



**USAID**  
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**Private Sector Competitiveness  
Enhancement Program**



# **FY 2009 FOURTH QUARTER REPORT**

**JULY - SEPTEMBER 2009**

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# CONTENTS

<b>Executive Summary</b> .....	<b>1</b>
<b>I. Activities and Accomplishments in Fiscal Year 2009, Quarter 4</b> .....	<b>5</b>
A. Administrative Activities .....	5
A1. Data Base .....	5
A2. Proposed Changes in Key Personnel.....	5
A3. Office Space.....	5
B. Program Activities .....	6
B1. Sector Support .....	6
B1a. Access to Finance .....	6
B1b. Agribusiness (Fruit and Vegetables).....	9
B1c. ICT .....	12
B1d. Poultry .....	13
B1f. Dairy .....	17
B2. Competitiveness Innovation Grant Fund (CIGF) .....	17
B3. PSCEP GDA Work.....	18
B4. Other PSCEP Supported Activities .....	19
C. Progress against Program Components.....	20
<b>II. Activities Scheduled for Fiscal Year 2010, Quarter 1</b> .....	<b>25</b>
A. Administrative/Management Activities .....	25
B. Program Activities .....	25
B1. Sector Level Activities .....	25
B2. Grant Fund and GDAs.....	27
<b>III. Financial Reporting</b> .....	<b>28</b>
<b>IV. Issues</b> .....	<b>29</b>
A. Administrative Issues .....	29
B. Programmatic Issues .....	29
<b>ANNEX A: PSCEP Client Company List – by Region, September 2009</b> .....	<b>31</b>
A1. Ganja Client List .....	31
A2. Guba Client List .....	34
A3. Sheki Client List .....	36
A4. Jalilabad Client List.....	38
A5. Lankaran Client List .....	42
A6. VCS Clients - Poultry Companies .....	44
<b>ANNEX B: List of Loans disbursed under PSCEP’s SME/Debt Financing Component –August-October, 2009</b> .....	<b>45</b>

# PRIVATE SECTOR COMPETITIVENESS ENHANCEMENT PROGRAM

## Quarterly Report

FY 2009 Quarter Four (July - September 2009)

### EXECUTIVE SUMMARY

USAID launched the Private Sector Competitiveness Enhancement Program (PSCEP) in October, 2008. As we complete our first year of operations, we note continued progress in delivering concrete results in enhancing investments, jobs, and increased sales to non-oil enterprises in Azerbaijan. While continued challenges lay ahead, the program is making transformational changes in key sectors and subsectors such as poultry, fruits and vegetables, cold storage, dairy, aquaculture, information communications technology (ICT) and finance as detailed below:

- Access to Finance:
  - *Debt:* This quarter, PSCEP's Finance Specialist (FVCS) and trade finance specialist Richard Currie worked with our 6 partner banks to enhance their capacity in providing Short-Term Working Capital Finance (STWCF). To institutionalize STWCF best practices, PSCEP is helping to establish STWCF divisions at each bank, including designing document/templates for the banks. Mr. Currie will return to Baku in October to work directly with loan officers on actual loan requests and to introduce new SME-lending products: Purchase Order Financing, inventory financing, documentary credit (Letter of Credit), and other short-term capital instruments.

To increase SME lending, PSCEP also devised an "Initial Loan Application Form," to be filled out by PSCEP and BDS client companies seeking financing. As a result, it now takes only three business days for the banks to review and provide feedback on credit applications versus the several weeks it used to take. The result has been that to date, 33 companies, with PSCEP assistance have received financing in the amount of 3,725,260 AZN (US\$ 4, 656,575) from the banks. (See Annex B for details).

- *Equity:* In August and September, PSCEP provided CIIC and AIC with the services of investment banking specialist, Ms. Nicole Reynolds, to assist them on valuation and structuring of actual transactions, including the review of discounted cash flow and multiple of earnings models. Ms. Reynolds also provided preliminary guidance on monitoring and governance practices for both funds, i.e., their management and oversight of companies in which they invest.

Assistance to CIIC and AIC is beginning to show results: with PSCEP's assistance, CIIC made a combined \$8 million investment (\$6.8 million from CIIC and approximately \$1.2 from the company) in NAA Universal in Ganja. CIIC is also performing due diligence on a \$5 million investment in Samukh Broiler (a PSCEP client firm), and in the final stages of due diligence with AIC on a \$2 million investment in AgroYurd greenhouses in Absheron.

- Fruits & Vegetables:
  - *Cold Storage:* PSCEP is working with BDS provider, the Guba Marketing Center (GMC), to facilitate the establishment of a cold storage association among three cold

storage companies—UN Agro, Bakuba, and Rasif Mammadov, and one fruit producer Mammadsı Mammadov. The companies are interested in establishing a laboratory to check the quality of fruits to be stored to optimize storage practices, as well as to gain the benefits of cooperation for market entry. In August, PSCEP consultant Dr. Gleyn Bledsoe also provided training on Post Harvest Techniques and components of pack houses for 11 representatives (management and technicians) of 8 cold storage service providers in the Ganja region. This is the first in a set of technical assistance and trainings on a range of cold storage topics targeted to strengthen the cold storage value chain.

- *Greenhouses*: PSCEP with support from regional BDS providers is working with greenhouses in Ganja and Zagatala to secure financing of 100,000 and 300,000 AZN respectively, for fertilizer imports and to expand current facilities. LBC, PSCEP’s BDS provider in Lankaran also worked with Cihazgayirma greenhouse to arrange a purchase of greenhouse structures from Israel—an investment of 1.2 million AZN, as well as to work with Cenub Agro to modernize their heating system—an investment of 450,000 AZN.
- *Food Safety*: Food safety and the dearth of appropriate quality standards is a major constraint of the agro-industrial sector in Azerbaijan. In July, PSCEP continued cooperation with the State Agrarian University in Ganja on cold chain related activities by providing a 2 hr. training session for 22 students and 3 faculty members by PSCEP STTAs, Drs. Gleyn Bledsoe and Barbara Rasco on "Post Harvest Technology and Packaging Techniques" and "Food Safety." In August, PSCEP organized a HACCP certification and Food Protection/hygiene training for three industry leaders in the North-Western region: Balacans juice processor, OON hazelnut processing, and Azertejhizat, greenhouse. This training is a necessary pre-requisite for these companies to apply for HACCP certification and prepares them to begin the certification process.
- ICT: Because ICT is a critical area of PSCEP intervention to promote innovation in all sectors of the Azerbaijani economy—and which will transform the way business is done in the country—initial GDA efforts will be focused in this area (see below). In addition, PSCEP worked with BestComp to secure an additional 600,000 AZN financing to expand the *People’s PC Project*. The program, which has already helped to provide 3500 teachers even in the most remote corners of Azerbaijan with affordable computers, allows the teachers to pay by installment over a 12-month interest free period. It is deemed as an important step to bringing greater computer and IT literacy to Azerbaijan, which the World Bank and the Government of Azerbaijan consider essential for overall competitiveness. Although repayment rates exceed 98 percent, the financing gap created by these credit terms restricts BestComp from expanding the program to meet the demand; however by assisting the BestComp and two partner banks to facilitate account’s receivable financing, the additional financing will allow BestComp to initiate phase II of the program in the coming months.
- Poultry: On July 14-15, PSCEP in collaboration with Azerbaijan Poultry Association and feed mill manufacturing company ASENSA Co., and feed premixes manufacturer AVC BAYFAB conducted the “Third International Conference on Modern Feed Production and Feeding Methods.” An important step in providing greater visibility and recognition for the Azerbaijan Poultry Association, the conference hosted about 65 participants including company representatives from the CIS countries: Moldova, Russia, Georgia and Kazakhstan, as well as approximately 20 current and potential PSCEP client companies

from aquaculture, poultry and dairy sectors participated in the conference. Poultry expert Tom Fattori in July and August, provided technical assistance to Davachi Broiler and OZ-AK on a transition plan for the only major hatchery operation in the country. PSCEP has also worked intensively with CIIC and AIC on a number of poultry investments including Samukh Broiler, Davachi Broiler, and others described in the access to finance section.

- Aquaculture: September 10-11, 2009, PSCEP hosted a major aquaculture conference in Sheki, addressing key technical and business issues including spawning and rearing of carp, bio-security in freshwater aquaculture, hatching trout eggs, fish feed formulation, and sturgeon farming related to aquaculture. The conference attracted approximately 30 stakeholders from across Azerbaijan. Based on the conference, PSCEP is now assisting approximately six farmers on consolidated order for fertilized trout egg purchases from Troutlodge, a self-financed presenter at the conference. PSCEP has also been working to develop an aquaculture association of over 16 fish farmers in the Sheki, Zagatala, Gax and Balacan region—PSCEP organized meetings in June and July and with the assistance of the BIC, the BDS provider in Sheki, the formalization of the association is in progress. The group in Zagatala is also developing a grant proposal to create an association based hatchery to source fingerlings for the farms in the north-eastern region. Firm level assistance aimed to address sector concerns and to serve as demonstrations for other enterprises continued at Agroline in Guba and Girkhbulag in Sheki especially with the help of David Nastley.
- Dairy: The major constraint facing the dairy sector in Azerbaijan is the quality and quantity of raw milk received by processors from the hundreds of small farmers supplying their collection centers. PSCEP is focusing on this constraint, and working with two key large producers—Pal Sud and Belasuvar Agro in the south. In August, PSCEP fielded dairy expert Charles O'Connor to provide technical assistance to improve the quality of milk powder produced by Bilasuvar as well as to work with the BDS provider in Lankaran on an action plan for Pal Sud. LBC has been working with Palsud's five collection centers: Mahmudavar, Sharafa, Boradigah, Boladi and Chakhrlly to provide farmers with assistance on practices of cattle feeding, disease control, hygiene, milk storage and sanitary regulations, quality control and cattle genetics; efforts which have significantly increased the yields and quality of milk registered at the collection centers.
- Grants & GDAs: While the grant process has been delayed, pending coordination with the Global Development Alliance (GDA) strategy and agreement from the MOED to participate on the grant selection committee, PSCEP expects to issue the first ICGF grant for ICT innovations early in Q1 2010. Furthermore, PSCEP subcontractor, Dan O'Brien prepared the ICT GDA Strategy in June and July, identifying four potential GDAs in ICT: CISCO Networking Academy, Azercell Innovation Center, PC Software Piracy Alliance and Ministry of Education ICT Innovation Center Alliance described below. Following the ICT GDA's, the program will continue to explore joint ventures, partnerships, and other GDA ideas in other areas such as fruits and vegetables, cold chain and logistics, and agricultural processing.
- Other Activities: PSCEP also assisted the US Embassy to organize a visit to Ganja for a delegation of nine professors from the Oklahoma State University and Nobel Foundation led by the MAJ Iverson, Bilateral Affaires Officer. In addition to visiting PSCEP companies in Ganja, the professors provided presentations to the university professors and students on topics such as the Global Food Crisis and Food Safety; the delegation also met with the university rector and deans to discuss ways to deepen collaboration between the two institutions.

Progress against contract indicators are listed in Section III and a list of client companies is attached in Annex A.

The first quarter of FY2010 will see changes in key personnel as Chief of Party Dan Cruz-De Paula departs and Harvey Schartup, following approval by USAID, will arrive in late-November to take charge of year two activities. Deputy Chief of Party, Matt Weber is also currently scheduled to leave the project in Q1 FY10. In addition, PSCEP is actively recruiting to fill vacancies for two value chain specialist to begin work in the first quarter of 2010.

## **I. ACTIVITIES AND ACCOMPLISHMENTS IN FISCAL YEAR 2009, QUARTER 4**

In this quarter of operation, PSCEP key activities included sector strategic direct support to enterprises in PSCEP's selected sectors and subsectors through the Business Development (BDS) providers throughout Azerbaijan, initiating key steps to establish associative relations and partnerships in selected value chains, and moving aggressively to enhance access to finance. The activities undertaken in the fourth quarter (July – September 2009) are detailed below.

### **A. ADMINISTRATIVE ACTIVITIES**

#### **A1. Data Base**

In September, PSCEP's Monitoring and Evaluation database was finalized and installed on project computers. To date the program had been tracking baseline and M&E issues on Excel spreadsheets. The system will allow PSCEP to track sales, jobs, and investments for the companies with which competitiveness plans are signed. The system will also contain meeting and trip notes for site visits and M&E verification of the statistics. The project's Value Change Specialists (VCS) are currently in the process of populating the site with company data. And M&E visits to the companies are ongoing to verify baseline and Q4 results.

#### **A2. Proposed Changes in Key Personnel**

PSCEP requested approval in September for changes in key personnel. Due to budget considerations, PSCEP had been considering, in conjunction with USAID, reducing the programmed duration of the Deputy Chief of Party (DCOP) position from March 2010 (as proposed in the Chemonics proposal budget to USAID) to September 2009. In September, the Chief of Party, Dan Cruz-DePaula, determined that for personal reasons he had to be closer to the United States and reluctantly resigned his position. The COP agreed to stay until early November to ensure the smoothest transition possible. Chemonics immediately began a search for a replacement COP and proposed a candidate to USAID by September 2009. USAID will interview the candidate in October. These two changes together present a major challenge for the program. Chemonics agreed on an extension of the DCOP's departure as one step to address the issue. Chemonics is committed to ensuring that the program continues the momentum generated in this past year with minimal interruption.

#### **A3. Office Space**

In July, Azergas cut off natural gas supplies to the PSCEP due to the safety regulation that offices located in residential buildings under residential apartments are not allowed to use natural gas. While this has been a regulation since 1996, it was not enforced by the local gas companies until recently. As the office will need to replace the heat source with electric heaters which will substantially increase the monthly office costs in the winter; PSCEP began to explore alternative office spaces which could better accommodate the staff and team of project consultants. However, as the year-2 work program has not yet been clarified; and as the budget conditions for the project are less than ideal; PSCEP had decided to postpone a possible office move until the issue could be discussed with the new USAID CTOR.

## **B. PROGRAM ACTIVITIES**

### **B1. Sector Support**

#### **B1a. Access to Finance**

##### ***B1a1. Debt/Commercial Bank Financing***

Under the Access to Finance Action Plan, PSCEP developed a roadmap to enhance SME financing by eliminating barriers and challenges particularly for short-term financing. An in-depth analysis of the current lending environment along with the banks' current loan products and services revealed that lending institutions are still not addressing the needs of companies for short-term working capital and longer-term credit. The critical constraints identified included:

- Impact of the global financial crisis on the Azerbaijani market.
  - Many international donors who were major supporters of SME lending temporarily suspended their SME financing facilities to the local banks.
  - Banks encountered a liquidity crisis as a result of the global financial crisis.
- Lack of long-term funding resources to finance SMEs.
- Weak to poor credit analytical skills in identifying creditworthy customers especially in this challenging economic environment. This is the primary reason why the banks adopted a very conservative approach to SME lending.

Taking into account the above factors, the PSCEP financial team designed a strategic plan to develop and promote SME financing by providing financial advisors and developing a detailed monthly implementation plan to the banks. It was determined banks have resources available for short-term financing and, after consultancy with PSCEP's advisors, each PSCEP partner bank (six banks) committed to allocate 5million AZN for SME financing.

- Capacity Building: In July, PSCEP's Finance Specialist (FVCS) and subcontractor trade finance specialist Richard Currie worked with our six partner banks to enhance Short-Term Working Capital Finance (STWCF) options and actually lending. After numerous discussions with senior management of the partner banks regarding their strategic plans, reviews of the banks' current policies and procedures, lending products, banking laws and other related legislation, as well as the overall legal environment, PSCEP made a number of critical adjustments that immediately addressed the realities of the lending environment in Azerbaijan. First, PSCEP decided to promote Purchase Order Financing and replace Accounts Receivable Financing (A/R) with Inventory Financing given the lack of legislation needed to facilitate A/R Financing, as well as the immediate financing needs of SMEs for Inventory Financing versus A/R Financing. Second, PSCEP decided to expand short-term working capital financing (STWCF) to incorporate SME lending, which provides for a more expansive approach to providing various loan products and services to meet the financing needs of SMEs. As a result, PSCEP agreed with the banks to establish STWCF divisions at each bank. PSCEP will develop document and templates related to the STWCF activities as part of this institutionalizing effort. Rick Currie will return to Baku in October to work directly with loan officers on actual loan requests and to introduce new SME-lending products: Purchase Order Financing, and other short-term capital instruments. These activities will continue through May 2010.

- **Leasing:** PSCEP considers equipment and facility leasing an essential instrument to enhance medium and longer term lending, especially in the agricultural and ICT sectors. A leasing expert, with extensive experience in the Caucasus region, will arrive in October to work with selected banks, leasing companies, and international agencies to promote an efficient and effective expansion of this financing mechanism.
- **Lending:** PSCEP works with both banks and leading sector and subsector companies to increase SME lending. PSCEP helped the banks to improve their lending expertise and standards according to “SME lending best practices” and at the same time work with PSCEP companies to prepare bankable documents and to link the firms with the appropriate financial institution. PSCEP technical staff provided training to our regional BDS providers and explained how to prepare and link SME customers with the banks. To accelerate the process, PSCEP’s financial team developed an “Initial Loan Application Form.” As a result, it now takes only three business days for the banks to review and provide feedback on credit applications versus the several weeks it used to take. To date, 33 companies and individuals have received financing from the banks with PSCEP assistance in the amount of 3,725,260 AZN from four banks. Annex B provides additional information about these clients and the positive impact of these loans on their business.

This activity will continue as the PSCEP team works on a number of new and innovative SME short-term financing products for Azerbaijan, leasing and institutionalizing SME-lending best practices in the banks.

### ***B1a2. Equity Financing***

**Capacity Building:** In August and September, PSCEP provided the services of investment banking specialist, Nicole Reynolds. Ms Reynolds worked with CIIC and AIC to (1) review the valuation and transactions structuring capabilities of both funds; (2) assist both funds in actual transactions, including the review of discounted cash flow and multiple of earnings models applied to ongoing planned investments; and (3) provide preliminary guidance on monitoring and governance practices for both funds, i.e., their management and oversight of companies in which they invest. Among the transactions reviewed by the consultant were:

- *Hallow Glass Project (AIC).* This is approximately a US\$6 million investment by AIC in the packaging subsector. The investment proceeds will go towards construction of a new facility and all ancillary operations, purchase of machinery, three months’ worth of raw material, land and hiring/training of new employees. According to AIC, the market demand in Azerbaijan for glass containers approaches quantities of 600 million per year and much of this demand is unmet by national producers. The projected production for the facility to be built with this investment is 30.6 million units by year three. Specifically, Ms. Reynolds reviewed key investment assumptions incorporated into the financial valuation model, and after discussions with the COP, pointed out to AIC numerous assumptions that did not seem correct and which would have a significant impact on the company’s valuation and how the transaction would be packaged (e.g., assumptions regarding operating capacity which seemed too high). AIC took most of the recommendations into account. AIC expects this transaction to be finalized in October 2009.
- *Shamkir Poultry Project (AIC).* The proposed poultry plant will be a new company set up by AIC and ATA Holding, with debt financing from yet to be identified investors.

The facility will both raise and process poultry meat for sale in Azerbaijan, with the goal of creating jobs, expanding agricultural production in the Shamkir region and reducing dependence on imports. Ms. Reynolds reviewed preliminary data provided by an Israeli co-investor and reviewed the subsequent financial model prepared by AIC. This is a large, US\$30 million plus transaction that AIC considers its top priority. AIC has also requested assistance from PSCEP consultant Tom Fattori on technical aspects of the transaction.

- *Sumquayit Furniture Factory (CIIC)*. The CIIC is considering an investment in this company which produces wood veneers for laminated furniture. The company needs approximately \$4 million to expand operations. Ms. Reynolds reviewed financial projections with CIIC staff, incorporating needed changes in their financial and operating assumptions. At their requests, the consultant also reviewed assumptions and strategy regarding several other potential investments in nascent stages. These included Agroline (a PSCEP assisted company) which is looking to expand apple orchards in Guba; and, Titan Group, a manufacturer of refrigerators;
- Both AIC and CIIC requested assistance on post-investment managing. AIC in particular, wishes to establish a monitoring department to oversee its investments. In the U.S. and Europe, the value added provided by an equity investor can often be crucial. Ms. Reynolds provided some general guidance on monitoring. In the case of CIIC, she specifically reviewed plans for oversight of NAA, the PSCEP-assisted company described above. PSCEP has been requested to provide more specialized assistance in this area. It is an area that PSCEP would like to continue to support (it is included in our MOU with the AIC and CIIC), subject to funding availability.
- An experienced investment banker, Ms. Reynolds also assessed potential investments in PSCEP supported firms such as Balacans juice processor. Balacans would require 14 million AZN of investment to purchase PET bottling line and pomegranate juice concentrate extraction equipment to expand their current production line. PSCEP's staff and technical experts met with top management to get detailed financial information. However, the financial assessments by Ms. Reynolds indicate that the company's highly leveraged balance sheet would not make it a good investment target at this time. PSCEP will therefore focus on increasing the company's technical capabilities to expand sales to identified buyers such as Coca-Cola, permitting it to access investment as sales increase.

#### Investments:

- As described throughout the sector sections below, PSCEP assisted the CIIC in transactions of approximately US\$8 million for NAA Company. Approximately US\$2 million has been disbursed and the final tranche is already agreed to but disbursement is pending a minor certification from the privatization authorities
- PSCEP, with the assistance of poultry expert Tom Fattori, is also assisting CIIC on a US\$5 million investment with Samukh Broiler, negotiations are currently ongoing and technical assistance will resume in October when Tom Fattori returns to Azerbaijan.
- PSCEP also worked with the AIC and the CIIC on issues related to AgroYurd, a US\$2 million greenhouse investment. This investment is in the final stages of due diligence, pending AIC approval (AIC sits on CIIC's Board of Directors).
- Continued personnel changes at the AIC limited progress in making investment decisions, but PSCEP's COP discussed three transactions exceeding \$40 million with them.

Sectoral Analysis: PSCEP hired a local consulting company, “Ploutos Capital” to provide an analysis of local institutional investor (AIC, CIIC, KAIC, other local investors, partner banks, etc.) capacities including a description and timeline of likely investments, due diligence processes, and potential PSCEP interventions.

## **B1b. Agribusiness (Fruit and Vegetables)**

### ***B1b1. Cold Storage***

#### Strengthening Associative Relationships:

- PSCEP is working with BDS provider, the Guba Marketing Center (GMC), to facilitate the establishment of a cold storage association among three cold storage companies—UN Agro, Bakuba, and Rasif Mammadov and one fruit producer Mammadsi Mammadov. The association would help the companies to enter new markets, create PPPs with local public agencies, create horizontal and vertical linkages, and establish a laboratory to check and improve the quality and storage time of fruits.
- In July, PSCEP visited the Guba State Agriculture Laboratory facility in Guba, with STTAs Drs. Bledsoe and Rasco, Guba BDS and PSCEP VCS, to evaluate the lab’s capacity to provide technical support to the fruit packers and cold storage operators in the region. The laboratory currently does soil analysis and specialized analysis of hazelnuts. It could easily expand its capacity to do proximate analysis and perhaps food safety testing, but it is currently not capable of more sophisticated pesticide residual analysis.

#### Sector Focused Firm-level Assistance:

- In July, at the request of Bakuba, a cold storage company in the Guba region, PSCEP STTA Dr. Gleyne Bledsoe and PSCEP Value Chain Specialist (VCS), Farid Gardashbayov evaluated the existing facilities and make recommendations on the owner’s plans to construct a 2000 cubic meter controlled atmosphere cold storage facility and Bakuba’s plans to start a dried fruit operation for drying plums, apples and other local fruit. Bakuba’s application to the National Entrepreneurship Fund to construct the additional 2,000 tons of storage was approved.
- On 4 August, PSCEP consultant Dr. Gleyne Bledsoe conducted training on post harvest techniques and components of pack houses for 11 representatives (management and technicians) of 8 cold storage service providers in the Ganja region, including PSCEP client companies NAA Universal, Vugar Enterprises, and Ilgar Mammadov. This was the first in a set of technical assistance and trainings on a range of cold storage topics targeted to strengthen the cold storage subsector.

Investment: PSCEP consultant Dr. Bledsoe advised the CIIC Executive Director on technical issues related to NAA Universal Cold Storage in Ganja, in which CIIC has invested approximately \$6.8 million. Agreement for this amount has been signed and a first tranche disbursed. The balance will be disbursed pending what is expected to be a minor land titling issue related to the company’s privatization process. PSCEP’s input included observations and recommendations on improvements in the physical plant, management, operations, and maintenance. The CIIC indicated that they will be investing additional funds in the near future in this company.

## **B1b2. Greenhouses**

### Investment:

- In September, our BDS provider, LBC, assisted Cihazgayirma to obtain a greenhouse facility from Israel for an investment amount of 1,200,00 AZN.
- Azertejhizat is a Zagatala greenhouse dedicated primarily to growing tomatoes and cucumbers. Unlike many other developing companies trying to vertically integrate, Azertejhizat wants to focus on their production chain, supplying all of their produce to distributors that in turn export the produce to Russia. Azertejhizat has received 1,200,000 AZN in credit from the National Fund to expand their facility with an additional 2 ha of greenhouses. PSCEP agribusiness specialist Dr. Gleyne Bledsoe has provided input on alternative heating systems with detailed recommendations on infra-red heating expected in October. A new greenhouse facility has been ordered from Turkey, however the management has decided to wait with the assembly, as they believe the new offered heating system will reduce costs and make the company more competitive. In order to finish the expansion of the greenhouse, the company lacks 300,000 AZN. PSCEP's financial specialist has helped the company prepare a credit application and has met with Azerdemiryolbank in Baku. The project, which was accepted by the bank's head office, has been transferred to its Sheki branch, where Azertejhizat, our regional BDS provider and the bank have met to negotiate the details of the loan. This investment will allow the greenhouse to triple sales and exports as well as hire additional 40 employees.
- At the request of AzRusDostlug LLC--the largest greenhouse in the Ganja area, exporting \$3.6 million worth of produce to Russia each year—our BDS provider, YA, provided an assessment of Spanish and Italian companies for the purchase of 25 tons of organic fertilizer. In order to obtain the US\$100,000 in financing needed for the fertilizer purchase, YA also assisted in the preparation of credit analysis documents which PSCEP will present to partner banks next quarter.

### Sector Focused Firm-level Assistance:

- In August, YA's work in the greenhouse sector centered on research relating to greenhouse engineering and construction. While commercial greenhouse expansion is occurring in Azerbaijan, there is a dearth of knowledge relating to optimal greenhouse technologies for local conditions. The Young Agrarians (YA) stepped in, prompted by a specific market led opportunity with a PSCEP partner, to identify and assess a number of companies engaged in greenhouse engineering and construction. Six prospective construction companies from Turkey, Israel and Azerbaijan submitted proposals to YA. Following the assessment, Vugar the sector anchor firm seeking the information, selected the BRS Company from Turkey with YA's assistance. Preliminary business consultations for the development of 4 ha of greenhouses began shortly thereafter. The project, which has been submitted to CIIC for equity financing, would require 200,000 AZN in investment.
- In Lankaran, LBC with PSCEP assistance focused on another key constraint of the greenhouse sector, heating systems. Given the high, and occasionally unstable costs associated with heating greenhouses in the winter months in Azerbaijan, LBC has stepped in to provide recommendations and to research



Bag-culture production: Cenub Agro.

contractors for heating systems. As a result a local greenhouse subsector anchor firm (Canub Agro) has invested more than 450,000 AZN of its own capital to completely rework its heating system; construction is currently underway and should be completed in early October.

### **B1b3. Food Safety**

#### Strengthening Associative Relationships:

- On July 20, 2009, PSCEP continued discussions, with senior faculty of the State Agrarian University in Ganja, on cooperation with cold chain related activities and a work study program with the NAA Universal Cold Storage facility in Ganja. During the visit, PSCEP also provided a 2 hr. training session for 22 students and 3 faculty of the university. During the session, PSCEP STTA, Drs. Gleyne Bledsoe and Barbara Rasco made presentations on "Post Harvest Technology and Packaging Techniques" and "Food Safety."
- Food safety and the dearth of appropriate quality standards are major constraints of the agro-industrial sector in Azerbaijan. In August, PSCEP organized a HACCP certification and Food Protection/hygiene training for three industry leaders in the North-Western region: Balacans juice processor, OON hazelnut processing, and Azertejhizat, greenhouse. General management and top technical management from all three companies attended the training. Altogether, 12 people received certificates from Michigan State University testifying to the quality of the HACCP training completed. This training is a necessary pre-requisite for these companies to apply for HACCP certification.

Sector Focused Firm-level Assistance: OON a hazelnut processor in Zagatala, with PSCEP recommendations, started to renovate their plant and refurbish processing equipment before this year's hazelnuts harvest. PSCEP STTA, Dr. Gleyne Bledsoe provided the design and physical layout for the renovated plant based on food and hygiene standards. OON invested about 50,000 AZN of its own resources into the renovation. It is estimated that the renovations will enhance processing efficiency and lead to a 20 percent increase in sales – approximately 30,000 AZN for year one. Next, PSCEP and the local BDS, BIC, will work with OON on purchase order financing and accounts receivable financing with PSCEP partner banks to facilitate international marketing and sales.

### **B1b4. Processing**

#### Sector Focused Firm-level Assistance:

- *Lankaran/Jalilabad:* PSCEP's BDS in the south provided assistance in locating new buyers for Optimal LLC, a fruit and vegetable processing company and Cihazgayirma's greenhouse facility in Lankaran. As a result of LBC's support, Optimal established business linkages with local buyer in Yevlax region for a 134,000 AZN sale of pickles and feykoa compote. Lankaran Ciyazgayirma contracted with the "Olvida" Company for a 65,000 AZN sale of cucumbers and tomatoes.
- *Sheki:* OON a hazelnut processor in Zagatala, with PSCEP recommendations started to renovate their plant and refurbish processing equipment before this year's hazelnuts harvest. PSCEP expert, Dr. Gleyne Bledsoe provided the design and physical layout for the renovated plant. OON completed the reconstruction of the facility entirely according to his layout. The renovated facilities, completed in August, will accommodate necessary procedures and requirements for food sanitation and hygiene standards. OON

invested approximately 50,000 AZN of its own resources into the renovation. PSCEP's VCS and the local BDS, BIC are also working with OON on purchase order financing with PSCEP partner banks to facilitate international marketing and sales of this year's production (see Annex B). In addition, marketing options and packaging requirements are being reviewed to enable the client to secure a distribution agreement with a major snack distributor in Baku, to secure orders from Russian buyers, and combine his regional distribution with that of his ice cream snack business.

- Balacans LLC, a juice processor has a 3 year guaranteed contract with its major buyer, Coca Cola. While they currently produce Coca Cola brands of WELL! Inabi, Ogrea and Cappy juices, the company would like to increase and diversify their production to include additional Coca Cola products such as Nestea, Minute Maid, PowerAde, and Bon Aqua. As the company is currently highly leveraged and not a good candidate for further investment to expand their production line at this time, PSCEP will focus on increasing the company's technical capabilities to expand production to identified buyers such as Coca-Cola, permitting it to access investment as sales increase. Balacans is the only major competitor to the dominant firm in the industry. A competitive Balacans will help limit monopolistic practices in the sector.

### **B1c. ICT**

Investment: Bestcomp is one of largest retail computer resellers in Azerbaijan. In a major GDA-type alliance with support of Ministry of Education, the Ministry of Information and Communication Technology, Hewlet Packard (HP), and Microsoft, Bestcomp launched the *People's PC Project* in early 2009. The first stage of the project targets Azerbaijani teachers allowing them to buy computers at 25-40 percent below retail price, paid by installment and interest free over a period of 12 months. This initiative is seen as crucial to the ICT sector in order to expand computer literacy in Azerbaijan – a pre-requisite for innovation and competitiveness of most sectors.

During the initial four months of the pilot stage, Bestcomp delivered 3,500 computers to teachers across Azerbaijan. By working with Azerpocht, the national postal agency, teachers in even the most remote corners of Azerbaijan can receive their computers within one week after signing the purchase contract. This arrangement also facilitates repayment of the loans in that the teachers are not required to travel to Baku or another major city to make payment. Repayment rates are currently 98 percent.

A local branch of a Turkish bank provided the financing for the first stage of the project with a 1.4 million AZN loan. However as Bestcomp provides teachers with 12 months of credit, the financial gap from this arrangement does not leave enough resources for the company to expand the program. PSCEP has come up with an innovative financial solution for this problem based on the program's high repayment rates. It was suggested that Bestcomp could sell its account receivables (contracts) to partner banks after selling the computers to teachers. As Bestcomp needs finance, it will sell some amount of its account receivables to the partner banks with 15-17% discount. This additional source of cost-effective financing will allow Bestcomp to increase its sales volume and expand the range of financial products offered by the participating banks. Meetings with two of PSCEP's partner banks, Bank of Azerbaijan and Royal Bank and the General Manager of Bestcomp were held in September. The banks agreed to provide financing and are negotiating with Bestcomp on the exact discount rate for the contracts. The minimum amount of the first financing arrangement will be 600,000 AZN.

## B1d. Poultry

Strengthening Associative Relationships: On July 14-15, PSCEP in collaboration with the Azerbaijan Poultry Association, feed mill manufacturing company ASENSA Co., and feed premixes manufacturer AVC BAYFAB held the “Third International Conference on Modern Feed Production and Feeding Methods.” PSCEP provided four U.S specialists to speak at the conference: Dr. Tom Fattori on “Global Trends Affecting the Poultry Industry,” Dr. Barbara Rasco on “Feed Safety Considerations,” Dr. Nick Dale on “Protein and Energy Quality in Poultry Feeds,” and Dr. Gleyne Bledsoe on “Options for Fish Feed Production in Azerbaijan.” The conference hosted about 65 participants including company representatives from the CIS countries: Moldova, Russia, Georgia and Kazakhstan. Approximately, 20 current and potential PSCEP client companies from aquaculture, poultry and dairy sectors participated in the conference. The conference was important in providing greater visibility and recognition for the Poultry Association, and thus meet PSCEP’s objective of strengthening associative relationships in the sector. The head of the Azerbaijan Poultry Association, Mr. Aydin Valiyev, expressed his gratitude to the PSCEP project for paying a high level of attention to the strengthening of the society, selecting the poultry sector for development, and supporting the Feed Conference.

*“As a result of the conference three local poultry companies have expressed their desire to become members of the association. I think this is the starting point in the way to success in this sector and our long term collaboration with the project.”*

**Mr. Aydin Valiyev,**  
**Head, Azerbaijan Poultry Association**  
Feed Conference,  
Novhani, July 2009

### Investment:

- PSCEP worked intensively with the Caspian International Investment Company (CIIC) in technical due diligence for Samukh Broiler, in Ganja. Samukh is a PSCEP and Young Agrarians (BDS) client. In line with how the PSCEP-BDS-enterprise client relationship should work, the CIIC had contracted the YA in May to undertake a business plan for Samukh on a fee basis, thus generating income for the BDS provider. PSCEP then worked closely with the YA to ensure the quality of financial and technical projections made by YA. This is approximately a US\$5 million investment. In July, at the request of CIIC, PSCEP poultry specialist Dr. Tom Fattori visited Samukh Broiler and worked with the CIIC to develop a comprehensive analysis of the company’s operational strategy. As a result, the CIIC and the company made substantial changes in the business model that, unless undertaken, would have resulted in serious operational constraints. Dr. Fattori will return to Baku in October 2009 to continue work with Samukh Broiler on their business model and to support the CIIC investment proposal.
- Facilitated by the recommendations of PSCEP consultant Gleyne Bledsoe, Davachi Broiler, one of the leading poultry companies in Azerbaijan, went forward with a 2 million AZN new slaughtering line that will significantly increase the company’s productivity and competitiveness. The installation works are currently in progress and the production in the new plant will start from January 2010.
- COP Dan Cruz-DePaula met with the AIC and PSCEP investment advisor Nicole Reynolds on initial discussions on PSCEP assistance on a large AIC poultry investment



ASR Broiler, Ganja

in the northwest of the country. The AIC expects the investment to exceed US\$25 million. PSCEP agreed to provide the services of Dr. Tom Fattori in October to assess the transaction from a technical perspective and determine next steps.

#### Sector Focused Firm-Level Assistance:

- In July and August 2009, PSCEP poultry expert, Dr. Tom Fattori, at the request of Davachi Broiler and OZ-AK Azerbaijan broiler-breeder companies, developed an ownership transition plan for the two investors. OZ-AK is a joint venture between Davachi Broiler and a Turkish company. It plays an important role in the poultry value chain because it is currently the only major hatchery operation in the country. The Turkish investors are intent on divesting from the joint venture, while Davachi has insisted that the Turkish investors have not fully met their technical obligations. PSCEP is playing a key role in generating agreement from both parties and ensuring a smooth transition for the hatchery operations; an issue over which the companies have been divided for more than a year. The transition plan is designed for a 12 month implementation period—during the first 3 months, OZ-AK will identify position titles and draft scopes of work (SOW), Davachi will recruit employees based on the approved SOWs, and both companies will participate in the interview and hiring process. The companies reviewed and accepted the transition plan MOU on 7 August, 2009.
- In August, YA started implementation of the first stage of a Competitiveness Plan with Elba LLC, a processed meat and meat products manufacturer and poultry company. YA began assisting the company in identifying vacuum packaging equipment for its new processing facility; and in finding an applicable source for financing this purchase by preparing and submitting a 800,000 AZN lease financing proposal to ANSAR Leasing Company in Baku. The leasing process however has been put on hold when it was discovered that \$190,000 would be needed for the customs clearance process for the equipment. YA is now helping ELBA to revise their business plan and credit application for submission to the Ganja branch of Damiryol Bank for a 430,000 AZN loan.
- Gizil Yem, a feed mill company in Ganja is the first to “graduate” from the PSCEP portfolio. With the support of the local BDS, the company applied and received a \$45,000 grant from the Agriculture Ministry and World Bank Agricultural Development Project for the construction of a 8 ton/day feed mill and grinder mill. Future technical support for this company will be provided by the World Bank program.
- See assistance to Samukh Broiler and Davachi Broiler listed above.

#### **B1e. Aquaculture**

##### Strengthening Associative Relationships:

- An initial meeting of aquaculture farmers was held in the offices of the owner of Girkhbulag Trout Farm in Sheki in June for the purpose of forming a Fish Farmers’ Association. In July this was followed by subsequent meetings and finally the decision by the farmers to form one association, with subdivisions for carp farmers and trout (forel) farmers. The BDS provider in Sheki (BIC) is formalizing the establishment of the association; a second group of 16 farmers in

*"In Azerbaijan we have associations in various sectors, but I congratulate and express my gratitude to the USAID for the initiation of organizing such a great Conference and bringing fish farmers together. I believe, today we have a start of great accomplishments in aquaculture sector of this country."*

**Majlum Shukurov,**  
**Deputy of Parliament, Sheki District**  
Aquaculture Conference,  
Sheki September 2009

the Zagatala, Balacan, and Qax regions have also decided to form an association, which will join with the group in Sheki to form a country-wide association.

- The first carp hatchery under the Aquaculture Action Plan is intended for the Sheki/Zagatala area. The Sheki association is deliberating on where to on a single hatchery location. The Zagatala group, on the other hand, agreed to establish the hatchery at the Kamaleddin Carp Farm in Zagatala and presented PSCEP with a plan whereby some of the equipment could be portable and taken to individual farms to facilitate actual spawning. Under the plan, the farmers will provide the building, water system, manning, and supporting infrastructure based on recommendations and building specifications provided by PSCEP expert Gleyne Bledsoe. Subject to USAID review and approval, PSCEP is considering a small grant to the association of approximately US\$ 5,000 to leverage its own investment and finance the purchase the fyke jars and other equipment necessary for the project. Forecasted demand for carp fingerlings just among the regional association members is 2 million – at 0.30 AZN/fingerling minimum sales revenues for the association would equal 600,000 AZN.

Workshops & Capacity Building: September 10-11, 2009, PSCEP hosted a major aquaculture conference in Sheki, addressing key technical and business issues related to aquaculture. The conference attracted approximately 30 stakeholders from across Azerbaijan – including fish farmers from Masalli, Astara, Saatli, Hajigabul, Goy-Gol, Gusar, Balakan, Zagatala, Baku and Sheki. The conference addressed issues on: spawning and rearing of carp, bio-security in freshwater aquaculture, hatching trout eggs, fish feed formulation, and sturgeon farming. Participants were also invited to hands-on demonstrations at Girkhbulag farm which has increasingly served as a demonstration site for PSCEP activities in the sector.



- Gary Charsley, representative of Troutlodge (one of the leading trout-focused firms in the world) attended the conference at his own cost. Mr. Charsley delivered a highly praised presentation on commercial growth of trout, especially the need to improve the country's existing stock. Numerous producers expressed interest in purchasing the eggs as they recognized the benefits of improved genetics of eggs and 30-40% reduction in outgrowth periods for the fish to reach maturity. As a result of the Conference, 5-6 farmers from various regions agreed to put together a consolidated order for egg purchase, which PSCEP is facilitating, from Troutlodge. The order is expected to be placed in October.
- PSCEP's technical team, the BDS, and producers dedicated considerable time this quarter to creation of initially one, but now two associations in the Sheki-Zagatala areas. The increased interest by producers reaffirmed PSCEP's strategy of not trying to build associations from the top down, but to first engage

*"I did not realize how many people are doing the same thing (fish farming) and facing the difficulties that farmers in other districts have solutions for. I definitely appreciate the benefit of working together to develop fish production in Azerbaijan."*

**Mirza Mammadov,**  
**Apex 1 trout farm in Goy-Gol,**  
**Ganja Region**  
Aquaculture Conference,  
Sheki September 2009

stakeholders in activities which make clear the benefits of cooperation and builds trust among them (e.g., joint purchase of eggs to obtain better prices; common hatcheries to reduce costs). Producers now appreciate the benefits of an association with services for members like consolidated fish eggs purchase, supply of fish feed and using one large hatchery that will meet the needs for fingerlings for the grow-out farms. The next step is for BIC to start compiling the documentation for the association and the selection of a chairperson.

- Based on the Aquaculture Conference, the head of the Ganja Young Agrarians Sabuhi Jahangirov became acquainted with the owner of the Georgian “Doğan Feed” company. Per request of aquaculture companies in his region, Mr. Jahangirov visited the company in Georgia to learn more about its products, price ranges, terms of purchase for international clients, etc. Feed samples were provided for PSCEP client “APEKS” and other fish farms in the region to test during the month and to consider the future collaboration with the Doğan Feed.

#### Investment:

- In September, APEKS LLC, an aquaculture company in the Ganja region was linked by the local BDS, the Young Agrarians, with the Ganja Bank for a 30,000 AZN loan for renovation of the fresh water pipeline and purchase of fish feed. The BDS also helped the company: open a bank account, register with the tax department and get listed with the entrepreneurs department of the local executive committee. The APEKS continued its own investments to improve the farm, based on PSCEP recommendations. During the past year, the farm has invested about USD \$ 10,000.
- Due to PSCEP and BIC recommendations the management of Girkhbulag farm has invested approximately 7,500 AZN of its own resources to rebuild the hatchery, laboratory, and to establish a new packing facility (the only fish farm that now will market packaged product).

#### Sector Focused Firm-level Assistance:

- In July, farm-level assistance by PSCEP intern David Nastley continued to assist the Girkhbulag Fish Farm. Mr. Nastley assisted the farm to improve husbandry practices through the maintenance and operation of the raceways, as well as development of an improved feeding system. Technical assistance from PSCEP STTA Dr. Gleyne Bledsoe also supported the development of Girkhbulag Farm into a demonstration facility, as well as to test trout feed formulations using of poultry by-product meal from Davachi Broiler-which is proving very effective.
  - Girkhbulag plans to join the consolidated order of eyed trout eggs, to purchase 100,000 eggs. Using the highest risk estimates of 50% survival, 200,000 fish sold at the lowest market price of 17 AZN per kg, will result in 3,400,000 AZN sales in 12 – 16 months, a substantial increase over the company’s 2008 sales of 12,000 AZN.
  - Girkhbulag is also planning to establish a regional live fish market at the farm, where they will allocate raceways for other regional farmers to sell their product to wholesalers and retailers. Next steps will be searching for investors to build cottages to draw tourists to the farm area.
- In August, PSCEP provided 20 days of on-farm technical assistance by Aquaculture Intern David Nastley to Agroline Farms in Gusar. PSCEP assisted with the development of a new hatchery on the farm; introduction and hands-on training in modern trout rearing methodologies; and aquaculture expert Dr. Gleyne Bledsoe provided advice on the

design and development of an improved water supply system to prevent future inundation from the adjacent river.

## **B1f. Dairy**

Strengthening Associative Relationships: Two of the major constraints facing the dairy sector in Azerbaijan are the inconsistent supply and quality of milk received by processors from hundreds of small farmers. PSCEP is focusing on these issues, and working with two key large producers in the south (see below); and the BDS Lankaran Agribusiness Center (LBC) is working with the small producers. Key to these efforts are discussions with PalSud and Bilasuvar and their farmers about associative development. A first formal workshop is tentatively planned for the middle of November with support from PalSud.

### Sector Focused Firm-level Assistance:

- In July and August, LBC continued assistance to Pal Sud LLC. LBC worked with Palsud's five collection centers: Mahmudavar, Sharafa, Boradigah, Boladi and Chakhrly. Assistance was provided on cattle feeding, disease control, hygienic milking practices, milk storage and sanitary regulations, quality control and cattle genetics. As a result, these five milk collection points reported an improvement in the quantity of raw milk supplied to these locations as well as a decrease in milk rejected from the collection centers; thus suggesting a substantial raise in quality. LBC has reported an increase of milk production during this time of 63 tons/day. PSCEP's efforts in this area are impacting over 200 small farmers.
- In August, PSCEP fielded dairy expert Charles O'Connor to provide technical assistance to Bilasuvar Agro, one of two major dairy processors in the south and the only company in Azerbaijan producing powdered milk. The consultant's mandate included helping Bilasuvar to increase the quality and volume of powdered milk produced. Mr. O'Connor also worked with PSCEP's BDS provider in Lankaran, the Lankaran Business Center (LBC), on the implementation plan for assistance with Pal Sud milk collection centers, as well as to update PSCEP's Dairy Action Plan during his assignment. Mr. O'Connor has confirmed the lack of quality milk production as perhaps the most important constraint facing the sector. At Bilasuvar's request, Mr. O'Connor focused on reviewing the technical processes for powdered milk production and recommendations on how to address serious issues affecting powdered milk quality. Interestingly, his work reaffirmed PSCEP's focus on the importance of milk quality. It turns out that many of the problems affecting the milk were not on the processing end, but that the processors are simply receiving poor quality milk, and that PSCEP needs to focus on working with producers.

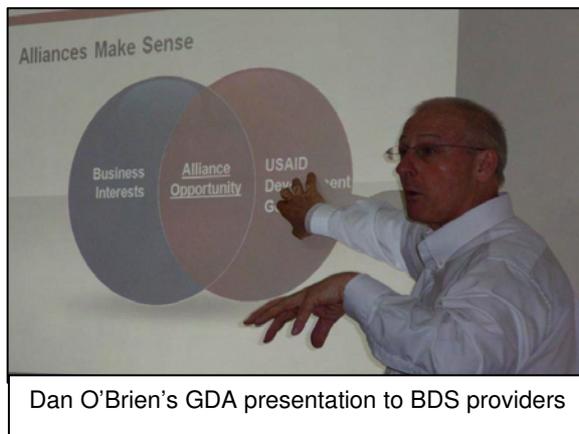
## **B2. Competitiveness Innovation Grant Fund (CIGF)**

PSCEP's approved grants manual for the CIGF, was translated and submitted to the MOED with grant approval procedures in June. In March, USAID requested that the MOED take part in the selection committee for grants. In May, PSCEP solicited proposals for grants from information communications technology (ICT) firms and those in related industries such as internet and software (including private companies and non-governmental organizations) through newspaper ads and the internet. PSCEP then held a workshop for over 40 interested companies, explaining grant objectives and criteria. The grant process has however been delayed, pending coordination with the project's Global Development Alliance (GDA) strategy (see text below), MOED's acceptance in participating on the grant selection committee, and more recently by the decision to ensure that the incoming USAID CTOR participates in these grant decisions. We expect to award grants in the next quarter.

### B3. PSCEP GDA Work

PSCEP subcontractor, Dan O'Brien explored various potential GDA alliances in June/July. His draft report outlines four important potential GDA alliances that would permit the project to have a major impact on this key sector. The report was finalized in August.

Because ICT is a critical area of PSCEP intervention to promote innovation and competitiveness in the Azerbaijani economy, initial GDA efforts will be focused in this area. The program is nonetheless exploring several joint ventures, partnerships, and other GDA ideas in other sectors such as agriculture, the cold chain and logistics. After numerous discussions with key stakeholders in Azerbaijan, initial potential GDA partnerships are:



- **Cisco Networking Academy Alliance** will help build human capital within the ICT sector by providing CCNA certification to 1,200 ICT professionals and graduating 2,100 students from the Cisco IT Essentials curriculum. The Alliance will establish or expand sustainable academies at seven universities and up to 40 secondary e-schools. The potential alliance partners will include Cisco, USAID represented by PSCEP, the MOE, a small group of Cisco partners, and AzEduNet, who will serve as the implementing partner. The Alliance will provide a major contribution to the sector and address one of the most critical sector-wide constraints, the dearth of qualified ICT professionals.
- **The Azercell Innovation Center Alliance** will foster innovation by establishing an incubation center that will allow at least 12-15 young innovators to take their ICT ideas to market and start businesses. Beyond the major telecoms, Azerbaijan's ICT sector is inappropriately small for an economy its size. Fostering the growth of entrepreneurial, visionary small companies that can increase innovation across the economic landscape would be a significant PSCEP contribution. Azercell has expressed interest in receiving support from PSCEP especially in the area of training and technical assistance. A promising value added contribution for PSCEP in this would be to support the establishment of the Cisco Entrepreneur Institute at the Innovation Center, which would provide a range of business training designed to help the innovators bring their technology ideas successfully to market. PSCEP expects these new businesses to foster approximately \$1 million in new investment; generate \$3 to \$5 million in new sales; and create 50-100 jobs by 2011.
- **PC Software Piracy Alliance** will help local companies involved in the distribution and sales of software become more profitable by decreasing the use of pirated software. It is estimated that a 10 percent decrease in pirated software will increase the sales of licensed software by \$10 million and stimulate nearly \$20 million of economic turnover, generate \$3.6 million in additional tax revenue, and create at least 900 new jobs (30% increase). Microsoft estimates that up to 90% of software utilized in Azerbaijan is pirated. The alliance partners include Microsoft, Oracle, Adobe, USAID/PSCEP, and Softline, as an implementing partner. Softline will train 20-30 auditors at the Central Bank of Azerbaijan (NBA) and 35 tax inspectors to detect the usage of unlicensed software. In turn, the auditors are expected to inspect nearly 5,000 computers at more

than 35 commercial banks while the tax inspectors will audit more than 50,000 computers at 500 commercial firms. Alliance activities potentially include public relations campaigns on anti-piracy.

- **MOE IT Innovation Center Alliance** will provide a state-of-the-art showcase for education that will foster innovation within the education sector, promote technologies to other ministries, and convince the government to establish its Regional Innovation Zones (RIZ) program conceptualized two years ago, but still not at the implementation stage despite its reported priority. Government and private sector stakeholders both agree that successful launching of the MOE IT Innovation Center could play a crucial role in spurring commitment to the RIZs at the highest levels of the GOAJ. This GDA program may be transferred to USAID’s Democracy and Governance group for implementation.

#### **B4. Other PSCEP Supported Activities**

In September, PSCEP organized a visit to Ganja for a delegation of nine professors from the Oklahoma State University and Nobel Foundation led by the MAJ Iverson, Bilateral Affaires Officer at the American Embassy. The delegation first visited the Ganja State Agrarian University to meet with the rector Mirdamat Sadigov, deans and chief instructors to discuss the ways of collaboration between two institutions. The professors gave presentations to 50 students and teachers of agrarian, technical and veterinary faculties of the university on “Emerging Countries,” “Food Labels,” “Global Food Crisis,” “US meat demand,” and held discussions on other topics interesting to the audience. As the result of this meeting the PSCEP agreed to sign a MOU with the Agrarian University for further collaboration. There is expected to be a separate MOU between Oklahoma State and Ganja Agrarian University. The delegation also visited the PSCEP clients in Ganja for professional exchange and to learn more about regional project work with APEKS fish farm, Suludara dairy, Samukh Broiler, Gizil Yem feed plant and Goja Gasimov greenhouses.



Oklahoma State University Professors, PSCEP Staff at Ganja State Agrarian University.

In July and August, Chemonics provided, at no charge to the project, the services of Tracy Shanks, to assist PSCEP in finalizing a number of client competitiveness plans (the “contracts” between Chemonics, the BDS providers, and client firms). She worked with the VCS and BDS to complete client feasibility plans (an assessment of the company’s constraints and needed assistance), to ensure that firm-level assistance is meeting sector-wide objectives, and to bring 40 competitiveness plans for client companies to the signature stage.

In August, 2009 PSCEP hosted the regional BDS providers in a workshop to discuss feasibility analyses and client competitiveness plans. These plans require considerable PSCEP assistance to ensure that technical assistance is guided and delivered properly. The workshop provided more direct feedback and hands-on learning, as BDS worked with Tracy Shanks, PSCEP VCS and DCOP to finalize a number of competitiveness plan drafts. USAID Country Coordinator Scott Taylor gave a presentation on USAID’s expectations regarding the BDS program.

## C. PROGRESS AGAINST PROGRAM COMPONENTS

Based on PSCEP's performance monitoring plan for the year 1 work plan, the following progress has been made in the following program components in the fourth quarter of fiscal year 2009:

Activity	Target	Quarterly Activities
<b>1. Enhance Access to Finance</b>		
<p>Investment resources leveraged from lending institutions, equity investors, and/or from own-resources for purposes of investment inside client companies and/or joint investments by value chain participants.</p>	<ul style="list-style-type: none"> <li>• August 2009: \$25 million (contract)</li> <li>• Y1: USD \$50 million (work plan)</li> <li>• LOP: USD \$225 million</li> </ul>	<ul style="list-style-type: none"> <li>• Despite an extremely negative investment/financing climate made worse by the world financial crisis, PSCEP has catalyzed approximately \$20 million in investment finance.</li> <li>• PSCEP has built an investment portfolio of an additional over \$50 million from its client companies, including equity and debt financing. Value Chain Specialists (VCSs) and the PSCEP's financial advisor are working diligently with these companies to match investors and lenders.</li> <li>• Equity Finance – \$8 million approved; \$40-50 million pending               <ul style="list-style-type: none"> <li>• CIIC \$8 million investment in NAA Company (Ganja).</li> <li>• CIIC \$5 million investment in Samukh Broiler – <i>pending</i></li> <li>• CIIC \$5-6 million investment in Imishli Broiler – <i>pending</i></li> <li>• AIC \$2 million investment in AgroYurd Greenhouses (Absheron) – <i>pending</i></li> <li>• AIC \$35-40 million investment in Shamkir Broiler – <i>pending</i></li> </ul> </li> <li>• Debt Financing – PSCEP has facilitated approximately 4 million AZN in new loans; another 2.4 million AZN in credit applications are in progress. (See Annex B). Lending programs with the banks are at the take-off stage.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Financial Sector Activities for Quarter</b></li> </ul>	<ul style="list-style-type: none"> <li>• PSCEP is has introduced two new products: purchase order financing, and factoring.</li> <li>• Working Capital Departments in each of the six participating banks have been established and will become incubators of short-term financing instruments badly needed by local firms.</li> <li>• Leasing expert John Bengel will also arrive in October to work with Banks to expand leasing programs in Azerbaijan.</li> <li>• PSCEP Transaction Specialist Nicole Reynolds assisted AIC with valuation models for Hallow Glass project and Shamkir Poultry Plant; and CIIC with Sumquayit Wood Processing Plant and NAA Agrotara; as well as preparing financial analysis for PSCEP on Balacans.</li> </ul>

Activity	Target	Quarterly Activities
<b>2. Promote Employment Growth</b>		
Average annual expansion of employment levels of client firms above the relevant industry trend line.	<ul style="list-style-type: none"> <li>• <b>Y1:</b> growth &gt;30% industry average for 100 client firms</li> <li>• <b>LOP:</b> growth &gt;30% industry average for 500 client firms</li> </ul>	<ul style="list-style-type: none"> <li>• Given the focus on agriculture and agribusiness, a complete year is required to properly measure both jobs and sales results. On sales, which tend to be primary drivers of employment, PSCEP has established a 1:5 rule. PSCEP assistance must generate no less than \$5 in increased sales for every dollar invested by the program. Based on this premise, and baseline and preliminary activities with companies to date, we believe that PSCEP will easily surpass employment and sales targets. M&amp;E activities for the quarter are currently ongoing to provide concise, if preliminary sales and employment results. These will be provided in PSCEP's annual report.</li> </ul>
<b>3. Increase Sales</b>		
Average annual expansion of sales of client firms above the relevant industry trend	<ul style="list-style-type: none"> <li>• <b>Y1:</b> &gt;50% above industry trend line for 100 clients</li> <li>• <b>LOP:</b> &gt;50% above industry trend line for 500 clients</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Sales for client companies are reported in Annex A. M&amp;E validation is ongoing and will be reported in annual report.</i></li> </ul>
Number of strategic growth plans signed between client businesses and BDS providers.	<ul style="list-style-type: none"> <li>• <b>Y1:</b> 30 strategic growth plans, impacting 100 businesses</li> <li>• <b>LOP:</b> 100 strategic growth plans, impacting 500 businesses</li> </ul>	<ul style="list-style-type: none"> <li>• As of September, 21 Client Competitiveness Plans (CCPs) had been signed between PSCEP, BDS and businesses in Guba, Sheki and Ganja. These have an impact on well over 100 additional companies. For example, assistance to dairy processor PaSud in Lankaran involves/impacts nearly 90 small farms and producers.</li> <li>• Approximately another 20 CCPs are in progress.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Y1:</b> 10 Buyer-Supplier agreements established</li> </ul>	<ul style="list-style-type: none"> <li>• Eyed-Egg purchase order from 5 aquaculture farms – facilitated by BIC – in progress with Troutlodge in the USA.</li> <li>• Contract for procurement of decorative plants by the Guba cultural center from Bitkiler Alemi, a Lankaran based nursery operation.</li> <li>• Forward purchase agreements between raw material producers and Optimal juice processing company as well as contracts between Optimal and Russian buyers for pickles, feykoa compote, and other vegetable preserves (\$225,000).</li> </ul>

Activity	Target	Quarterly Activities
<b>4. Increase Exports</b>		
Average annual increase in export sales revenue.	<ul style="list-style-type: none"> <li>• <b>Y1:</b> minimum 50% increase of export sales revenue in at least 2 identified sectors.</li> <li>• <b>LOP:</b> minimum 50% increase of export sales revenue in at least 6 identified sectors.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Sales for client companies are reported in Annex A. M&amp;E validation is ongoing and will be reported in annual report. As many of the selected sectors are currently working in import substitution, not export expansion; export numbers are not expected to increase substantially in year 1.</i></li> </ul>
<b>5. Enhance Social Capital / Build Associate Relationships</b>		
Number of formal or informal relationships with public or private sector entities such as business associations, international firms, and financial institutions.	<ul style="list-style-type: none"> <li>• <b>Y1:</b> 2 Global Development Alliances signed between USAID/PSCEP and leading private sector firms.</li> <li>• <b>LOP:</b> 8 GDAs</li> </ul>	<ul style="list-style-type: none"> <li>• ICT GDA strategy was finalized in June and pending USAID approval. Dan O'Brien will return to Baku in October to begin discussions and possible implementation on 4 prospective GDAs. We expect to have these signed in the next quarter. Assistance in the ICT sector provided to BestComp (see page 11 involves a partnership between the Ministry of Education, Hewlett Packard, Microsoft, and BestComp and is essentially a GDA.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Y1:</b> 4 Associations strengthened</li> <li>• <b>LOP:</b> 8 Associations developed</li> </ul>	<ul style="list-style-type: none"> <li>• We have strengthened or are helping to establish five associations. These include: <ul style="list-style-type: none"> <li>○ The ICT "Club" involving over 200 firms</li> <li>○ The Azerbaijan Poultry Association, which PSCEP has incorporated into industry level discussions for the first time in many years and with whom it co-sponsored the Feed Poultry Feed Conference in July, along with several other industry contributors.</li> <li>○ BDS provider, the Guba Marketing Center (GMC), is facilitating the establishment of a Cold Storage Association among three cold storage firms including UN Agro, Bakuba, and Rasif Mammadov—in the north.</li> <li>○ PSCEP is supporting the creation of two aquaculture associations in the Sheki area.</li> <li>○ PSCEP has catalyzed incorporation of the National Agrarian University in Ganja in the cold storage sector in that area, promoting a valuable PPP.</li> </ul> </li> </ul>

Activity	Target	Quarterly Activities
<b>5. Enhance Social Capital / Build Associate Relationships (cont.)</b>		
	<ul style="list-style-type: none"> <li>• <b>LOP:</b> <ul style="list-style-type: none"> <li>• 6 Value Chain Workshops</li> <li>• 4 Business-to-Business Conferences</li> <li>• 6 Outreach Seminars on Economic Enabling Environment Issues</li> </ul> </li> </ul>	<p>PSCEP has held 10 workshops. These include:</p> <ul style="list-style-type: none"> <li>• <b>Conference/Workshop on Equity Capital.</b> PSCEP co-sponsored with the AIC two workshops on equity capital and what it means for sector firms in the regions. The first was in Guba in December 2009 and the second in Sheki in March.</li> <li>• <b>Industry-wide Workshop on Poultry Industry Financial Assessment,</b> was held February, 2009 involving representatives of 14 large, medium, and small industry enterprises, as well as the National Poultry Association. Workshop for MOED economists on Domestic Resource Costs (DRC) analysis in March. PSCEP provided a presentation to over 15 MOED and public sector employees on the technical aspects of this analysis. A second workshop conducted in April for the private sector at AmCham.</li> <li>• <b>Third International Conference on Modern Feed Production and Feeding Methods</b> together with ASENA and the Azerbaijan Poultry Association – July 14-15, 2009. The conference hosted about 65 participants including company representatives from the CIS countries: Moldova, Russia, Georgia and Kazakhstan. Approximately, 20 current and potential PSCEP client companies from aquaculture, poultry and dairy sectors</li> <li>• <b>Aquaculture Workshop:</b> September 10-11, 2009 in Sheki conference addressed issues of spawning and rearing of carp, bio-security in freshwater aquaculture, hatching trout eggs, fish feed formulation, and sturgeon farming. The conference was attended approximately 30 stakeholders from across Azerbaijan.</li> <li>• <b>HACCP certification and Food Protection/hygiene workshop/training.</b> PSCEP provided training for three industry leaders in the North-Western region: Balacans juice processor, OON hazelnut processing, and Azertejhizat, greenhouse in August. Twelve managers from the 3 companies were trained, which fulfills a pre-requisite for these companies to apply for HACCP / ISO22000 Certification.</li> </ul>

Activity	Target	Quarterly Activities
<b>5. Enhance Social Capital / Build Associate Relationships (cont.)</b>		
		<ul style="list-style-type: none"> <li>• <b>HACCP certification and Food Protection/hygiene workshop/training.</b> PSCEP provided training for three industry leaders in the North-Western region: Balacans juice processor, OON hazelnut processing, and Azertejhzat, greenhouse in August. Twelve managers from the 3 companies were trained, which fulfills a pre-requisite for these companies to apply for HACCP / ISO22000 Certification.</li> <li>• Three workshops on <b>Post Harvest Technology and Packaging Techniques</b> were conducted by Dr. Gleyln Bledsoe on <ul style="list-style-type: none"> <li>• July 20<sup>th</sup> at the State Agrarian University in Ganja for 22 students and 3 faculty;</li> <li>• August 4<sup>th</sup> for 11 staff from 8 Cold Storage service providers in the Ganja region; and</li> <li>• August 28<sup>th</sup> 10 companies in Jalilabad.</li> </ul> </li> </ul>
<b>6. Build Capacity for Business Development Services to Client Firms</b>		
	<ul style="list-style-type: none"> <li>• <b>Y1:</b> 10 BDS providers delivering quality service<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• A call for Expression of Interest (EOI) proposals from regional BDS providers was issued in December 2008. Twelve EOIs were received – three each from Ganja, Guba, Lankaran, and Sheki. Five BDS providers were selected on a competitive basis to work with PSCEP: Business and Innovation Center (Sheki); Young Agrarians (Ganja); Guba Marketing Center; Lankaran Business Center/Azerbaijan Agribusiness Center; and Jalilabad Agro-business Center.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Y1:</b> 5 BDS clients covering 50% of operational costs on fee-basis</li> <li>• <b>LOP:</b> at least 5 BDS clients covering &gt;80% of operational costs on fee-basis</li> </ul>	<ul style="list-style-type: none"> <li>• Guba – 75% USAID-funded (Q4)</li> <li>• Jalilabad – 67% USAID-funded (Q4)</li> <li>• Lankaran – 90% USAID-funded (Aug/Sept)</li> <li>• Ganja – 11% USAID-funded (Q3-4)</li> <li>• Sheki – <i>(data pending)</i></li> </ul>

<sup>1</sup> In our opinion, the goal of working with ten BDS's cannot be met with project resources, if the relationship maintains the spirit of our contract, i.e., not just local consulting firms which provide a service for PSCEP but intermediaries which are the key deliverers of ongoing technical assistance to companies we support. As it is, PSCEP will probably have to reduce the number of BDS we support to two or three in the near future.

## **II. ACTIVITIES SCHEDULED FOR FISCAL YEAR 2010, QUARTER 1**

### **A. ADMINISTRATIVE/MANAGEMENT ACTIVITIES**

PSCEP's project website is currently under development. We hope to launch the test site in late-October and publish the full site by mid-November. This will also be part of a more comprehensive communications strategy to be developed in conjunction with USAID.

While PSCEP's M&E database is operational and tracking company level activities; the project needs to measure results against sector trend lines. This data, however, is not readily available in Azerbaijan. PSCEP is in discussion with Yedulla Hasanli, an economist with the Institute of Economic reforms and head of the projections office in the Ministry of Taxes, who worked with ABAD to develop Natural Growth Coefficients (NGCs) to expand and update the NGCs ratios for use in PSCEP M&E. NGCs can be developed for the majority of sectors based on data from the National Statistics Bureau—some extra research will be needed for the ICT sector—which will allow PSCEP based on methodologies developed under previous programs, to consistently measure sectoral growth trends over the life of the project. PSCEP is in contract negotiations with Mr. Hasanli for NCG development; it is expected that the NCGs for 2008/9 will be finalized by December 2009.

PSCEP will need to recruit one to two Value Chain Specialists over the course of the next few months to replace staff members who have recently resigned and/or whose contracts have not been extended.

With the departure of both the PSCEP COP and DCOP expected in November, as well as the arrival of a new COP soon thereafter; the administrative staff will have additional work to plan pack-out/arrival, locate new COP lodgings, release former COP apartment, and complete paperwork for power of attorneys and transfer of bank signatories for the project. In addition, if the heating problem with the current office space cannot be resolved in the coming weeks, the project may find it necessary to also move office spaces in the next quarter. USAID will be kept apprised of these activities.

The Annual Report for the project is currently in preparation. Furthermore with the arrival of the new CTOR, the project in collaboration with USAID will begin development of the WorkPlan for Year 2.

### **B. PROGRAM ACTIVITIES**

#### **B1. Sector Level Activities**

##### Access to Finance:

- In October, the PSCEP's debt finance expert, Richard Currie will return to Azerbaijan to work directly with loan officers in the 6 partner banks to review actual loan requests and to introduce new SME-lending products instruments. These activities will continue through May 2010.
- PSCEP will continue to enhance links between its access to finance component and other sectors, especially at the BDS level.
- Leasing expert, John Bengel will also arrive in Baku in mid-October to deliver customized technical assistance on leasing to the six PSCEP partner banks and develop an action plan for leasing activities under the PSCEP program.

- PSCEP will continue to support AIC and the CIIC in several major investment projects, especially, but not limited to the poultry sector. In conjunction with USAID, we will review requested assistance in monitoring and post-investment management. We will also examine progress on the Kuwait-Azerbaijan Investment Company, with whom PSCEP was in the later stages of negotiating a MOU until the ouster of its president in September.

We will examine recommendations from the Ploutus Investment Transaction Report to examine how PSCEP can best catalyze equity and loan investments

#### Agribusiness (Fruits & Vegetables):

- *Greenhouse:* Greenhouse heating systems are critical in the winter months. In December a new greenhouse technician specializing in heating and cooling systems will come to assist with infrared heating systems to work in the Western region of Azerbaijan with AzRus-Dostluq and Azertezhizat-M.
- *Cold Storage:* Though cold storage capacity has increased in Azerbaijan recently, technical knowledge about how to operate cold storage facilities for specific crops is still undeveloped. In December, PSCEP will field a cold storage expert specializing in fruit preservation and preventative maintenance scheduling.
- *Food Safety:* Ongoing food safety activities building off of the work of Barbara Rasco will be supplemented over the next six months by leveraging local HACCP and ISO certification bodies and/or instituting ST1 certification training for the Russian market.

ICT: GDA specialist Dan O'Brien will return to Azerbaijan in mid-October to further develop and implement the GDA program, once it has been approved by USAID. Currently, the program hopes to launch no less than two GDA in ICT sector by the end of the calendar year and develop GDA opportunities in the agricultural sector and subsectors.

Poultry: In October, poultry expert Dr. Tom Fattori will return to Azerbaijan to assist CIIC with the Samukh Broiler investment, advance the transition plan between Davachi Broiler and OZ-AK, and to continue implementation of the poultry action plan. As noted below, he will work with the AIC and CIIC on several poultry-related investments.

#### Aquaculture:

- PSCEP is in the process of facilitating a consolidated eyed-egg order for 5-6 fish farms across Azerbaijan. This is a major step in improving the fish stock in the country, with significant sector implications. This joint undertaking is also important in creating trust among stakeholders and seeing first hand the direct benefits of cooperation. With the help of the BDS provider in Sheki, BIC, will work with farms to collect payments and submit the consolidated order for 450,000-500,000 eggs through Troutlodge in the USA – the consolidated order allows farmers to purchase eggs at up to a 45% discount from what would be paid for individual orders. PSCEP is working on customs office at the Baku airport and veterinary services to ensure that the perishable shipment can be cleared and distributed to the regional farmers in time.
- Establishment of associations for trout in Sheki and carp in Zagatala will be a major undertaking. BIC will also work with Kamaladdin Fish Farm and the aquaculture association in Zagatala to develop a grant application for the formation of the association's hatchery.

Dairy: PSCEP will work with the BDS providers in the south to develop a follow-up assistance plan to the recommendations of Charles O'Connor in September. We do not expect any further international technical assistance in the immediate future. Instead, we will work with USAID and its grantee UMID to "graduate" this program to local assistance. Our work in dairy involves improving milk quality at the producer (farmer) level and this is UMID's strength.

## **B2. Grant Fund and GDAs**

- Launching the Competitiveness Innovation Grant Fund and awarding the first grants for ICT and e-business solutions, as well as the aquaculture sector.
- Implementation of Global Development Alliances, especially in the ICT sector, with specific timetables, focused on results over the short term (December 2009).
- Finalizing equipment specifications and advancing the procurement process to fulfill a grant for feed testing equipment in an Aghebeddi Testing Lab run through Agro Information Center (AIM), further strengthening the Azerbaijan Poultry association and the feed production subsector.

### III. FINANCIAL REPORTING

- PSCEP has spent approximately 49% of total budget in year one.
- At the average rate of expenditures for the last four months (\$350,000 + per month), the program would run out of funds in June/July 2010.
- Reasons:
  - Across the board, costs are greater than anticipated;
  - The project is considerably more dependent on expat STTA than originally contemplated; and
  - Compliance with USAID requests for use of STTA in Year 1.

Contract No.	Total Contract Value	Authorized Expenditures	Q4 Expenditures (projected/accrued)	Total Invoiced & Accrued Expenditures to date	Balance (as of 9/30/09)	Contract End Date
PSCEP-AID-112-C-08-00002	\$6,588,557	\$4,147,000 (obligated amount)	\$1,045,253.98	\$3,204,802.91 <i>48.64% of contract</i>	\$3,383,754.09	Sept. 2011

## IV. ISSUES

### A. ADMINISTRATIVE ISSUES

- The office was informed by Azergas in June that offices located under residential apartments are not allowed to use natural gas and gas supplies to the PSCEP office were capped at the beginning of July. The office's main source of heating in winter was gas, and electric bills will increase substantially for the office in winter months without this resource. Therefore in course of the budget discussions, thought needs to be given to whether it would be financially more efficient to relocate the office to other premises in the coming months.
- As of July 1, 2009, visa regulations for foreigners entering Azerbaijan changed, requiring projects to send a written request to the Ministry of Foreign Affairs (MFA) to obtain a visa reference number for anyone wishing to visit Azerbaijan, prior to their being able to obtain a visa from the Azerbaijani Embassies abroad. This substantially increases the fielding process due to the 2-4 weeks of time for visa processing, as well as additional charge back costs for the service fees for visa request letters to the MFA, on top of the visa fee and processing time required by the Azerbaijani consulate in the issuing country. Furthermore, for consultants on stays exceeding three months (as is the case of Dr. Gleyne Bledsoe), who are on one-year visas, an extra departure from and return to the country is needed every 90 days in order to keep their visas valid.

### B. PROGRAMMATIC ISSUES

- Budget. PSCEP and USAID need to examine our budget situation immediately. Continuing at our current burn rate will limit (and eliminate) options in the future. At the same time, simply "slowing down" activities for several months will halt momentum in some key sectors and possibly damage our credibility.

During the past year PSCEP has responded to USAID's requests to significantly "upfront" technical assistance across all sectors. In addition, it has become evident in project implementation that, given limited local technical capacity, much more international technical assistance is required than anticipated. As a result, PSCEP's "burn rate" is considerably greater than planned (see Section III). Other areas where planned budgets and actual expenditures are considerably greater include translation, as well as support for BDS providers. PSCEP/Chemonics is beginning discussions with the new program CTOR to prepare the Year Two Work Plan and address the budget and strategic direction of the program.

- Program Targets. After one year's implementation experience, we believe that a few program indicators are not just unachievable, but they in fact may distort other program objectives. These include the total level of investment leveraged at \$225 million. Given Azerbaijan's investment climate where insider relationships by powerful groups associated with the government are predominant, as well as the world-wide financial crisis, this target is not realistic. It can only be met by focusing almost exclusively on investments (at the expense of other activities) and "piggy backing" to large, GOAJ-oriented investments. Another example is to work with ten BDS's and to ensure their financial sustainability. The original program budget included funding of \$70,000 for all BDS (10) per annum or approximately \$7,000 per BDS per annum or just over \$500 per month, if we work with ten BDS's. Actual expenditures, per BDS are closer to \$65,000

per annum, per BDS. This includes a minimal level of support. The BDS's are a critical part of PSCEP's strategy, as designed in the RFP and contract with Chemonics.

Although USAID has supported numerous BDS's in the past, many remain relatively weak, and none possess the skills and business strategy experience found in many other countries. They will require additional institutional support, despite PSCEP's limited program budget in this area. Alternatively, it may require a re-orientation away from the BDS concept or decide due to financial constraints that the best option will be to reduce the role of BDS providers in certain regional areas. These decisions will have important strategic implications. PSCEP will need to continue to explore options to enhance BDS delivery mechanism, within our budget constraints, including training, IT solutions and possible grant allocations for development.

These issues will be explored with USAID as part of the aforementioned Year Two Work Plan exercise.

## ANNEX A: PSCEP CLIENT COMPANY LIST – BY REGION, SEPTEMBER 2009

### A1. Ganja Client List

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4 <sup>2</sup>	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Ganja</b>							
1	Samukh Poultry Farm	Poultry	1. Provide TA on financial modeling and link the client with financial institutions for leasing or loan; 2. Provide TA / consultancy on broiler related issues	997,208	208%		0%
2	"Vuqar" firm	Cold Storage	1. Provide TA on better ways of caring and storing of delicate fruits - specifically persimmons and grapes; 2. Provide TA on proper packaging of fruits and vegetables; 3. Review the financial position of the company and link them with potential investors.	360,000	2%	6 FT / 20 PT	0%
3	"AZRus Dosluq" PC	Greenhouse	1. Provide TA on upgrading or replacing heating system of greenhouses; 2. Review the financial position of the company and link them with potential investors.	800,000	20%	1 FT	0%
4	İlgar Mammadov	Cold Storage	1. Provide TA on cold storage best practices and post-harvest fruit handling 2. Provide TA to proper packaging of fruits and vegetables - including identification of appropriate automated sorting and packaging system; 3. Review the financial position of the company and link them with potential investors.	342,000	2%	20 PT	0%

<sup>2</sup> Where data is available, year-on-year (y-o-y) sales and employment growth for Q4 (July-Sept) has been calculated for companies.

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Ganja</b>							
5	APEKS LLC	Fishery	1. Provide TA on physical layout and work flow of fish farm. 2. Provide TA on qualitative and cost efficient fish feed formulas. 3. Provide TA on draining system. 4. Review the financial position of the company and link them with potential investors.	628,000	76%	5 FT	0%
6	"Elba" LLC	Processed Meat/Packaging	1. Provide local TA to research and identify needs and equipment for new packaging line. 2. Assist client in development of strategic marketing plan and in identifying new local and international clients. 3. Review the financial position of the company and link them with potential investors.	625,000	36%	24 FT	0%
7	Goy-Gol ASR company	Poultry	1. Provide TA on financial modeling and link the client with financial institutions for leasing or loan; training on increasing productivity is also required by business	268,873	268%	8 PT/ 5 PT	0%
8	Ganja Meat Milk company <sup>3</sup>	Poultry	1. Provide TA on financial modeling and link the client with financial institutions for leasing or loan; training on increasing productivity is also required by business	934,000	15%	12 PT	0%

<sup>3</sup> Competitiveness Plan for Ganja Meat Milk company is pending final approval.

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Ganja</b>							
9	NAA Company	Cold Storage	<b>Graduated:</b> PSCEP linked NAA with CIIC for a 6.8 million AZN equity investment for expansion of cold storage and greenhouse facilities. No further TA has been requested				
10	Qizil Yem	Poultry /Feed Mill	<b>Graduated:</b> Company with support of local BDS received \$45,000 grant from World Bank/Min. of Agriculture program for construction of 8t/d feed mill and grinder facility.	310000	13%	5 FT	0%

**A2. Guba Client List**

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4 <sup>4</sup>	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Guba</b>							
1	Agroline	Aquaculture	<ol style="list-style-type: none"> <li>1. Provide TA for design &amp; construction of new hatchery.</li> <li>2. Provide TA to prevent contamination from inundation from river.</li> <li>3. Provide TA in identifying specific parasites &amp; treat fish for the same purposes.</li> <li>4. Assist to identify local source of quality fish feed</li> </ol>	195,000	33%	7 FT	7%
2	Rasif Mammadov	Cold Storage	<ol style="list-style-type: none"> <li>1. Provide TA on how to grade, sort, pack, store, and transport delicate fruit - especially apples.</li> <li>2. Provide TA on maintenance of controlled climate storage facilities.</li> <li>3. Review the financial position of the company and link them with potential investors.</li> <li>4. Assist with development of association of cold storage facilities in Guba region.</li> </ol>	520,000	N/A	15 FT / 100 PT	4%
3	UN AGRO	Cold Storage	<ol style="list-style-type: none"> <li>1. Provide TA on how to grade, sort, pack, store, and transport delicate fruit - especially apples.</li> <li>2. Review the financial position of the company and link them with potential investors.</li> <li>3. Assist with development of association of cold storage facilities in Guba region.</li> </ol>	1,540,000	150%	4 FT / 57 PT	N/A
4	Qusar Konserv Kombinat LLC	Fruit / Vegetable Processing	<ol style="list-style-type: none"> <li>1. Provide TA and recommendation on work flow process, equipment and upgrades needed in apple juice concentrate and tomato paste lines.</li> <li>2. Provide TA on international food safety and food management standards.</li> <li>3. Review the financial position of the company and link them with potential investors.</li> </ol>	2,490,000	-28%	11 FT / 10 PT	0%

<sup>4</sup> Where data is available, year-on-year (y-o-y) sales and employment growth for Q4 (July-Sept) has been calculated for companies.

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Guba</b>							
5	Bakuba MMC,	Cold Storage	<ol style="list-style-type: none"> <li>1. Provide TA on how to grade, sort, pack, store, and transport delicate fruit - especially apples.</li> <li>2. Provide TA on construction of new cold storage facilities and needed equipment.</li> <li>3. Review the financial position of the company and link them with potential investors.</li> <li>4. Assist with development of association of cold storage facilities in Guba region.</li> </ol>	350,000	N/A	11 FT	50%
6	BakFem (Yashar Balabeyov)	Hazelnut Processing	<ol style="list-style-type: none"> <li>1. Review the financial position of the company and link them with potential investors.</li> <li>2. Provide TA to help the company identify off-season income generation activities.</li> </ol>	1,600,000	N/A	0	0%
7	Elman Mehraliyev	Aquaculture	<ol style="list-style-type: none"> <li>1. Provide TA on design and capital repairs needed on fish farm.</li> <li>2. Assist the client in purchasing 150,000 eyed trout eggs</li> <li>3. Provide TA in designing a hatchery and securing equipment for it.</li> <li>4. Provide TA, training &amp; consultation for fish breeding.</li> </ol>	540,000	(all new sales)	6 FT	(all new employees)

**A3. Sheki Client List**

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4 <sup>5</sup>	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Sheki</b>							
1	Balacans LLC	Fruit and Vegetable	1. Provide TA on procedures for availability of HACCP 13001 standard (to set up the Control System of the Danger Analysis and Critical Control Points against the hazard referred to the human health) on the Food Safety Management System or ISO 22000 as the combined (unified) version of the ISO 9001 with the HACCP 13001; 2. Provide training to upgrade laboratory staff. 3. Provide TA on PET bottling line for pomegranate concentrate. 4. Provide assistance to develop a strategic marketing plan and identify an advertising agency for new marketing campaign	5,200,000	141%		19%
2	TMK Construction company	Construction materials	1. Assist in the development of a strategic marketing plan; 2. Facilitate contact with potential new buyers; 3. Review the financial position of the company and link them with potential investors.	840,000	134%	0	24%
3	OON LLC	Hazelnut processing	1. Provide TA on HACCP procedures and training in food protection. 2. Provide recommendations on how to upgrade and automat production processes; 3. Provide recommendations on new packaging equipment and technology 4. Review the financial position of the company and link them with potential investors - including assistance with purchase order financing.	164,000	N/A (no sales Q4 2008, 70,000 AZN 2009)	12 FT	0%

<sup>5</sup> Where data is available, year-on-year (y-o-y) sales and employment growth for Q4 (July-Sept) has been calculated for companies.

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Sheki</b>							
4	Azertehcizat-M LLC	Greenhouse	1. Provide TA on production process including redesign of layout, modern heating system, diversification of products, and food safety during the packing process; 2. Review the financial position of the company and link them with potential investors; 3. Provide TA for the design and implementation of a transplant nursery; 4. Provide TA for the design and development of a cold storage facility.	690,000	N/A (no sales Q4 2008; 80,000 AZN 2009)	18 FT	N/A
5	Kamaladdin Maharramov	Aquaculture	1. Provide assistance in the development of an aquaculture association which will own a hatchery; 2. Provide TA to assist with the design and development of this hatchery; 3. Provide TA in rearing and grow out of carp fingerlings, including plans for small ponds.	20,000	N/A	4 FT	133%
6	Girkhbulag fishing farm	Aquaculture	1. Provide TA on reconstruction of feed shop including input on formulas, methodology, sizing and production of feed; 2. Provide TA and recommendations on the design and layout of the fish farm to enhance productivity. 3. Review the financial position of the company and link them with potential investors	12,800	33%	4 FT	117%
7	Vagif Aliyev <sup>6</sup>	Textiles	1. Provide TA on modern, high quality weaving equipment; 2. Provide TA and recommendations on installation of heating and ventilation systems; 3. Provide assistance to identify new (digital) printer for dyeing. 4. Review the financial position of the company and link them with potential investors.	118,000	77%	8 FT	200%

<sup>6</sup>Competitiveness Plan is pending.

#### A4. Jalilabad Client List<sup>7</sup>

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Jalilabad</b>							
1	"Elvin-2" MKM, Huseynov Agagulu	Potato growing	<ol style="list-style-type: none"> <li>1. Provide TA on alternative uses for potatoes (starch, puree, potato chips).</li> <li>2. Assist company in locating alternative markets to Russia and in bringing small individual producers together to increase supply and sales opportunities;</li> <li>2. Connect the company with those providing refrigerated transportation inside and outside of Azerbaijan;</li> <li>3. Providing TA for potato growing, storage, sorting, loading and processing. Also assist in linking the company with leasing facilities for potato processing equipment.</li> </ol>	1,376,000	11% (July only)	8 FT/ 12 PT	22%
2	Jalilabad broiler factory Ltd, Vedat Duysag	Poultry	<ol style="list-style-type: none"> <li>1. Provide TA poultry breeding and new technology.</li> <li>2. Assist with equipment recommendations to update the hatchery, slaughtering process, feed formulations and packaging to increase yield and sales.</li> <li>3. Provide TA to install and train staff on management software</li> </ol>	1,386,000	N/A	12 FT	N/A
3	"Kristal" Ltd, Hasanov Shamil	Fruit/Vegetable Processing	<ol style="list-style-type: none"> <li>1. Review the financial position of the company and link them with potential investors.</li> <li>2. Supporting in purchasing of updated processing, filling and labeling equipment;</li> <li>3. Support the company in identifying new markets and buyers</li> </ol>	120,000	N/A	4 FT / 37 PT	N/A

<sup>7</sup> Please note, PSCEP has not yet signed competitiveness plans with companies in Jalilabad and results have not yet been verified.

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Jalilabad</b>							
4	"Bilasuvar Agro" Ltd, Sadigov Tahir	Dairy	1. Provide international TA on milk powder production. 2. Assist company with relationships with local farmers to increase quality, quantity and sources of raw milk.	328,488	N/A	74	
5	"Dalga-94" Ltd, Aliyev Alyar	Furniture	1. Providing with the specialist assistance for in furniture design, engraving and dyeing; 2. Providing with the professional assistance for advertising; 3. Providing with the assistance for appropriate management to ISO standards; 4. Provide TA on work flow and factory organization.	604,034	N/A	21	
6	Aliyev Sudeif	Wine	1. Provide TA on new wine-growing technology and techniques - including recommendations on pesticides and fertilizers; 2. Provide TA on updated irrigation system; 3. Review the financial position of the company and link them with potential investors, including leasing companies for irrigation systems and drying equipment for raisin production; 4. Provide TA on cold storage for grapes.	360,000	59% (Aug/Sept)	13 FT / 76 PT	160%
7	Abbasov Shakir	Potato growing	1. Connect the company with those providing refrigerated transportation inside and outside of Azerbaijan; 2. Providing local TA on new potato horticulture practices. 3. Provide TA on establishing a potato processing facility and possibly linking the company with financial/leasing institutions for assistance with equipment.	46,782	33% (July)	4	17%

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Jalilabad</b>							
8	Oktay Eyniyev, individual	Potato growing	1. Providing local TA on new potato horticulture practices. 2. Support the development of an organization/association of potato producers.	181,500	15% (July)	10	33%
9	Shabiyev Mirzabala	Potato growing	1. Review the financial position of the company and link them with potential investors, including leasing companies for new machinery; 2. Providing TA for potato growing, storage, sorting, loading and processing. 3. Support the development of an organization/association of potato producers.	56,900	50% (July)	4	33%
10	Aslanov Eyyub	Potato growing	1. Connect the company with those providing refrigerated transportation inside and outside of Azerbaijan; 2. Providing local TA on new potato horticulture practices. 3. Support the development of an organization/association of potato producers.	215,000	11% (July)	6	23%
11	Hasanov Adishirin	Potato growing	1. Connect the company with those providing refrigerated transportation inside and outside of Azerbaijan; 2. Providing local TA on new potato horticulture practices. 3. Assist in developing contacts with fertilizer and pesticide companies.;	81,770	70% (July)	5	12.5%
12	Mehtiyev Ramiz	Potato growing	1. Connect the company with those providing refrigerated transportation inside and outside of Azerbaijan; 2. Providing local TA on new potato horticulture practices. 3. Support the development of an organization/association of potato producers.	100,905	83.3% (July)	15	250%

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Jalilabad</b>							
13	Rahimov Ramiz	Potato growing	1. Connect the company with those providing refrigerated transportation inside and outside of Azerbaijan; 2. Providing local TA on new potato horticulture practices. 3. Assist in developing contacts with fertilizer and pesticide companies.;	73,140	56.3% (July)	4	20%
14	Kamranov Ayyar	Potato growing	1. Providing local TA on new potato horticulture practices. 2. Assist in developing contacts with fertilizer and pesticide companies.;	44,000	71.4% (July)	2	25%
15	Nagiyev Agakhan	Wine	1. Provide TA in establishing a new seedling nursery to enhance the root stock and increase the grape production. 2. Providing TA in modern wine/grape cultivation methodologies.	550,000	232% (Sept)	40	200%

**A5. Lankaran Client List<sup>8</sup>**

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Lankaran</b>							
1	Pal-Sud LTD	Dairy	1. Provide local TA to small farmers on techniques in milk cooling, quality control, sanitation & hygiene, and feeding practices for livestock to increase quality and quantity of raw milk supplied to Pal Sud collection centers.	1,700,000	301%	40	
2	Canub Agro LTD	Greenhouse	1. Provide local TA to assist company to find suppliers for purchasing seed, fertilizer, herbicide, polyethylene material (covers and packing materials), and equipment. 2. Assist company with strategic marketing plan to locate new buyers in local and international markets. 3. Provide TA on new horticulture practices and to train staff to enhance cultivation and yield.	396,000	172%	7	
3	"Bitkiler Alemi" Physical Person	Greenhouse	1. Provide local TA to assist company to find suppliers for purchasing seed, fertilizer, herbicide, polyethylene material (covers and packing materials), and equipment. 2. Assist company with strategic marketing plan to locate new buyers in local and international markets. 3. Provide TA on new horticulture practices and to train staff to enhance cultivation and yield.	228,000	252%	6	
4	Optimal LTD	Agribusiness F/V Processing	1. Provide local TA to assist company with strategic marketing plan and to locate new markets and buyers in Ukraine, Georgia, and Russia for products. 2. Assist the company to locate new suppliers of raw materials/produce. 3. Provide TA on food safety practices and staff training in hygiene and sanitation.	720,000	38%	5	

<sup>8</sup> Please note, PSCEP has not yet signed competitiveness plans with companies in Lankaran and results have not yet been verified.

Client	Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Y-o-Y Sales Growth for Q4	Expected new Jobs - Y1	Y-o-Y Job Growth for Q4
<b>Lankaran</b>							
5	Progress -1 LTD	Furniture	<ol style="list-style-type: none"> <li>1. Provide assistance to locate new markets</li> <li>2. Provide TA in designs and modern manufacturing,</li> <li>3. Review the financial position of the company and link them with potential investors and equipment leasing companies</li> <li>4. Assist company in locating source of hard wood for parquet manufacturing,</li> </ol>	390,000	22%	4	
6	Umman LTD	Agrarian	<ol style="list-style-type: none"> <li>1. Review the financial position of the company and link them with potential investors.</li> <li>2. Assist the company in locating new buyers and new markets in Europe and the Middle East.</li> <li>3. Provide local assistance in development of strategic marketing plan and promotion</li> </ol>	1,900,000	30%	40	
7	Lankaran Cihazqayirma	Greenhouse	<ol style="list-style-type: none"> <li>1. Provide TA in installation of new greenhouse facility.</li> <li>2. Assist the company in location of new markets and marketing strategies</li> </ol>	800,000	42%	4	
8	"Masal Mebel" LTD	Furniture	<ol style="list-style-type: none"> <li>1. Provide TA in design of new furniture factory and input on equipment.</li> <li>2. Advise the company on possible MDF furniture production – including technology and equipment needed.</li> <li>3. Review the financial position of the company and link them with potential investors and equipment leasing companies</li> </ol>	300,000	127%	5	

#### A6. VCS Clients - Poultry Companies

Company	Sector	PSCEP Commitment	Expected New Sales - Y1	Expected Percent Increase in Sales	Expected new Jobs - Y1	Expected Percent Increase in Employment
Davachi Broiler	Poultry	TA	22,900,000	189%	11	1.5%
OZ-AK Company	Poultry (eggs)	<p>1. The PSCEP will produce a detailed ownership transition plan with the objective of having the both companies to agree on the terms defined in the plan</p> <p>2. The essential part of the transition plan will be company business model that was already developed by PSCEP in May 2009. 3. If the parties agree and accept the transition plan the company might need assistance on staff SOW development and recruitment Assist the company in identification of new clients/companies in other regions of Azerbaijan and beyond</p>	4,725,000	155%	6	50%
ASENA Co	Poultry/feeding	<p>1. PSCEP will bring a consultant of international standards of feed granulating equipment.</p> <p>2. PSCEP will bring a consultant in slaughtering equipment manufacture in EU standards.</p> <p>3. Identify financial union/investor and facilitate their relationship</p>	481,568	117%	5	7.4%

**ANNEX B: LIST OF LOANS DISBURSED UNDER PSCEP'S SME/DEBT FINANCING COMPONENT – AUGUST-OCTOBER, 2009**

Loan	Company Name	Sector	Purpose	Amount AZN	# NEW EMPLOYEES (male/female)	% INCREASE TO SALES AND NET INCOME	AMOUNT OF SALES AZN
<b>Demir-Bank</b>							
1	Goychay Broyler	AG - Poultry	Fixed-asset finance	200,000	6M and 2F	15	2,875,000
2	Shakar Shirniyyat	Food Processing	Fixed-asset finance	290,000	8M and 11F	30	732,000
3	MMTel Ltd	ICT	Inventory Financing	700,000	-	10	11,453,000
4	Zira Broyler	AG - Poultry	Inventory Financing	115,000	2M and 5F	12	1,328,000
<b>Sub-total</b>				<b>1,305,000</b>	<b>16M and 18F</b>		<b>16,388,000</b>
<b>Bank of Azerbaijan</b>							
1	Azviptour LLC	Service	Inventory financing and fixed asset	700,000	8M and 2F	30	450,000
2	Gax Cannery	AG-Production	Inventory financing	50,000	2 F	10	200,000
3	Zerdab-Cotton OSC	AG-Processing	Inventory financing and fixed asset	100,000	3M and 2F	50	100,000
4	Avey Dağ LLC	Production	Inventory financing	30,000	2M	25	50,000
5	Delfin LLC	Service	Inventory financing	50,000	1M and 1F	10	30,000
6	Avto Park	Service AG gets benefit	Inventory financing and fixed asset	474,660	4M and 1F	20	750,000
7	Shikhaliyev Rauf	Trade & Service	Inventory financing	30,000	3F	25	55,000
8	Avto Catering	Service	Inventory financing	50,000	1M and 2F	30	150,000
9	Ideal Parfum	Cosmetics	Inventory financing	300,000	5F	25	450,000
<b>Sub-total</b>				<b>1,784,660</b>	<b>19M and 18F</b>		<b>2,235,000</b>

Loan	Company Name	Sector	Purpose	Amount AZN	# NEW EMPLOYEES (male/female)	% INCREASE TO SALES AND NET INCOME	AMOUNT OF SALES AZN
<b>Rabita Bank</b>							
1	Karimov Tahir	Trade and service	Inventory financing	100,000	4M and 2F	17	963,192
2	İsmayilov Javanshir	Trade and service	Inventory financing	30,000	2M	68	645,780
3	Gasimov Rufat	Trade and service	Inventory financing	30,000	2M and 1F	62	436,728
4	Mammadov Fuad	Trade and service	Inventory financing	30,000	1F	120	241,284
5	Javadov Hummat	Trade and service	Inventory financing	30,000	3M and 3F	150	153,084
6	Sharifov Ruslan	Trade and service	Inventory financing	35,000	6M and 2F	120	788,408
7	Ahmadov Elsavar	Trade and service	Inventory financing	35,000	2F	430	148,608
8	Bakirov Tengiz	Trade and service	Inventory financing	7,500	2F	120	62,676
9	Shukurova Mirvari	Trade and service	Inventory financing	80,500	1M and 2F	100	292,000
10	Namazov Zakir	Trade and service	Inventory financing	5,000	2M and 2F	250	75,000
11	"Vugar-A" firm	Trade and service	Inventory financing	10,000	3M	50	636,000
12	Mammadov Zaur	Trade and service	Inventory financing	25,000	7M and 3F	27	608,004
13	Abdullayev Jafar	Trade and service	Inventory financing	16,000	2M	180	16,800
14	"Shamo" firm	Trade and service	Inventory financing	15,500	5M	30	509,705
<b>Sub-total</b>				<b>449,500</b>	<b>37M and 20F</b>		<b>5,577,269</b>

Loan	Company Name	Sector	Purpose	Amount AZN	# NEW EMPLOYEES (male/female)	% INCREASE TO SALES AND NET INCOME	AMOUNT OF SALES AZN
<b>Royal Bank</b>							
1	Nabiyev Azizaga	Wood seller	Inventory financing	23,000	4 M	60	345,000
2	Gasimli Azer	Leather clothing store	Inventory financing	70,000	1 M	200	687,000
3	Jafarov Ali	Leather clothing store	Inventory financing	10,000	-	65	156,000
4	Huseynov Rauf	Building materials store	Inventory financing	32,500	2 M	187	490,000
5	Mammadov Habib	Leather clothing store	Inventory financing	12,000	-	-	-
6	Nurushov Heydar	Drug store	Inventory financing	38,000	5M, 3 F	36	570,000
<b>Sub-total</b>				<b>185,500</b>	<b>12M and 3F</b>		<b>1,807,000</b>
<b>Bank of Baku</b>							
<b>Table under development. PSCEP checking figures</b>							
<b>Mugan Bank</b>							
<b>Table under development. PSCEP checking figures</b>							
<b>Grand Total</b>				<b>3,725,260</b>	<b>84M and 54F</b>		<b>26,007,269</b>

## List of Loans Currently Under Review

Loan	Company Name	Business Type	Loan Purpose	Loan Amount AZN	Location	Status
1	Bakfem	Hazelnut Processing	Working capital financing for hazelnut collection from farmers	300,000	Khachmaz	Bank gave approval but client rejected to take loan now due he has financing from his partner and for that reason no need for bank loan. May in future client will take a loan..
2	Azertajhizat LLC	Green-house	Working capital financing for outstanding expenses	400,000	Shaki	Bank Head Office gave their conditional approval. The regional branch of DemirBank is doing assessment to structure loan agreement
3	Vusal-N LLC	Furniture production	New Production Line	280,000	Shaki	Under DemirBank's review. Loan officer does analysis to determine business capacity of client
4	OON	Hazelnut processing	Working capital financing for hazelnut collection from farmers	300,000	Shaki	Credit department gave conditional approval. DemirBank's regional branch is doing assesment
5	Azer-Cabelling	Service to ICT	Financing of inventory	250,000	Baku	Bank of Azerbaijan is doing assessment. PSCEP financial team involved and helps bank to provide in-depth analysis
6	Dayag LLC	Production of wooden goods	Purchase of new equipment to establish new production line	200,000	Baku, Nachichevan	DemirBank is doing assessment. PSCEP financial team involved and helps bank to provide in-depth analysis
7	Sergey Gromov	Construction	Purchase of new equipment to establish new production line	40,000	Baku	RabitaBank is doing assessment. PSCEP financial team involved and helps bank to provide in-depth analysis
8	BestComp	ICT	Financing of Account Receivables/Factoring	600,000	Baku	
<b>Total</b>				<b>2,370,000</b>		

**BDS ASSISTED FINANCING**

No.	Company Name	Business Type	Financing	Loan Amount (AZN)	BDS	Bank	Status	Expected Date of Agreement
1	APEKS LLC	Aquaculture	Working capital	30,000	Ganja	Ganja Bank	Disbursed	September
2	Gizil Yem	Poultry / Feed	WB/MoA Grant for construction of 8 T/day feed mill and grinder mill.	30,000	Ganja	World Bank / Ministry of Agriculture	Pending	
3.	Elba LLC	Meat Processing	Vacuum packaging equipment	650,000	Ganja	Azerdamiryol Bank (Ganja Branch)	Documentation submitted to Bank, awaiting response.	
<b>TOTAL</b>				<b>710,000</b>				