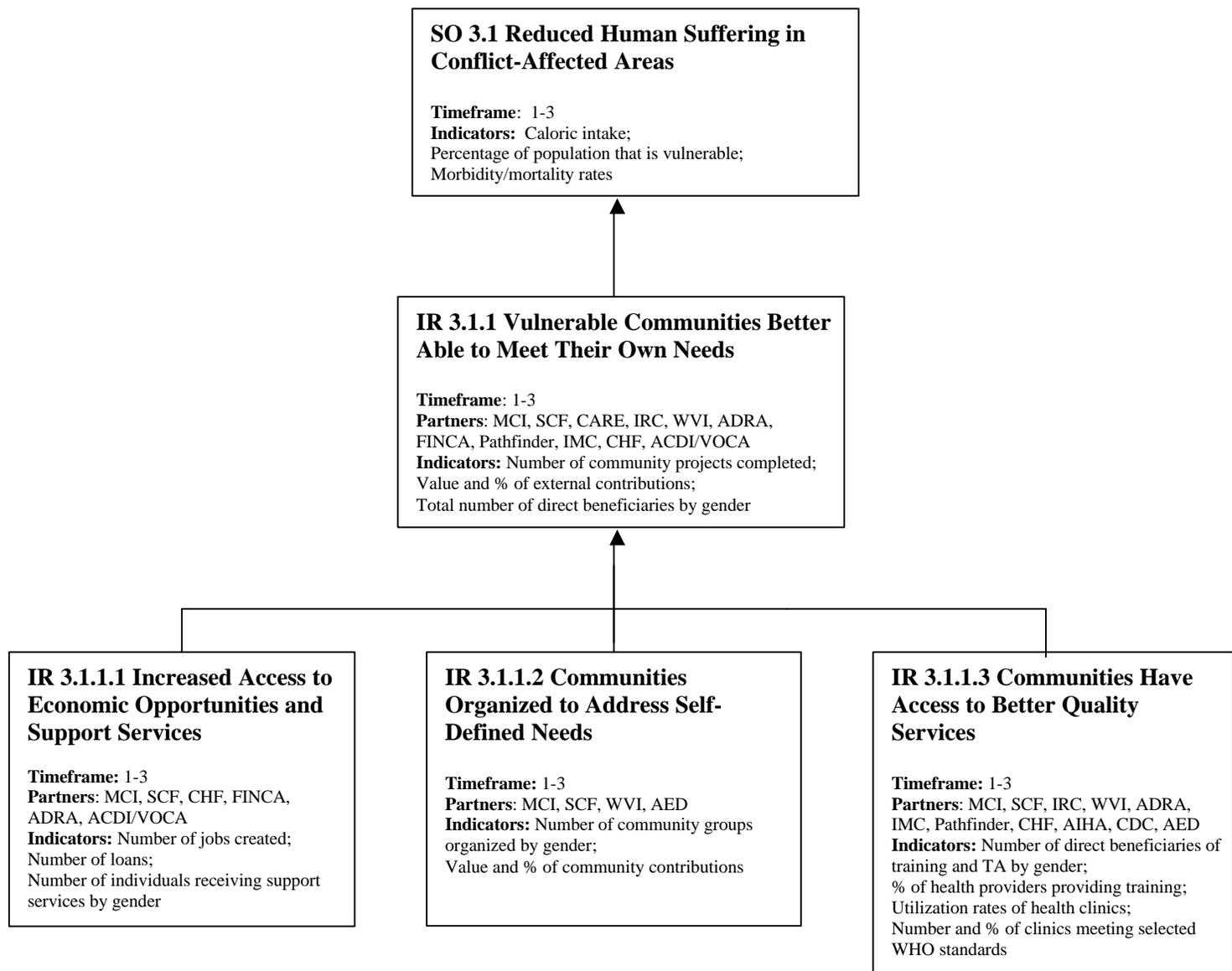
Several other foreign donors have funded humanitarian relief programs that have made a critical difference in the lives of IDPs. Major donors include The Netherlands, Germany, Britain, Turkey, Norway, Sweden, the European Community Humanitarian Organization (ECHO), and a number of United Nations agencies. These donors have channeled their aid through bilateral arrangements directly to PVOs and to UN agencies such as WFP, UNHCR and UNICEF. Some assistance goes through government agencies. ECHO has been a significant donor to Azerbaijan relief efforts, but recently announced its intention to gradually phase-out future support.

Within the U.S. Government, State/PRM provides significant support to international organizations, especially to UNHCR, ICRC, and IFRC, as well as administering its new program of direct grants to IDPs. USDA, through Title I of PL 480, provides significant food resources to ADRA for direct distribution to vulnerable beneficiaries in Nakhichivan and other regions of Azerbaijan. Since the approval of the WFP Protracted Relief and Rehabilitation Program (PRRO), WFP receives a portion of the annual USAID/BHR Food-for-Peace worldwide WFP contribution. State/NIS/C and the U.S. Department of Defense contribute excess medical equipment and other humanitarian commodities, as well as transportation funding for NGOs.

7. Sustainability

The Mission's priority is to focus on capacity building within communities so that they can become more self-sufficient. Through the process of successfully implementing their own micro-projects, in part with their own resources, communities will become more adept at identifying and institutionalizing such resource mobilization. During this intervening period, the approach presented in achieving SO 3.1 also will support activities of the other SOs by laying the foundation for development action and through encouraging the participation of

citizens in local activities designed to identify and address local needs. As broader economic and democratic reforms become more securely established and yield results, there will be a diminishing need for SO 3.1. By the end of this three-year strategy, however, it is not envisaged that vulnerable communities will be sufficiently self-reliant to obviate the need for further economic assistance.



Strategic Objective 4.2: Cross-Cutting Programs: Training and Small Grants Program

1. Introduction

The Azerbaijan Mission's cross-cutting program is comprised of two components directly involved with bolstering implementation of the Strategy. They are: (1) training and (2) small grants assistance to selected local organizations. These activities complement needs and fill implementation requirements in support of the three Strategic Objectives in this plan. Both programs are expected to make demonstrable contributions toward achievement of the strategy. Currently, the training and small grants programs are being carried out by two U. S. PVOs. Training supports all SOs across the entire country program, and the small grants assistance to private sector and civil society groups is an ideal fit as the strategy initiates a more concentrated focus in these developmental areas. Since both PVOs have been working throughout the Caucasus, their experience and perspectives have demonstrated the value of these programs in helping to achieve the results sought in this strategy.

2. Training

The purpose of the participant training program is to support each of the Strategic Objectives, as necessary, to achieve their respective results. As the USAID program works only to a limited extent directly with the Azerbaijan Government, training and education will play a pivotal role in supplementing technical assistance activities to build capacity and equip private sector leaders and professionals with the skills and knowledge needed to guide transition to a free market economy and democratic government.

Training has an especially important role for achievement of results in this strategic plan, because of the relatively diminished association with government compared with the intensive efforts in people-oriented, community and locally-based approaches in all Strategic Objectives. The dearth of viable indigenous local institutions will require assiduous efforts in training as a foundation for sustainable economic growth and truly democratic processes.

USAID supports a regional participant training program in the Caucasus through the U. S. PVO, the Academy for Educational Development (AED), which set up a field office in Azerbaijan in 1997. Participant training programs have been carried out in the United States and third countries, as well as through in-country training activities. As citizens of a former Soviet Republic, even the most educated populace in Azerbaijan lacks many of the skills, attitudes and knowledge on which democracy and free market economies are based. Examples of such gaps are the role prices and markets play in market

systems, sound private business management practices, and the rights and responsibilities of individual citizens or groups in a democracy.

3. Small Grants Program

A cross-cutting small grants program will be implemented by a non-profit, grant making organization that provides financial support to local organizations for programs promoting economic and democratic reform in Azerbaijan. Currently, this function is being carried out by a U.S. NGO, the Eurasia Foundation, which has carried out a successful program in Azerbaijan since 1995.

As the Mission's strategy shifts from a humanitarian assistance program, concentrated on crisis interventions, to a more development-oriented focus, the small grants program will serve as a valuable component for fostering private sector association-building and development of local civil society and public advocacy organizations. The small grants implementing PVOs activities will be especially supportive of SOs 1.3 and 2.1.

This activity is expected to concentrate on specific geographic sites and organizations that directly impact on achievement of SO results. Illustrative areas of activity key to the reform process are: business development; business education; management training; NGO advocacy; NGO development; rule-of-law; media; and electronic communications. In supporting these topical areas the small grants program will bring synergistic benefits among the Mission's Strategic Objectives.

Through its "Synergy Program," Eurasia also plays a unique role in the region in confidence-building and conflict reduction. The Synergy Program's objective is to build bi-lateral and tri-lateral relationships among the South Caucasus countries through linking like-minded economic, civil society and advocacy NGOs from Azerbaijan, Armenia and Georgia. In May 1998, the Eurasia Foundation Caucasus initiated the Synergy Program to foster cooperation among the Foundation's grant-recipient organizations. The program encourages the development and implementation of collaborative projects, each involving organizations from at least two, and preferably all three, South Caucasus countries. Cross-border projects are intended to produce concrete reform-oriented products and thereby accelerate the transition to democracy and market economy.

APPENDIX A: SECTION 907

EXCERPTS FROM THE UNITED STATES FREEDOM SUPPORT ACT

Section 907: Restriction on Assistance to Azerbaijan

United States assistance under this or any other Act (other than assistance under Title V of this Act) may not be provided to the Government of Azerbaijan until the President determines, and so reports to the Congress, that the Government of Azerbaijan is taking demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh.

[Note: Title V of the Act relates to non-proliferation and disarmament programs and activities.]

FY 2000 Act (Identical to FY 1999)

- (e) Section 907 of the FREEDOM Support Act shall not apply to—
- (1) activities to support democracy [*“support to strengthen political institutions”*] or assistance under Title V of the FREEDOM Support Act [*nonproliferation*] and Section 1424 of Public Law 104-201 [*DoD/Customs assistance for international border security*];
 - (2) any assistance provided by the Trade and Development Agency under Section 661 of the Foreign Assistance Act of 1961 (22 U.S.C. 2421);
 - (3) any activity carried out by a member of the United States and Foreign Commercial Service while within his or her official capacity;
 - (4) any insurance, reinsurance, guarantee, or other assistance provided by the Overseas Private Investment Corporation under Title IV of Chapter 2 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2191 et seq.);
 - (5) any financing provided under the Export-Import Bank Act of 1945; or
 - (6) humanitarian assistance.

FY 1999 Act

- (f) Section 907 of the FREEDOM Support Act shall not apply to—
- (1) activities to support democracy [*“support to strengthen political institutions”*] or assistance under Title V of the FREEDOM Support Act [*non-proliferation*] and Section 1424 of Public Law 104-201 [*DoD/Customs assistance for international border security*];
 - (2) any assistance provided by the Trade and Development Agency under Section 661 of the Foreign Assistance Act of 1961 (22 U.S.C. 2421);
 - (3) any activity carried out by a member of the United States and Foreign Commercial Service while acting within his or her official capacity;
 - (4) any insurance, reinsurance, guarantee, or other assistance provided by the

- Overseas Private Investment Corporation under Title IV of Chapter 2 of Part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2191 et seq.)
- (5) any financing provided under the Export-Import Bank Act of 1945; or
 - (6) humanitarian assistance.
-

FY 1998 Act

(m) Funds provided under the previous subsection shall be made available for humanitarian assistance for refugees, displaced persons, and needy civilians affected by the conflicts in the Southern Caucasus region, including those in the vicinity of Abkhazia and Nagorno-Karabakh, any other provision of this or any other Act.

(n) Funds made available under this Act or any other Act may not be provided for assistance to the Government of Azerbaijan until the President determines, and so reports to the Congress, that the Government of Azerbaijan is taking demonstrable steps to cease all blockades against Armenia and Nagorno-Karabakh: Provided, That the restriction of this subsection and Section 907 of the FREEDOM Support Act shall not apply to—

- (1) activities to support democracy or assistance under Title V of the FREEDOM Support Act and Section 1424 of Public Law 104 201;
 - (2) any assistance provided by the Trade and Development under Section 661 of the Foreign Assistance Act of 1961 (22 U.S.C. 2421); and
 - (3) any activity carried out by a member of the United States and Foreign Commercial Service while acting within his or her official capacity.
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FY 1997 Act

No special language, but a conference report clarified NGO implementation.

FY 1996 Act

(w) Notwithstanding any other provision of law, assistance may be provided for the Government of Azerbaijan for humanitarian purposes, if the President determines that humanitarian assistance provided in Azerbaijan through non-governmental organizations is not adequately addressing the suffering of refugees and internally displaced persons.

FY 1995 Act

No special language.

FY 1994 Act

No special language.

FY 1993 Act

No special language.

APPENDIX B: PERFORMANCE ASSESSMENT

Baseline, Targets, and Actual Results

SO 1.3: ACCELERATED GROWTH AND DEVELOPMENT OF PRIVATE SMALL AND MEDIUM ENTERPRISES IN TARGETED AREAS

Legend: S – Shorebank; AV – ACDI/Voca; C – CDC; EF – Eurasia Foundation											
SO/IR	Result Statement	Indicator	Indicator Definition and Unit of Measurement	Baseline Data		Targets and Actual Results					
				YEAR	VALUE	2001		2002		2003	
						Target	Actual	Target	Actual	Target	Actual
SO 1.3	Accelerated growth and development of private, small, and medium enterprises in targeted areas	Revenue of assisted enterprises by target area	Definition: Dollars per year . Area 1 (Masally) Area 2 (Guba), 3 (Baku), 4 (Sheki)	99S 98/99A	1. 2. 3. 26,250 4.120 0	180 TBD		200 TBD		300 TBD	
		Revenue attributable to USAID assistance by target area	Definition: Dollars per year. Area 1, 2, 3,4 Unit: Dollars		1. 2. 3. 4.						
IR 1.3.1	Increased access to production inputs	Sales volume of: (a) fertilizers	Unit: Tons	98/99 AV	3	5		7		10	
		Sales volume of: (b) improved seeds	Unit: Kilograms	98/99 AV	300	500		1000		2000	
		Number of enterprises purchasing inputs	Unit: Number	98/99 AV	30	50		70		100	
IR 1.3.2	Increased access to credit	Total value of loans by target area and gender (targets are total amount; actual data are M/F)	Definition: 1 M/F, 2 M/F, 3M/F, 4 M/F Unit : Dollars (000)	99S 98/99	1. 2. 3. 969/131 4.	1,000		1,000		1,000	
		Number of loans by target area and gender (targets are total amount; actual data are M/F)	Definition: Number per year for areas 1 M/F, 2 M/F, 3 M/F, 4 M/F.	99S 98/99	1. 2. 3. 23/3 4. 0	250		250		250	
IR 1.3.3	Increased market responsiveness of enterprises	Product/service differentiation	Unit: Number of products or	98/99 AV 99 C	6 0	8 6		10 12		12 TBD	
		Number of markets	Unit: Number	98/99 AV	5 0	6 4		8 8		9 TBD	

Legend: S – Shorebank; AV – ACDI/Voca; C – CDC; EF – Eurasia Foundation

SO/IR	Result Statement	Indicator	Indicator Definition and Unit of Measurement	Baseline Data		Targets and Actual Results					
						2001		2002		2003	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual
		Number of nontraditional products	Unit: Number	98/99 AV	3	4		6		7	
IR 1.3.3.1	Improved enterprise business, technical and marketing skills	Number of enterprises that apply training skills	Definition: Skills defined by partners	98/99 AV 99 E	30 150 0	35 300 20		40 TBD 35		45 TBD TBD	
IR 1.3.3.2	Increased adoption of grades and standards	Number of products/services for which grades and standards are established	Unit: Number	98/99 AV	3 0	20 5		25 10		31 TBD	
		Sales of products/services meeting grades and standards	Unit: Dollars	98/99 AV	0 0	100 TBD		150 TBD		248 TBD	
IR 1.3.3.3	Improved access to market information	Share of market price received by farmer	Definition: Ratio of farm gate to retail price for selected products	98/99 AV	60	65		70		75	
IR1.3.4	Private membership associations organized	Number of associations providing services whose revenues cover operating expenses	Unit: Number	98/99 AV 98 EF	0 2 0	2 7 2		3 TBD 4		4 TBD TBD	
		Membership	Unit: Number	98/99 AV 98 EF 99 E	0 81 0 0	40 200 TBD		60 TBD TBD		120 TBD	

APPENDIX B: PERFORMANCE ASSESSMENT

Baseline, Targets, and Actual Results

SO 2.1 – CIVIL SOCIETY BETTER ORGANIZED AND REPRESENTED

Legend: EF – Eurasia Foundation; ISAR – Initiative for Social Action and Renewal

SO/IR	Result Statement	Indicator	Indicator definition and unit of measurement	Baseline Data		Target and Actual Results					
				YEAR	VALUE	2001		2002		2003	
						Target	Actual	Target	Actual	Target	Actual
SO 2.1	Civil society better organized and represented	Percentage of target population aware of at least one issue	Definition: Denominator is the sum of populations targeted by USAID-assisted organizations. Numerator is sum across all target populations of individuals aware of at least one issue addressed by assisted organizations Unit: Percentage								

Legend: EF – Eurasia Foundation; ISAR – Initiative for Social Action and Renewal

SO/IR	Result Statement	Indicator	Indicator definition and unit of measurement	Baseline Data		Target and Actual Results					
						2001		2002		2003	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual
IR 2.1.1	Issue-based formal and informal associations/advocacy groups organized and active	Number of organizations conducting 5 or more advocacy/awareness/outreach activities during the year	Definitions: Formal associations are registered with the government and include political parties and professional associations. Informal associations are not registered. Includes businesses organized for advocacy and consumer unions. Advocacy/ outreach activities: media event, public event, media product	2000	5 (EF)	10 (EF)		TBD (EF)		TBD (EF)	
IR 2.1.1.1	Improved capacity for public outreach, awareness, and advocacy	Number of people trained in outreach/awareness/ advocacy skills	Participants receive training in package of public outreach and advocacy skills Unit: Number	1996-1999	60 (ISAR)						
IR 2.1.1.2	Improved organizational management	Number people trained in organizational management	Definition: Participants receive training in package of organizational development and management skills. Unit: Number	1996-1999	470 (ISAR, cumulative)	860 (ISAR, cumulative)					
IR 2.1.2	Legal, policy and political advocacy environment supports civil society and media development	Change in State Department Human Rights Report Assessment (+/0/-0)	0 = same Definition: Assessment reports trends in media harassment, freedom of association, and due process. Unit: +/-/-- + = improved -- = worse								
		Number of private lawyers	Definition: Private lawyers are those who are not members of the Collegium Unit: Number	1999	40						
		Number of private law firms	Definition: as above	1999	5						

Legend: EF – Eurasia Foundation; ISAR – Initiative for Social Action and Renewal

SO/IR	Result Statement	Indicator	Indicator definition and unit of measurement	Baseline Data		Target and Actual Results						
						2001		2002		2003		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	
			Unit: Number									
IR 2.1.2.1	Increased professionalism of civil/human rights lawyers and judges	Number trained in and adopting code of ethics	Unit: Number									
		Number of accessible law libraries created	Definitions: Accessible law libraries enable lawyers and judges to have access to legal provisions. Unit: Number									
IR 2.1.2.2	Adoption and implementation of key laws and policies in accordance with international standards	Number of target laws/ amendments passed	Definition: Laws include Law on NGOs, Media Law, Law on the Bar, Law on Courts, Civil Code. International standard will be on file at USAID for each law	1999	0							
		ABA quality rating	Definition: ABA assessment of quality of legislation under review/passed/ adopted Unit: Number on scale 1= low, 10=high									
		Target laws and policies maintained	Definition: Not rescinded Unit: Yes/No									
IR 2.1.2.3	Increased public awareness of legal, policy and political advocacy framework	Number of advocacy/ outreach events	Definition: Events are media event, political event, public event, media product exposure Unit: Number	1999	150 (EF)	300 (EF)		TBD (EF)		TBD (EF)		
IR 2.1.3	Increased access to objective/varied information	Number of people reached by non-	Definition: Independent stations are those that are not state-run	1999								

Legend: EF – Eurasia Foundation; ISAR – Initiative for Social Action and Renewal

SO/IR	Result Statement	Indicator	Indicator definition and unit of measurement	Baseline Data		Target and Actual Results						
				YEAR	VALUE	2001		2002		2003		
						Target	Actual	Target	Actual	Target	Actual	
		government television stations that broadcast news	Unit: Number									
		PAO/Internews rating of media objectivity	Definition: Objectivity score of non-government television stations Unit: 1=low, 10=high									
IR 2.1.3.1	Increased professionalism of media	Number of media professionals trained	Definition: Unit: Number	1999	250 (EF)	250 (EF)		TBD (EF)		TBD (EF)		
		USIS/Internews rating of media professionalism	Definition: Professionalism score Unit: 1=low, 10=high									
IR 2.1.3.2	Increased regional media linkages	Number of electronic and in-person regional exchanges	Definition: Regional defined as the Caucasus region Unit: Number	1999	3 (EF)	3 (EF)		TBD (EF)		TBD (EF)		

APPENDIX B: PERFORMANCE ASSESSMENT
SO 3.1: REDUCED HUMAN SUFFERING IN CONFLICT-AFFECTED AREAS
Baseline, Targets, and Actual Results

Legend: CD – Community Development, E – Economic Opportunity, H - Health

SO/IR	Result Statement	Indicator	INDICATOR DEFINITION AND UNIT OF MEASURE	BASELINE DATA		Targets and actual results					
				DATA		2001		2002		2003	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual
SO 3.1	Reduced human suffering in conflict-affected areas	Caloric intake	Avg. amnt. from survey Unit: # calories	2000		TBD		TBD		TBD	
		Morbidity/ Mortality rates	Definition: (a) Mortality rate (b) Infant mortality	1999	a) 5.9 b) 16.6	a) 4.5 b) 13.0		a) 4.0 b) 12.0		a) 3.8 b) 10	
		Percentage of population that is vulnerable	Percent of population in poverty in designated area Unit: Percentage	1995	70%	65%		63%		60%	
IR 3.1.1	Vulnerable communities better able to meet their own needs	Number of beneficiaries of projects by gender	Unit: #	1999	CD 35,325 E 8,833 H 192,000	CD 40,000 E 10,800 H 273,000		TBD		TBD	
		Number of community projects completed	Unit: #	1999	56	177		TBD		TBD	

Legend:											
SO/IR	Result Statement	Indicator	INDICATOR DEFINITION* AND UNIT OF MEASURE	BASELINE DATA		Targets and actual results					
				YEAR	VALUE	2001		2002		2003	
						Target	Actual	Target	Actual	Target	Actual
IR 3.1.1	Vulnerable communities better able to meet their own needs	Value and % of external contributions	Financial contribution from outside sources Unit: Dollar value and percentage	2000	TBD	TBD		TBD		TBD	
IR 3.1.1.1	Increased access to economic opportunities and support services	Number of income-generating loans by gender	Loans invested in revenue generating activity. Unit: # Female & # Male	1999	2,400	5,120		3,850		TBD	
		Number of jobs created	Unit: Number	1999	4,129	4,500		TBD		TBD	
		Number of direct beneficiaries by gender	Unit: # Male & # Female	1999	8,833	14,500		15,000		TBD	

Legend:											
SO/IR	Result Statement	Indicator	INDICATOR DEFINITION AND UNIT OF MEASURE	BASELINE DATA		Targets and actual results					
				YEAR	VALUE	2001		2002		2003	
						Target	Actual	Target	Actual	Target	Actual
IR 3.1.1.2	Communities organized to address self-defined	No. of community groups organized	Vulnerable communities create local organizations Unit: Number	1999	56	460		450		TBD	
		Value and percent of community contribution	Cash and in-kind services contributed for communal goods Unit: Dollar value & percent of total	1999	\$123,131 42%	\$260,000 25%		\$260,000 25%		TBD	
IR 3.1.1.3	Communities have access to better quality services	Number of beneficiaries of TA & training by gender	Health and social services delivered to vulnerable communities Unit: # Female & # Male	1999	100,000	82,500		82,500		TBD	
		Percent of health providers providing training	Outreach training to local health care workers by health providers Unit: Percent	2000	TBD	TBD		TBD		TBD	
		Utilization rates of health clinics	Larger share of community population use facilities Unit: # facilities/# patients per month	1999 # Clinics # patients/month	128 49,884	TBD		TBD		TBD	
		Number & % of clinics meeting WHO standards	A measurement of improved health care availability	2000	TBD	60		50		TBD	