



## FY 2010 SECOND QUARTER REPORT

January - March 2010 & March 2010 MONTHLY REPORT

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**Cover Photo:** PC Software Anti-Piracy Global Development Alliance MOU signing between Softline Managing Director, Alim Salahov (left); Microsoft Azerbaijan General Manager, Teymur Akhundov (center); and USAID Mission Director Jonathon Conly (right). March 4, 2010.

## **PRIVATE SECTOR COMPETITIVENESS ENHANCEMENT PROGRAM**

**FY 2010 Quarter Two (January – March 2010) and March 2010 Monthly Report**

### **I. ACTIVITIES AND ACCOMPLISHMENTS IN FY 2010, QUARTER TWO (JANUARY – MARCH 2010)**

#### **A. ADMINISTRATIVE ACTIVITIES**

##### **A1. Personnel**

During the quarter, several significant local staff changes occurred, routine supervisory visits were made by home office staff, and the project explored cost effective ways to increase technical staffing.

##### **January**

- Arif Aghayev started in mid-January as the Financial Value Chain Specialist replacing the former specialist who resigned.
- Gulmira Gojayeva, Administrative Assistant, was promoted to Acting Office Manager replacing Konul Veliyeva who is on maternity leave.
- Sakina Kalantarli was contracted on a short-term employment agreement to work as the Administrative Assistant.
- Nurana Aliyeva, M&E and Grants Specialist, was notified that her contract would not be renewed in February.
- All other staff had their contracts renewed for the 2010 project period.

##### **February**

- At the request of USAID, the US Peace Corps in Azerbaijan supplied a list of volunteers (PCVs) interested in working with PSCEP. PSCEP in turn forwarded their resumes and contact information to our BDS providers in their geographic regions. PSCEP asked USAID to help locate interested local PCVs in dairy and general agriculture.
- Oklahoma State University developed a special relationship with Azerbaijan. University staff could be useful sources of technical consultants at a reduced cost (charging only airfares, lodging and local per diem). Following introduction by the project's COTR, a July technical assignment by university specialists was planned to support the new Agro Information Centre (AIM) animal feed laboratory in related agricultural extension, animal feed production, market information system improvements, and profit-center/business management activities and promotion.

##### **A2. Home Office Support**

##### **February**

- New home office (HO) backstopping Project Management Unit (PMU) Director Stephen Farkas, and PMU associate Fatima Morrisroe, made a brief (non-project funded) visit to PSCEP to review project activities, and to pay a call on Mission staff to discuss management, contractual, budgetary, and technical issues. In addition, Ms. Morrisroe updated the PSCEP budget projections and made suggestions on the project's physical and electronic filing systems.

## **March**

- Chemonics Senior VP for Europe and East Asia James Butcher and PMU Director Stephen Farkas returned to Azerbaijan to meet with USAID on contractual and budgetary issues related to both the TIRSP and PSCEP projects.

## **A3. Site Visits**

Azerbaijan, Georgia and Washington-based USAID staff made several site visits and were involved in PSCEP activities with BDS providers and GDA partners during the period.

## **January**

- On separate occasions, USAID Country Representative Scott Taylor visited two PSCEP aquaculture sites in Gusar and in Nakhchivan, both of which had ordered and hatched trout-eyed-eggs under the PSCEP assisted consolidated order.
- Mission Director Jonathan Conly, COTR and Economic Growth (EG) Team Leader Sheila Young, EG staff Amanda Fong, and Mission Communications Specialist Ryan Fong attended part of the PSCEP BDS workshop in Ganja, visited a project supported greenhouse, and received an overall project briefing from the PSCEP staff.

## **February**

- Several meetings were held with USAID's Washington evaluation team to discuss PSCEP's activities, objectives and sectors/subsectors; as well as to specifically review the project's finance and aquaculture activities. Meetings were arranged with two of the project's financial sector partners: Caspian International Investment Company (CIIC) and Demir Bank.
- COP Harvey Schartup and USAID Mission staff Sheila Young and Amanda Fong paid a visit to the PSCEP Guba BDS to discuss current and future activities and to visit one of their aquaculture clients. Unfortunately, dense fog prevented the fish farm visit. Instead, a visit was paid to UnAgro to view their cold storage facilities, marketing activities, and newly acquired fruit drying equipment. The equipment, once in operation, will turn low valued fruit, non-marketable as fresh, into higher valued dried fruit to effectively compete with foreign imports.
- USAID Country Representative Scott Taylor visited the project's Ganja BDS provider, the Young Agrarians, and one of the supported trout farms in Gusar (Elman Mehraliyev Trout Farm).
- USAID COTR Sheila Young, PSCEP VCS Yashar Farajov, and PSCEP Aquaculture Specialist Tom Ort visited one of the participants of the consolidated eyed-egg order in December, the ASNI Trout Farm in Nakhchivan. The group monitored the progress of the hatch, fish growth, and general operations of a local fish farmer who PSCEP is encouraging to undertake the role of local consultant to the aquaculture sector.

## **March**

- To provide the USAID Washington Economic Growth Evaluation Team with a better understanding of PSCEP activities and the rural agribusiness sector, DCOP Barbara Yale, COTR Sheila Young, and the two members of the USAID Washington evaluation team visited the Guba BDS provider and two of its clients: Elman Mehraliyev, who owns a local fish farm which had participated in the recent consolidated eyed-egg order, and UnAgro, a facility with cold storage and with future fruit drying operations.

#### **A4. Monitoring and Evaluation**

Deputy Chief of Party (DCOP) Barbara Yale continued her visits to the project's BDS providers to assist them in improving their monitoring and evaluation reports, data collection, and to collect more in-depth M&E project information.

##### **January**

- The project submitted the Annual Monitoring and Evaluation Report/Plan to USAID and made plans and preparations for the type of more in-depth information required from the BDS providers.

##### **February**

- Barbara Yale traveled to the Lankaran and Jalilabad BDS offices to (1) gather further details on the assistance provided to BDS clients and have a more realistic appreciation of direct and indirect impact and overall investment; (2) help the BDSs improve their M&E reporting and their appreciation of their impact; and (3) assist the BDS providers in reviewing opportunities to increase their sustainability options.
- PSCEP received Mission comments and submitted to USAID the revised Annual Monitoring and Evaluation Report/Plan, with additional information from Barbara Yale's trip to Lankaran and Jalilabad.

##### **March**

- With the same objectives as for her February trip to Lankaran and Jalilabad, Barbara Yale visited the Guba BDS office and assisted them with improvements to their M&E reporting and data collection methods.
- PSCEP made further refinements to the annual M&E project report and submitted it to the Mission.

#### **A5. Budget**

Cost control, budget projections, and monthly budget reviews with the Chemonics home office were priority activities during the period.

##### **January**

- Given the smaller number of projected short-term technical assignments in 2010, leases on the two TDY project apartments were not renewed. One of the apartment leases was transferred to TIRSP for use for their incoming consultants.

##### **February**

- PSCEP continued to place emphasis on cost consciousness and controls, monitoring the budget with its HO PMU, and developing alternate cost scenarios while maintaining technical effectiveness.
- PSCEP held periodic discussions with TIRSP on joint utilization of consultants (for example, leasing and leasing legislation; high value horticulture; and quality and international standards and certifications in relation to the country's interest in joining the WTO).
- New contracts were signed with all BDS providers, except Sheki (which was signed in March), to gradually reduce their payment amounts and to reduce their reliance on USAID funding.

## **March**

- Monthly budget reviews under alternate fielding scenarios continued with the involvement of the home office including new sources of STTA (Oklahoma State University) The Mission raised the possibility of a funding gap due to delays in receiving the balance of obligation funding.

## **A6. Other Administrative Activities**

### **February**

- USAID approved PSCEP's disposal of unusable project inventory. IT items were handed over to the Helsinki Citizen Assembly/Azerbaijan for use in teaching children about computers.
- The Ford Explorer project vehicle suffered front end body damage in an accident in Baku. The other driver was at fault and no one was hurt. Insurance will pay for the costs of repair. Spare parts were ordered and the vehicle was fully operational by mid-March.

### **March**

- As per local legal requirements for NGOs and development projects, PSCEP underwent an independent local accounting audit and submitted its statements to the authorities.
- According to visa requirements, COP Schartup left the country at the end of the 90 day period starting from the date of visa issue. His visa is now current through the end of May 2010. DCOP Yale will leave for the 90 day visa reason in mid-April.

## **B. PROGRAM ACTIVITIES**

### **B1. Sector Support**

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

PSCEP had a smooth transition from the former Finance Specialist, Ramal Jafarov, to the new one, Arif Aghayev. Mr. Aghayev was introduced to PSCEP financial activities, its banking and investment company partners, BDS providers, and targeted/model companies. The project's financial short-term technical advisors (leasing and SME lending) returned and a new financial activity in trade finance began. Discussions were held with the project's investment company partners to review progress on potential investments in which PSCEP provided technical support.

### **January**

- Mr. Arif Aghayev, COP Schartup, and former project Finance Specialist Mr. Ramal Jafarov visited several partner banks to introduce Mr. Aghayev, review project assistance and its effectiveness to date, and to discuss PSCEP planned assistance in 2010.
- PSCEP's short-term financial consultants (debt financing consultant Mr. Richard Currie and trade financing consultant Mr. Stewart Cole) arrived during the last week in January for next assignments with the banking sector. Mr. Currie provided individualized on-the-job credit training to credit officers on actual loan proposals and assisting the banks on developing marketing plans. Mr. Cole provided technical assistance to support increased and improved use of Letters of Credit (L/Cs), Letters of Guarantee (L/Gs), and Documentary Collections (D/Cs) in Azerbaijan.

- Mr. Cole and Mr. Currie also made sure that our Financial Specialist, Mr. Aghayev, was fully briefed on the technical activities and attending all the bank meetings. Mr. Aghayev is responsible for following up with the banks, introducing and orienting the project's BDS providers on these bank products, and assisting the BDS providers to develop bankable loan documents for the partner and non-partner banks.
- Special attention was given to meetings with the upper management of Mugan Bank, which in spite of a signed MOU and assistance from PSCEP STTA has faltered in its reporting. Mr. Hasanov, Chairman of the Management Board, was informed that without the agreed to information from the bank, PSCEP will no longer provide assistance. Mr. Hasanov promised to make the bank more responsive since the bank appreciates the project collaboration.

### **February**

- An informational meeting was held at USAID between PSCEP financial advisory staff and USAID's FSSP Central Bank project to share ideas, discuss possible areas of collaboration and synergy, and avoid duplication. Several ideas were exchanged particularly regarding leasing and the need for Central Bank oversight.

### **March**

- Mugan Bank provided the required information and the project will continue working with the institution.
- Trade Finance specialist Stewart Cole returned to Azerbaijan in late March to begin implementing the Trade Finance training program with PSCEP partner banks.

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

Though SME loans slowed for the New Year and the first few months of the quarter as year-end accounting took precedence over new loans, PSCEP continued to promote development of bank marketing strategies with proactive marketing, market promotion, and appropriate risk analysis.

### **January**

- Mr. Currie and Mr. Aghayev worked on an informative marketing brochure for Purchase Order Finance (POF) loans. POF is a new loan product, not found in the Azerbaijani banking sector, which PSCEP introduced to partner banks.
- Mr. Currie also worked on the final version of a "Credit Grading and Scoring System" for the partner banks. This new system will help banks analyze loan requests by classifying risks by economic sectors, clients, and business type.

### **February**

- English and Azerbaijani versions of the draft "Credit Grading and Scoring System," which has particular relevance for SME loans and especially Purchase Order Finance activities, was delivered to partner banks. The banks are considering incorporating elements into their current grading system.
- PSCEP experts along with the pilot banks' marketing departments drafted marketing plans for the project's new loan products. An English and Azerbaijani version of a draft Marketing and New Business Development Plan was developed to assist the banks in developing a comprehensive marketing strategy.

- Mr. Currie and Mr. Aghayev also finalized the draft marketing brochure for the Purchase Order Finance loan product, which the banks can use as a format for their other specialized loan products.
- Partner bank reporting was switched to a quarterly basis to fit better with the bank's normal reporting cycle.

### **March**

- An updated loan tracker was sent to banks to get their information on SME financial deals for the first quarter of calendar year 2010.
- After numerous requests to Mugan Bank's senior management, the bank provided information on its lending for the 2009 period of PSCEP assistance.

### **B1a1 continued - Facilitation of debt financing through support by PSCEP BDS providers:**

#### **January**

- To help the farmers secure credit, the Lankaran BDS worked with the Agrarkredit organization and Access Bank to explain financing possibilities and procedures. Bank information was provided to the producers and the BDS is ready to help prepare business plans.

#### **February**

- LBC continued providing informational sessions for Access Bank and Agrarkredit to facilitate introductions between the banks and the farmers seeking small credits to expand production / renovations. By the end of 2009, Access Bank has provided 320,000 AZN in small loans to 80 dairy farmers, and Agrarkredit has supplied 175,000 AZN to 25 farmers supplying Pal Sud. Both Access Bank and Agrarkredit are extremely interested in expanding this cooperation.

#### **March**

PSCEP's DCOP trip to Guba was informative for the GMC BDS who did not realize the extent to which they had leveraged financing for their clients nor the potential levels from internal client sources in the near future. The BDS can use this information as a marketing promotion tool with new and existing clients.

- The 2009 financial tracker for the Guba BDS GMC was completed. To date they have leveraged 4.6 million AZN for their clients, with another 10.2 million in the pipeline. While a good percentage of this is attributable to State Funds for cold storage expansion, they have also worked closely with Agroleasing to provide longer-term equipment financing for their clients.
- GMC has limited work experience with local banks or sourcing financing for small farmers. If they begin work with Qafgaz Cannery and/or MilkPro and Palsud milk collection centers, they will have great opportunity to connect small farmers (with supplier contracts from larger companies) to local regional bank offices.
- Mr. Aghayev continued discussions with the PSCEP BDS providers on client financing situation and needs through meetings with the representative of the Business Innovation Centre (Sheki BDS) and the Ganja Young Agrarians, and a telephone conversation with the Guba GMC to discuss and investigate debt and equity financing possibilities in their region.

## **B1a2. Leasing**

Though there is significant interest in expanding leasing activities in Azerbaijan, expansion is hampered by the lack of appropriate national legislation. Addressing this issue was an important component of the project's leasing activity during the quarter.

### **February**

- John Bengel, PSCEP's financial and operational leasing consultant, returned in early February to continue his work on leasing activities. It was planned that Mr. Bengel provide hands-on assistance to loan officers in reviewing concrete leasing transactions and processing lease applications at each partner bank and interested leasing companies.
- Mr. Bengel and PSCEP FVCS Mr. Aghayev had fruitful discussions with the Bank of Azerbaijan which is establishing a leasing division—the timing is uncertain however due to the change in the chairman of the management board. Procedures, structure, and alternatives for the development of leasing activities were discussed with the bank representative who will manage their leasing operation. The targeted portfolio will be 4 million AZN initially.
- The consultant also had good meetings at Mugan Bank. The member of the Supervisory Board indicated that Mugan Bank intended to start a leasing activity and has hired a manager for the operation. The bank is using procedures, systems, and policy examples provided by Mr. Bengel. Mugan indicated that they would need advice on strategy. Their initial target portfolio is 5 million AZN, and 10 million AZN by the end of 2010.
- The non-partner participants of December's PSCEP's leasing conference have also showed interest in project leasing activities. Meetings were held with Bank Respublika, Yapi Kredi Bank and Access Bank. All were interested in developing leasing programs but were concerned by the lack of leasing legislation and were interested to know how PSCEP, TIRSP, and others are addressing the issue.
- Mr. Bengel held a round table with EBRD, IFC, TIRSP, and the Leasing Association to develop a fixed time schedule and work plan for preparing the draft leasing legislation.
- Updates from the PSCEP VCSs and discussions with companies were part of the process to assist the banks uncover concrete leasing deals. One result was the arrangement between Germany Cooperation GmbH (which has 2 business operations in Azerbaijan, one of which is a stone crushing business, and the other a fleet of 12 Daimler trucks which transport bagged cement to major concrete producers) and Yapi Kredi Bank. The pending deal is for the purchase of two German made bulk cement tractor-trailers for approximately 300,000 Euros. Yapi Kredi Bank agreed to finance the deal, either through a leasing arrangement or by providing a secured line of credit. Both the bank and customer seemed very excited about this deal, which may be the first of others.

### **March**

- Arif Aghayev followed up on the Yapi Kredi Bank leasing possibility. Initially it was expected that Yapi Kredi Bank will finance the deal with the German Cooperative GmbH as a lease and that PSCEP would assist with the procedures, structuring the deal, etc. However, Yapi Kredi felt that given the existing legislation, a lease would be risky and would require lengthy review by their home office. Therefore they would instead issue a loan. The bank is however investigating possible future leasing opportunities and has begun preparing a report and action plan for their headquarters in Turkey.

- PSCEP worked closely with the Bank of Azerbaijan on its leasing component: corporate structure, legal documents, and strategies.
- PSCEP agreed to Demir Bank's request for assistance in structuring a 2 million dollar leasing deal but unfortunately their arrangements did not work out.
- Bank Respublika, though a non-partner bank of PSCEP, is very interested in leasing and other components of the project. PSCEP will explore how to involve them in its training and technical assistance.

### **B1a3. Trade Finance**

Although this specialized type of trade financing is currently offered by many commercial banks, Azerbaijani banks have limited experience with these trade finance instruments and frequently receive rejections from international banks due to improper forms, applications, and terms of conditions of the specific trade deal. The PSCEP partner banks have indicated the need for assistance to strengthen and enhance their skills and knowledge in line with international best practices.

#### **January**

- Mr. Cole's initial activity was to do a preliminary assessment of the current status of the partner banks' trade finance operations. Using a detailed questionnaire, Mr. Cole and Mr. Aghayev met several times with senior management of partner banks and related staff members to review their current Letters of Guarantee (L/Gs), Letters of Credit (L/Cs) and Documentary Collections portfolios; to review trade finance systems and procedures; to discuss issues and objectives; and to develop short-term plans and next steps. PSCEP's partner banks showed great interest in these banking products and expressed willingness to participate in trainings and commit to targeted credit amounts.

#### **February**

- Mr. Cole and Mr. Aghayev finalized the partner bank assessments related to L/Cs, L/Gs, and documentary collections. The core conclusion was that PSCEP Partner Banks do not have broad experience in trade finance and that given the importance of trade finance in business operations there is need to expand use of trade finance products and knowledge. Based on the findings, a technical assistance plan was developed incorporating formal trainings and hands-on training in actual trade finance transactions.
- Trade finance letters of agreement for each partner bank were sent for their signatures committing each bank to a goal of reaching \$2 million of new trade financing by the end of the 2010 calendar year.

#### **March**

- Preparations for the April trade finance component were finalized with the relevant side letters describing training subjects, timing, and other important issues were sent to partner banks. All training materials were translated into Azerbaijani. Training sites were negotiated from two partner banks.
- Trade Finance Specialist Stewart Cole returned to Azerbaijan in late March to conduct Trade Finance Training and hands-on deal structuring with PSCEP partner banks.

## **B1b4. Equity Investment**

Discussions were held with the project's investment company partners to review progress on potential investments where PSCEP provided technical support.

### **January**

- Mr. Schartup and Mr. Aghayev met with Mr. Togrul Kocharly, Chairman of the Caspian International Investment Company (CIIC), and his team to (1) introduce Mr. Aghayev, (2) review prior technical assistance, and (3) ascertain the status of pipelined projects and possible future collaboration. Mr. Kocharly was grateful for assistance from the project.
- Given the interest that CIIC has in the greenhouse sector, Mr. Schartup, Mr. Aghayev and PSCEP consultant Mr. Bruce Hicks spent a half-day with CIIC management explaining critical technical issues in greenhouse investment and responding to technical questions. CIIC is currently in the final phase of reviewing a potential greenhouse investment short-listed with the help of PSCEP. If the investment is realized, CIIC will ask PSCEP for assistance in technical due-diligence and implementation. CIIC expressed its willingness to share the cost of the STTA.

### **February**

- PSCEP maintained contact with both CIIC and Azerbaijan Investment Company (AIC) to review progress on their planned investments in the greenhouses, cold storage, poultry sectors, and other agricultural areas.
- CIIC seems to be progressing with its greenhouse project in Shamkir and expressed a need for an unbiased qualified technical expert. Mr. Aghayev will discuss ways of cooperation.
- The USAID Washington Evaluation Team and Mission staff held meetings with AIC and CIIC (and with Demir Bank) to review the country's investment climate and discuss investment opportunities in the agribusiness sectors.

### **March**

- PSCEP had a meeting at AIC with Mr. Mammadov, Deputy Executive Director, to (1) review prior technical assistance, and (2) ascertain the status of pipelined projects and possible future collaboration. He gave some information about the work performed at AIC in the last couple of months. AIC asked for assistance with the potential dairy, poultry, and aquaculture investments and indicated that they would send further details. PSCEP would also inform AIC of the schedules of its short-term agricultural technical staff to arrange informative discussions.

## **B1b. Agribusiness (Cold Storage and Greenhouses)**

### **B1b1. Cold Storage**

The cold storage sub-sector continues to be an attractive area for investors both for new facilities and for related value-added auxiliary operations. However, given the relative newness of the sector, management and technical questions still need to be addressed.

## **January**

- Preparations for the spring visit of a PSCEP post-harvest handling and cold storage consultant were made with BDS visits to their area's cold storage facilities and the preparations of a table showing regional harvest, storage, and marketing periods for cold-stored fruits and vegetables.
- The Guba BDS met with two cold storage facilities, Rasif Mammadov Cold Storage and UnAgro, to discuss opportunities for Jalilabad potato farmers to cold store their produce, and possibly packing and transport arrangements for export to Russian markets. Rasif Mammadov Cold Storage said that it could provide the cold storage services for a cost of 1 manat per day per ton of potatoes. Potato producers in Jalilabad analyzed the offer and felt that it was not a profitable arrangement for them.
- Bakuba MMC, a BDS client in Guba, continued its work on its 2000 ton capacity cold storage facility, including a plan for a packaging production operation. The Guba BDS is assisting Bakuba to investigate whether the chemicals used in the package manufacturing are suitable for fruit and vegetables.

## **February**

- PSCEP developed a revamped schedule for a cold storage/post harvest handling consultant. Following discussions with BDS and cold storage providers, it was decided that mid-May to mid-June would be the most appropriate time to provide pre-and post-harvest technical assistance with a possible follow up assignment later on in the year. For example, from the middle of May growers in Ganja and vicinity harvest cherry, plums, alycha (cherry-plum), and tomatoes. In June they keep these produce in cold storages for 15-20 days and then export to Russia. Then in September and October growers and cold storage owners might need consultancy on pre-harvest and post-harvest techniques for grape, apple, and persimmon.
- Guba BDS continued to support UnAgro in the design of company stick-on labels for export fruit, and is providing advice on marketing.
- The Bakuba MMC company has asked for assistance on ethylene gas removal in the cold storage that they are building. The proposed PSCEP cold storage consultancy will address this issue.
- Mission staff Sheila Young and Amanda Fong and COP Harvey Schartup visited the UnAgro facilities viewing its cold storage units, marketing activities, and new fruit drying equipment. The equipment, once in operation, will turn low valued fruit, non-marketable as fresh, into higher valued dried fruit and effectively compete with foreign imports.

## **March**

- The Ganja BDS is assisting a Dashkesan investor on acquisition of a loan for cold storage construction. The BDS help construct bankable documents and apply to the local branch of Demir Bank for financing for construction of a 1000 ton capacity cold storage unit.
- Ganja proposed a wider general training by PSCEP's cold storage consultant in June, so that other cold storage providers, as well as fruit suppliers, can take part and benefit from the pre-/post-handling techniques and proper storage information.

- The Ganja BDS worked with engineers from the Sera Cold company to make technical recommendations and cost estimates for a 1000 ton capacity cold storage construction for Ilgar Mammadov.
- UnAgro is planning on expanding their facilities by building an additional 2000 ton storage unit in the Guba region. At this new facility they want to include a jam production facility and are working with GMC on financing and equipment identification.
- Bakuba, another GMC client, who was interested in fruit drying equipment, is now considering jam production instead. Bakuba has entered an agreement with local farmer(s) to rent a number of hectares of orchards space next year which will include preparation and harvest of all fruit for their storage space. Currently the majority of the storage facility is rented by one farmer. Next year Bakuba will have their own products to store and market.
- Rasif Mammadov wants to expand his storage site to include packaging and transport. Currently he rents space from others but he would like to build a 2-3000 ton complex, including a pack house and refrigerated trucks. A proposal was given to CIIC, but following their NAA investment, CIIC is no longer interested in cold storage. The state fund may be approached for credit but for a smaller amount. For now, GMC is assisting in the identification of cardboard box making equipment and related materials.
- Agroline has received 2 million AZN from the State Fund for building a 2000 ton cold storage facility in Gusar region. The company is starting construction and would be interested in joining training or assistance provided by PSCEP's cold storage STTA.
- To promote company identification and marketing opportunities, cold storage providers in Guba have also to help GMC purchase a small printing machine to produce labels for their fruit boxes and stickers for their fruit.

## **B1b2. Greenhouses**

Greenhouses are also of much interest to investors in the agricultural sector. However, many of the existing businesses are still using older structures and materials and require technical assistance and advice in moving towards more modern and cost effective techniques.

### **January**

- Greenhouse specialist Bruce Hicks visited two large (17 hectare) and four small (1-5 hectare) greenhouses in Ganja, Shemkir, Zagatala, and Lankaran regions where he analyzed issues and made recommendations on temperature control, heating and ventilation; disease and insect control; production related matters concerning shading and sunlight, fertilization, growing mediums, and seeds; transplant nurseries; produce and alternative business options like seed or strawberry production; and greenhouse construction and construction materials. The consultant provided recommendations to each company and to the BDS providers. Mr. Hicks also provided contacts of vendors interested in securing business arrangements in Azerbaijan and left several useful catalogues of suppliers and materials. The recommendations from the consultant were accepted positively and implementation will be followed by the PSCEP VCS.
- Per the request of the Rector of the Azerbaijan State Agrarian University in Ganja, Mr. Mirdamat Sadigov, the greenhouse consultant, Bruce Hicks, conducted a two-hour workshop on "Conservation in Greenhouses" to 50 students and instructors of the

agrarian faculty. He also provided his recommendations on the reconstruction of the 0.40 acre university greenhouse dating from the Soviet period.

- The Lankaran BDS (LBC) continued to provide marketing services to the Canub Agro greenhouse company by developing promotional materials for distribution to supermarkets, wedding palaces, and bazaars. The BDS promotes the greenhouse products on its websites and actively looks for training opportunities for the greenhouse agronomic staff.
- LBC initiated a similar promotional campaign for the Bitkiler Alemi company, an ornamental plant and landscape design business. Additionally, it is helping the company research landscape designs and ornamental plant cultivation equipment and production techniques on the internet.
- Lankaran also supported the Elbrus Company in the establishment of a 0.6 hectare greenhouse by providing information on equipment and construction materials, and organizing visits to other Azerbaijani greenhouses.

## **February**

- LBC continued its work with a number of greenhouses in sourcing greenhouse equipment (e.g. glass, drip-irrigation, seedlings), providing input on designs of new structures and production technologies, and researching new plants and varieties.
- LBC met with the agronomist from Canub Agro Ltd to advise him on pesticide use, disease prevention, and treatment. LBC presented and discussed a commercial fertilizer proposal from an Italian supplier being coordinated by the Ganja BDS Young Agrarians. The agronomist expressed his interest and underlined the importance of receiving more information on this subject.
- LBC provided information to the Bitkiler Alemi company on cultivation and increasing productivity of certain decorative plants. LBC continued to provide assistance in the development of marketing literature on the company's products and on the company in general.
- For the Elbrus Farm, LBC prepared materials on different types of greenhouses and helped develop a greenhouse business plan.
- Following the visit from the PSCEP greenhouse consultant in January, the AZ-RUS Dostlug (Ganja) company requested the Young Agrarians (YA) organize a trip to Canub Agro Company in Lankaran where new heating equipment was installed. But Az-Rus Dostlug experts did not like some elements in that equipment and requested YA to search for other heating equipment. Heating equipment from Turkey seemed the most effective for about 500,000 AZN. (The company is interested in exploring leasing opportunities rather than purchase.) Proposals from several vendors were received and evaluated with the company owner and only the proposal from Turkish company "Damir Dokum" was selected for further assessment. A trip to Turkey is being planned for the next month to meet with vendor representatives and see the equipment in place.
- YA is trying to organize a bulk purchase of Italian fertilizer. Eight growers from Samukh, Shemkir, Lankaran, and Jalilabad have been identified as interested in purchasing organic fertilizer; the total purchase volume will be 20 tons. The PSCEP VCS met with officials from Azerbaijan's Head Customs Department and the Ministry of Agriculture to learn details and regulations related to customs clearance of fertilizer.

## **B1c. ICT**

All ICT activities during the period were associated with preparation for signing the GDA grants and MOUs. Phase I of the Anti-Piracy GDA was signed in March, and the others are programmed for May signings.

### **January**

- In January, PSCEP VCS Yashar Farajov met with the partner companies in the three ICT related GDAs to precisely define the scope of the project and partner contributions. With Azercell's Barama Innovation Center he prepared a list of activities to promote the Center and attract more of the target group of young innovators. All recommendations were adopted by Azercell and were delegated to the management of Barama for implementation.
- Together with Microsoft and Softline's representatives (partners in the PC Software Anti-Piracy Alliance), PSCEP met with the Director of the IT Department of the Central Bank of Azerbaijan (CBA). The anti-piracy program was discussed and it was agreed that Softline and CBA will develop a timeline and the schedule of the training sessions to be provided to CBA auditors. The CBA will allocate 20-30 auditors from four different departments: IT Audit, IT Security, IT Supervision, and IT Technical. We also discussed the location of trainings and agreed to hold it at the CBA. Since bank audits are done on a regular and continual basis, including the inspection of software usage, the anti-software piracy activity is a welcomed addition and will fit nicely within the established routine.
- With Director Samad Abassov of AzEduNet, the implementing partner in the Cisco Networking Academies GDA, Mr. Farajov worked on selection of five universities in Baku, Sumgayit, Ganja, and Nakhchivan, and also several e-schools in the Baku area as potential Cisco Networking Academy sites.

### **February**

- PSCEP, USAID, and the PC Software Anti-Piracy Alliance partners (Microsoft and Softline) prepared for an early March official MOU signing and public relations event. As part of the preparation, USAID and PSCEP met with the Ministry of Education to discuss a multi-phased approach and separate signing ceremonies for the next phase of the program.
- The signing ceremony for the Barama Center MOU with Azercell and Cisco was originally scheduled for the same signing occasion as for the Anti-Piracy Alliance, but Azercell wished to have a separate event in the spring coordinated through their public relations department.

### **March**

- The signing ceremony and press conference for the PC Software Anti-Piracy Alliance MOU Phase I was held March 4, 2010. The directors of Microsoft, Softline, and USAID/Caucasus Region were the signing parties. The event attracted wide press coverage with virtually all the national TV stations and major newspapers represented to report on the MOU. Among invited guests were representatives of the Ministry of Communications and Information Technology, Ministry of Education, Central Bank, and the State Copyright Agency.
- Phase II of the Anti-Piracy MOU and the Cisco Networking Academy Alliance draft MOU were under review by the Ministry of Education. Telephone discussions were also

held with Azercell and Cisco's Washington office to clarify the few remaining programmatic issues on the implementation schedule for the Barama Innovation Center GDA. Signing of the remaining GDA MOUs is scheduled for May.

#### **B1d. Poultry**

PSCEP concentrated on helping to resolve issues related to animal feed and feeding, an important limiting factor affecting several of the project's targeted sectors (poultry, dairy, and aquaculture).

##### **January**

- PSCEP staff reviewed the Agro Information Center (AIM) proposal for an animal feed analysis laboratory—this complements AIM's soil testing laboratory and agricultural extension service—and requested additional information to clarify the equipment, budget, and proposed pricing. The animal feed analysis laboratory will be able to test poultry, livestock, and fish feed. AIM plans on disseminating information on the laboratory, quality feeds and proper animal feeding through its extension agents, its distributed monthly agricultural publication, and in the future through its website.

##### **February**

- Local consumers prefer the taste of barnyard fowl over that of industrial broilers but a local reliable supply of fertile eggs from this variety in sufficient quantities is not locally available. The PSCEP BDS provider in Ganja, YA, reached agreement with local poultry companies in Samukh, Ganja, and Khanlar, and with the Dogon Company in Georgia to test the yields of imported fertile eggs (non-broiler types) and resulting sales. If the tests are successful then commercial importation of fertile eggs and larger scale marketing would be the next steps.
- YA has also been assisting the Samukh Poultry Farm in analyzing the expansion of its poultry operation and facilitating the purchase of Turkish poultry equipment.
- The PSCEP grants evaluation committee approved the AIM's grant application for equipment to begin an animal feed analysis laboratory, based in Agebbedi. PSCEP is putting together appropriate documentation to issue the grant. AIM will buy the equipment directly. The vendor will train AIM staff on the use of the equipment. PSCEP will be providing additional support to AIM in areas directly related to the new laboratory and animal care and feeding; and discussed options with Oklahoma State University: extension training, animal feed production and feeding, marketing, and profit center development.

##### **March**

- AIC requested short term assistance from PSCEP expert Tom Fattori to technically vet its proposed poultry sector investment. The assignment would involve 2 to 3 days of home office time reviewing the project's technical specifications and then teleconferencing the results and recommendations with AIC.
- The Ganja BDS is assisting the Ganja Milk-Meat company to improve its poultry production operations. Specialists of the Chimuka Company in Turkey were invited to suggestions about renovation of the ventilation system in the company's poultry houses.
- A source-origin-nationality waiver was drafted and requested from USAID for the purchase of the AIM animal feed laboratory equipment. A draft scope of work was

developed for short-term technical assistance, July 2010, to support the new AIM animal feed laboratory: economic sustainability and promotion (including the involvement of the poultry association), involvement of extension service, elaboration of animal feed at the farm and local level, and additional technical support in the use of the laboratory equipment for effective analysis.

## **B1e. Aquaculture**

The burgeoning interest in expansion of existing operations and in new investment in the aquaculture sector is in part attributable to project involvement and progress. PSCEP assistance during the quarter focused on continued technical assistance in appropriate feeding, water quality, spatial design, and other production issues; on measures to help ensure adequate supplies of quality fish feed; advice to potential investors; and activities related to fostering associative relationships.

### **January**

- Following up on the assistance provided by aquaculture consultant Tom Ort, PSCEP VCS Mr. Farajov visited or contacted the fish farms that participated in the eyed trout egg activity. Hatching rates for most farms were in the high ninety percent range, with the lowest being over ninety percent. Mr. Ort was approved to return in February to continue his short-term assistance.
- The importation of eyed trout eggs from Troutlodge proved to be a success after the reports of 90-98 percent hatching rates by the four importing farms. However, as sack fry began to grow and turn into fingerlings, they required significant quantities of the appropriate feed to maximize their growth potential and reduce the growing period. There is no fish feed operation in Azerbaijan that produces this type of feed. Therefore, VCS Mr. Farajov accompanied Bahram Osmanov, the Chairman of the BDS Business and Innovation Center (BIC) from Sheki, to Georgia to meet with Dogan Feed Company (the closest source of appropriate quality fish feed). It was proposed that BIC should become Dogan's distributor in Azerbaijan. This idea was gladly received and BIC was offered an 8 percent discount from wholesale prices. Before and after the trip, meetings and phone conversations were held with many fish farmers to be able to forecast the approximate demand for fish feed. If the customs clearance issues can be resolved, BIC will have a new and successful distributorship business. There are many benefits of working with Dogan Feed, as they support their sales with their technical specialists (ichthyologists) who can travel to assist Azerbaijani clients with fish feeding. BIC worked on a grant proposal for establishing a distribution channel for fish feed in Azerbaijan and also for the initial working capital to finance the first operation.
- APEKS-1, the trout farm in Goy-Gol, had problems finding suitable fingerling feed for the newly hatched trout from the eyed-egg operation. The Ganja BDS linked the company with another farm in Gusar, Agro-Line MMC, which had excess feed to sell, and 50 kg of feed was purchased by APEKS.
- At the request of the PSCEP VCS, Yasar Farajov, the Guba BDS met several times with Agro-Line MMC as part of a fish feed requirement study. The company used 300-500 kg feed daily, imported from a Georgian company "Biogan," at 4 grams per fish with the monthly feed consumption at 10-12 tons. Agro-Line is willing to buy their feed through the proposed Sheki BDS concession if the terms and quality are satisfactory. Agro-Line also wants to establish its own fish egg laying operation and would like the PSCEP consultant, Tom Ort, to provide guidance.

- After Tom Ort's December visit, the Guba BDS followed up on his recommendations with the Elman Mehraliyev fish farm. The farm purchased 150,000 eyed trout eggs. Hatching was good at over 90 percent. It was remarked that the production area was too small and needed to be expanded, and that the water temperature was too low. Elman Mehraliyev expressed interest in visiting the more appropriately laid-out trout farm in Nakhchivan. Elman Mehraliyev estimated that his fish feed needs are approximately 2-3 tons per month.

## February

- As part of the PSCEP project's efforts with the local aquaculture sector, the Jalilabad BDS (JABC) visited the Nihal LLC fish farm in the area. Nihal has problems finding quality fish feed and would be open to purchases from the Sheki fish feed operation once it gets underway.
- Per an urgent request of the APEKS fish farm, the Young Agrarians BDS in Ganja assisted the farm to purchase 100 kg of fish feed from Georgia for its fingerlings.
- The project's aquaculture expert, Tom Ort, made his second trip to Azerbaijan. Partnered with VCS Yashar Farajov, the team visited all participants in the eyed trout egg activity to review progress on implementing recommendations from Tom's earlier visit and assess growth of the newly hatched trout. To increase impact and broaden understanding of the sector, the team also visited additional farms and spoke with potential investors/operators. Tom Ort noted throughout his visit that producers were not feeding their fish adequately (issues of quality and quantity) which increased the length of the production period (and resulting increased annual costs and smaller annual revenues), and hampered the ability of the fish to reach their genetic production potential<sup>1</sup>. In addition to providing recommendations on improved feeding, Tom emphasized the importance of water flow and oxygen, reusing water, and multi-cropping mutually supportive animals within the same body of water (i.e., carp, trout, and ducks).
- In addition to visits in Guba, Ganja, and Sheki/Zagatala areas, Tom Ort, Sheila Young and Yashar Farajov visited Mr. Abbasov's farm in Nakhchivan to provide technical assistance and to ascertain his potential as a local short-term consultant for the project and for the aquaculture sector afterwards. To support to the potential local consultant, Inshallah Abbasov, the project engaged him to shadow Tom and provided additional training and support during this assignment.
- Acknowledging the key limiting factor of adequate supplies of appropriate quality fish feed for development of the aquaculture industry in Azerbaijan, the PSCEP Grant Approval Committee approved the concept paper for an aquaculture association fish feed mill at the Girkhbulag farm in Sheki. A full proposal will be prepared detailing operations and costs for a repaired feed mill, and production and marketing estimates.
- A second limiting factor, this one directly focused on the development of the carp industry, is the lack of an adequate supply of quality carp eggs and fingerlings. Tom Ort reviewed the hatchery operations in Zagatala and provided several key recommendations which he feels could increase the supply of fingerlings by 400 percent or more and greatly benefit the industry.

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<sup>1</sup> Additional company reviews and client information from Tom Ort's assignment were provided in detail in the February Monthly report.

## **March**

- VCS Yashar Farajov continued to be fully immersed in sector activities: staying in contact with the fish farmers regarding sector developments and progress on implementing Tom Ort's recommendations, answering questions from potential investors, and providing technical information in the development of the Kamaladdin carp hatchery grant proposal in Zagatala and the Sheki business group's grant proposal. Both of which were submitted to PSCEP during the month.
- AIC requested discussions with Mr. Farajov to review their planned aquaculture investments and to have a better picture of the current situation and planned sector activities.
- GMC (Guba) is coordinating with BIC (Sheki) and YA (Ganja) on aquaculture initiatives. New investors are becoming interested in this activity in Guba, and GMC with the help of the PSCEP specialist recently reviewed a prospective location – however, the site lacked sufficient water for a farm; GMC has offered to show client additional sites, but as yet the investor has not responded.
- PSCEP DCOP, USAID COTR Sheila Young, and two members of the evaluation team visited the Elman Mehraliyev fish farm to assess progress on implementing recommendations. The farm is in the process of adding new grow-out tracks and will begin building raceways at his other location soon. Mr. Mehraliyev is beginning to mix his own feed to save costs of imported feed and deal with feed delivery delays. The farm is also aware that it will need assistance to market the fish in the fall. The owner intends to again order eyed eggs through the “aquaculture association” later this year.
- GMC revisited Agroline to discuss their water quality problems—the recent visit by Tom Ort revealed that they could “push” production during the few good months where there was sufficient clean and temperate water. Agroline is looking into a water purification system and expanding their hatchery.
- Mr. Oktay Ozturk, the director of the Dogan Feed company, visited the PSCEP office in Baku to have discussions with BIC and PSCEP regarding progress and the next steps in implementing a feed distributorship in Sheki for the Azerbaijan aquaculture sector.

## **B1f. Dairy**

Major dairy companies continue to look for new sources of raw milk in the regions. In these areas issues of proper feeding and care of dairy cattle and hygienic handling of milk require attention.

### **January**

- Ganja BDS continued assistance to the ELBA LLC for the establishment of a milk processing facility in the Dashkesan region. In January, the BDS developed company documents and applied to the tax department for registration. Per request of the company, 12 farmers were identified agreeing to provide the company with specific daily quantities of raw milk. ELBA is looking for 10 tons of milk per day from an estimated 50 farmers or more. Over the course of this year, the company is planning an increase to an estimated 20 tons.
- The Lankaran BDS continued its assistance to Pal Sud in January, providing training and documents on improving animal husbandry, feeding, quality milk production, and sanitary-hygiene norms in milk production. To help the farmers with credit, the BDS

worked with Agrarkredit and Access Bank to explain financing possibilities. Bank information was provided to the producers and LBC is ready to help prepare business plans and bankable documents.

- The Lankaran BDS continued its work with the Yusif Farmer organization helping them locate white soft cheese processing equipment and portable equipment for quality control of milk in the field; training milk suppliers to improve their quality and quantity; preparing stable designs for housing 25-60 animals, and in general for improving conditions for animal breeding. As a result of the BDS efforts with farmers, the company increased its sales by 72,000 AZN in January.

## **February**

- LBC continued assistance to the dairy industry in Lankaran by working with farmers of Yeddioymaq and Takna villages and collaborating with the Sharafa milk collection center to improve milk quality, sanitary norms, feed content, and feed ratios. LBC also agreed to help prepare business plans for the dairy farmers to submit to banks.
- For "Yusif Farmer", LBC held regular workshops and trainings with farmers in Gariblar—with whom the company has regular relations—to assist in developing more productive dairy operations.
- LBC has been providing informational sessions for Access Bank and Agrarkredit to facilitate introductions between the banks and the farmers seeking small loans to expand production / renovations. By the end of 2009, Access Bank has provided 320,000 AZN in small loans to 80 dairy farmers, and Agrarkredit has supplied 175,000 AZN to 25 farmers supplying Pal Sud. Despite providing the introductions and holding the seminars for the Banks, LBC has not been receiving payment or percentages from the banks for this service. Both Access Bank and Agrarbank are extremely interested in expanding this cooperation, and PSCEP has advised LBC that it needs to seek compensation for the business brought these banks – especially since the LBC client base of farmers is now well over 5,000.
- There are large investments coming in the dairy sector in the south for LBC's three major dairy clients: Pal Sud, Yusif Farmer, and Elbrus. Pal Sud is planning a 43 million AZN expansion to enlarge their own farm and import pedigree cattle. LBC also linked Yusif Farmer with Access Bank to purchase another 50 cows for his own farm, provided input (designs) for the expansion of the stable complex and is providing input on cheese-making and milking equipment. For Elbrus, he advised on the expansion of the stables (and greenhouses) currently being built, and is working with the farm and Agroleasing to bring in 100 pedigree cows.
- JABC is providing support to Bilasuvar dairy and has helped set up a third collection center in Imishli for them and provided training to Bilasuvar's two other collection centers. Bilasuvar intends to build a large farm (1,000 pedigree milk cows) to supply their processing center. They also plan to expand their network of collection centers. This would appear to be self-financed.
- The Ganja BDS continued to support the ELBA company's dairy operation and has helped contract with four milk producers in Dashkesan to supply 2 tons of milk daily. YA also facilitated contact with a Turkish milk processing company, Erkal Uzeyli, to provide consultants and training. The ELBA dairy facility's daily capacity is currently 8 tons; they are planning a gradual increase in production to reach 20 tons per day this year and to start production of cheese, yogurt, and sour cream. YA will facilitate the purchase

of cooling tanks, help locate them in collection points, and provide the company with a dairy consultant to work with small producers on milk quality and collection methods.

### **March**

- YA ELBA Company to identify dairy processing equipment in Turkey. This month all necessary equipment was imported and installed in the new facility in Dashkesan.
- In March, YA met with Slovakian agribusiness people to discuss the import of high milk producing dairy cows—these are less costly than similar dairy cattle from Germany.
- Both MPro and Pal Sud are looking to or have established milk collection sites in the Guba region. DCOP Yale suggested to GMC the opportunities that this would entail for them—results in the south show that there is great growth potential in this field, and that it would give GMC access to greater number of farmers in the region. GMC does have the option to sub-contract with Mobil/Firdovsi from LBC – or someone who had already worked in this field, had the necessary materials prepared, and could provide the information and training to the collection centers, as well as train someone on the GMC own staff to follow up and carry out the work in the future.
- LBC continued assistance to the dairy industry in Lankaran by working with farmers of Badalan, Dallakli, and Gizilagac villages to provide training to improve the conditions in which animals are kept – stable cleanliness and sanitary hygienic norms, as well as proper feeding regimes for livestock. In addition, they presented information on access to credit from Agrarkredit Bank and Access Bank, as well as consulting services that LBC could provide; including development of business plans for credit applications; identification of equipment, animal stock, feed regimes, and farm designs.
- LBC also worked with farmers in Iskandary, Xanalyan villages in Masalli who supply to Yusif Farmer LLC. Trainings on sanitary improvements, proper cattle nutrition, and stable cleanliness needed to improve the quality and quantities of milk to be supplied.
- Please see the poultry section above for information on the AIM animal feed analysis laboratory which will also have impact in the dairy sector.

### **B1g. Fruit and Vegetables**

PSCEP addresses several products in this category: processed fruits and vegetables, fresh fruit and vegetables, packaging and labeling, and standards and certifications.

#### **January**

- The Guba BDS met with Qusar Konserv Kombinati MMC, a juice processing company in Qusar, to discuss input supply and equipment issues. The company procures fruit from 4-5 main suppliers, based on contracts, who in turn buy from 30-40 different sub-suppliers in 3 regions Guba, Gusar, and Khacmaz. The company is looking to expand operations and is seeking help to identify and secure reasonably priced used processing equipment.
- As part of its search for new clients, the Guba BDS met with the D-fruit company. The BDS analyzed the company's business and production operations and will make recommendations on collaborative business arrangements.
- The Lankaran BDS (LBC) is working with the Subtropic Bitkiler Company which wants to expand its citrus groves. The BDS is providing information on production, linked the

company with a seedling grower in the area, facilitated contacts with credit institutions, and helped to prepare a business plan to secure production financing.

- LBC is assisting the Umman Company, a pomegranate processing company, to secure international certifications. LBC also helped the company prepare documents for participation in a one-month training program in Germany organized under an agreement between the German and Azerbaijani governments. The BDS is assisting the company to promote its products through brochures and on its website and has helped in negotiations with a Russian buyer of pomegranate concentrate.
- Since the Optimal Company's sub-tropical fruit processing season has ended, it was an appropriate time for the Lankaran BDS to start training Optimal staff on sanitary hygiene practices and production technical safety rules. Relevant scientific materials were prepared and are used for training staff. Lankaran also continued to develop marketing materials for the company and to promote the company products on its website.
- The Jalilabad BDS continued its production assistance to several early potato farmers and table grape growers. Producers of early potatoes were helped to secure agricultural inputs (seeds, fertilizer, etc) and address initial production issues. Grape growers were supported with information on drip irrigation equipment and in improved grape production techniques.

## **February**

- YA met with Unilever representatives in Ganja at the end of the month. The objective of the meeting was Unilever's desire to locally buy and export dried onions, potatoes, and other available fruit and vegetables available in Azerbaijan. Taking into consideration that the NAA company has recently started production of dried agricultural products, Ganja BDS consultant Sabuhi Jahangirov organized a meeting between Unilever and the NAA owner Mr. Nadir Abbasov. Sabuhi Jahangirov was asked by Unilever to assess onion production and estimate the financing requirements for Unilever to provide farmers with inputs to supply NAA with the requested volume of onions.
- LBC continued to assist its fruit and vegetable clients promote their products and increase sales by creating company web pages for them on the LBC website, and also by sourcing additional product for them to process. On the supplier side, LBC continued to work with farmers to improve the quality of their produce and arrange buyer agreements.
- LBC continued work with the Optimal company on training the company's personnel on sanitary hygiene norms and technical safety at Optimal's production sites.
- The Jalilabad BDS (JABC) continued technical production support of several large potato producers (Ayyub Aslanov, Adishirin Hasanov, Ramiz Rahimov, Elvin-2MKM, Ramiz Mehtiyev, Mirzabala Shabiyev, and Oktay Eyniyev) and thereby assisting with sales/production improvements for an additional 153 smaller producers in the region.
- JABC indicated that there is a need for a local potato expert to work with growers and growers "associations" (i.e.: small farmers who supply larger wholesalers) on training, seeding, harvest, sorting, packaging, and soil measurements. The BDS will send a draft SOW for review. PSCEP identified two local experts last year who can be contacted for this possible assignment.
- JABC contacted GMC to try to arrange cold storage for potato production. Rasif Mammadov is interested and offering a cost of 1 AZN per ton perday. However potato

producers in Jalilabad analyzed the offer and felt that it was not a profitable arrangement for them due to the cost of transportation to Guba. During the DCOP's visit to Jalilabad, she found a large cold storage facility just outside of Saliyan (approximately 30 minutes from Jalilabad) that could be a possible alternative, of which the BDS were informed.

- In Soviet times there were over 30,000 hectares of grape (wine) vineyards in the Jalilabad/southern region of Azerbaijan – most of these were destroyed in the mid-'80s under Gorbachav. The region is just seeing the resurgence in grape production – albeit primarily for table grapes. Currently there are approximately 1,500 hectares of land under cultivation. 2010 will be the 4<sup>th</sup> year for most grape producers, that means most fields will yield approximately 50 percent production and will be at full production in 2011. Numerous growers are interested in leasing drip irrigation and JABC provided information to the PSCEP's Financial VCS. Another possible leasing opportunity (\$500,000) for steel stake making equipment as support structures for new vineyards also exists. Information also being requested from the promoter.
- Jalilabad grape growers are interested in raisin production. While there is currently no drying center/equipment in the region, DCOP Yale suggested contacting UnAgro in Guba, through the GMC. UnAgro just procured drying equipment and would be interested in purchasing fruits to dry next year.

### **March**

- Per request of ELVIN-2 company in Jalilabad for local assistance in the construction of an underground potato warehouse, the cold storage VCS Indira Asgerova interviewed two local engineers to provide cost estimates and technical recommendations. Unfortunately, neither had suitable experience.
- GMC, the BDS in Guba is pursuing work with Azersun Holding's Qafqaz cannery to identify additional farmers to supply the cannery and to provide training to the farmers.
- GMC is working with UnAgro which plans to initiate its fruit drying activities with cherries in June/July. The company is also interested in expanding into jam production. Current plans are to expand their cold storage facility by building a second larger cold storage warehouse, at a new site, including a jam production facility.
- GMC is also providing technical assistance to UnAgro on developing attractive product labeling. Labels will contain contact details and designed to attract the consumer.
- GMC is also assisting the Qusar Konserv company which will renovate its existing processing facilities. The company is looking for approximately 200,000 AZN for used equipment and repairs.
- Guba is helping the Gusar Canning Factory prepare a work plan for the next input purchase season (2010).
- The Guba BDS is working with a local company to construct beehives for sale to pollination and honey production operators. Beehives based on GMC recommendations were much appreciated by the initial buyers.
- The Guba BDS assisted its client, the VUGAR company, to research agricultural packaging equipment for a new packaging facility. The findings were analyzed and submitted to VUGAR for consideration and decision.
- LBC continued to assist Subtropics Bitkiler in identifying sources of citrus planting materials, and arranging for a meeting with Hirkan Citrus Seedling Growing Company in

Lankaran, which led to the company purchasing 500 mandarin seedlings, 200 feykhoa seedlings and 100 lemon seedlings.

- The Jalilabad BDS continued assistance to the table grape sub-sector providing advice on vine pruning, binding, and shaping; and to the potato sub-sector on weeding and weed management techniques, as well as cultivation.

## **B1h. Standards and Certifications**

### **February**

- YA continued to work with the ELBA LLC on the development of new markets for Elba's *halal* products including support to secure appropriate international certifications to enable the company to meet foreign buyer requirements.
- Both the Optimal and Umman companies in Lankaran have asked the LBC to assist in initiating certification processes to expand their export possibilities. LBC has contacts with audit companies in Baku who would do the pre-audits.

## **B1i. Marketing Information Systems**

### **March**

- Draft scopes of work were developed for two marketing information system assignments. The first to survey market information sources of firms in the PSCEP targeted sectors and sub-sectors, and the uses and usefulness of this information. The second is for an international consultant to analyze the AIM market information system and make recommendations for improving reach and usefulness.

## **B2. Competitiveness Innovation Grant Fund**

During the period the first grant proposals (GDAs and the AIM animal feed laboratory) were approved by the project's Grant Evaluation Committee (GEC). The concept paper for a fish feed mill was also approved. Several new grant proposals were received at the end of the quarter and will be reviewed in early April by the grant committee.

### **January**

- Documents were prepared for the GEC meeting in early February on the following proposals:
  - PC Software Anti-Piracy Alliance Grant Proposal
  - Barama Innovation Center Alliance Grant Proposal
  - Cisco Networking Academy Alliance Grant Proposal
  - AIM Establishment of a Feed Analysis Laboratory Grant Proposal
  - Girkhbulaq Fish Feed Mill Concept Paper

### **February**

- The PSCEP Grant Committee approved the proposals and concept paper listed above. Afterwards the project proceeded to draft documents for issuing the grants and signing relevant GDA MOUs.

## March

- Grant proposals for the Kamaladdin Carp Hatchery in Zagatala, the Sheki Business Group's Fish Feed Grant, the Lankaran BDS printing equipment proposal, and the Guba BDS website proposal were submitted to PSCEP and to the project grant committee during the month.
- Discussions continued with Microsoft Azerbaijan, Softline, AzEduNet, Bureau for ICT for Education, Cisco, and Azercell for a planned May signing of the next round of GDA MOUs.

## B3. BDS Sustainability

As PSCEP goes into its final year, increased efforts are being made to improve the capacity of the PSCEP BDS partners to continue, on a sustainable level, after the project ends: (1) assistance with BDS sustainability plans and ideas for revenue generating activities; (2) better M&E systems use and more effective promotion; (3) review of grant proposals; (4) PSCEP promotion of BDS technical capabilities; and (5) assistance with BDS websites and content.

## January

- PSCEP held a two-day capacity building workshop in Ganja in late January to assist its five regional BDS providers to improve their long-term sustainability capacities. Representatives from UMID—a recent USAID Development Grant recipient—and the Agro-Information Center (AIM) were invited as guests. The workshop also aimed to promote greater cooperation among the partner BDS organizations and regional NGOs; and by holding the workshop in Ganja, the other PSCEP BDS providers were able to observe the Young Agarians' office and work environment, receive more in depth information on the business environment in Ganja and upcoming business opportunities with AIM and UMID. During the workshop, PSCEP focused on the results achieved in 2009, the program targets for 2010; and the monitoring and evaluation techniques to improve reporting and recording of BDS achievements in the field as a way to more realistically present the BDSs' wide-ranging impacts on their direct clients and indirect beneficiaries. BDS providers shared lessons learned from the first year of implementation, and PSCEP addressed the development sustainability strategies with the BDS providers to ensure their growth and profitability as project support begins to decline over the coming year. PSCEP staff will work directly with each BDS both on technical implementation as well as on developing business plans and development strategies for each individual BDS in the coming months. A further regional BDS workshop is planned for Sheki later this year.

## February

- New contracts were signed with all BDS providers, except Sheki (which signed in March), gradually reducing the payment amounts and hence less reliance on USAID funding.
- PSCEP's DCOP, Barbara Yale visited the Lankaran and Jalilabad BDS providers to assist with their sustainability plans and provided recommendations on how to increase BDS revenue: (1) charge UMID for technical assistance in the dairy sector; (2) charge the banks and farmers a fee for facilitating successful loan applications; and (3) charge clients for the web space provided promoting their products and facilitating sales. Ms. Yale made it clear to LBC that it is in its long-term business interests to provide support

on a for-fee contracted basis. LBC's work, especially with the dairy industry in Lankaran, is valuable and something that the BDS can replicate elsewhere in the country for a fee. Its contacts in the local agricultural sector and banking sector should be turned into a revenue generating activity.

- Ms. Yale analyzed the Jalilabad BDS' (JABC) situation. JABC is by far the weakest of the BDS providers in terms of sustainability. Jalilabad will remain a small agriculturally focused BDS heavily dependent upon donor funding for the foreseeable future. They have been donor funded at a rate of over 70 percent since inception. The consulting base in Jalilabad is not large or strong enough to support their consulting services. The bulk of JABC income comes from percentages earned off of veterinary services or fertilizer distribution. The company is also not active in seeking new business opportunities or technical fields into which to branch to further grow the business. The company has expressed an interest in opening a soil/water testing lab for the farmers in the region to earn income; however, they do not have technicians or experience in this field, nor is it clear what revenue they would be able to earn in the process. They also do not have the funds for this equipment, and would expect a project to fully fund the lab, equipment, training, etc. They were not interested in discussing possible cooperation/collaboration with AIM (perhaps as a collection center). Though JABC has facilitated some credit for fertilizers for clients through Agroleasing and some micro-credits for working capital from Zaminbank for other clients, JABC has limited connectivity with the local financial markets. Most of the local bank branches in Jalilabad now prepare their own business plans for companies seeking credit; therefore, there is little demand for this work from JABC.

### March

- Ms. Yale followed up her visit to the two southern project BDS providers by visiting the Guba BDS (GMC). GMC has a general strategy plan they are working on, which should be ready after the Novruz holidays, which entails expansion into Sumquayit – which while a larger market, has very different firms/companies which would need different types of support; which questions whether current staffing would match these needs. In the Guba region they seem to be looking to the same handful of clients for ongoing work. Suggestions were made on pursuing opportunities with Azersun/Qafqaz and PalSud/MPro which could expand their business prospects faster and further.
- Meetings were held in the PSCEP Baku office with the Sheki and Ganja BDS providers gathering initial information prior to Ms. Yale's visits in early April.

## C. PROGRESS AGAINST PROGRAM COMPONENTS

The following summary comments on progress made against project indicators through March 2010.

### C1: Enhance Access to Finance

Over \$47.8 million in new investment was generated by PSCEP activities through the project's six targeted banks (\$24.8 million),

	New Investment		
Leveraged		Pipeline	
Banks	24.8	Banks	19.0
Equity Companies	8.5	Equity Companies	37.1
Client Company	14.6	Client Companies	68.9
Investment		Investment	
		GDA Partners	1.7
<b>Total</b>	<b>\$48.2</b>	<b>Total</b>	<b>\$126.7</b>

*Amounts in millions of US Dollars*

partner equity companies (\$8.5 million), and BDS<sup>2</sup> and PSCEP efforts with client companies, additional banks, and non-bank financial institutions (\$14.6 million). An additional \$126.7 million is in the pipeline: banks \$19 million; partner investment companies \$37.1 million; client company prospective investments \$68.9 million investments and GDA partners \$1.7 million.

Given the large amount of pipeline financing, mentioned above, forthcoming from partner equity investment companies, it is important to note that these equity companies do not base their investment decisions solely on business and financial criteria but operate through a mix of institutional, political, and cultural realities which affects the pace and shading of their operations and investment decisions. PSCEP expects these investments to be realized in 2010 but is unable to determine the exact timing. Furthermore, the bank investments include partner bank commitments for both leasing and trade financing. However, if the legislative changes necessary to facilitate leasing are delayed these commitments are apt not to be met, or to be channeled back into the loan portfolios.

## **C2: Promote Increases in Sales, Exports and Employment**

PSCEP directly assisted 141 companies through March 2010 and estimates indirectly impacting at least another 6,066 companies. Ninety-nine of these 141 directly assisted companies reached the contract target sales level of 50 percent over their industry trend lines. In quarter three, PSCEP will carry out random sampling of on-the-ground impact among several of these groups to show the type of producers indirectly supported and how these producers have benefited from project assistance.

A subset of the sales growth target is the export growth indicator of an increase in annual export sales revenues by a minimum of 50 percent within identified sub-sectors. PSCEP only advocates exporting when it makes business sense for the supported firm or sector. PSCEP and its BDS providers take a business and industry perspective by looking at overall market demand and taking into consideration opportunity costs, competitive advantage, profitability, risk, investment and cash flow factors, as well as high barriers to entry due to factors beyond the project or private sector's control. It would be unwise and potentially detrimental for PSCEP to promote exporting when it is not warranted. PSCEP does support some firms within the cold storage and greenhouse sub-sectors where products have been exported prior to project assistance. These sectors include goods such as potatoes and apples (held in cold storage) and fresh fruits and vegetables such as cucumbers, tomatoes, and eggplants (greenhouse production)—the majority of which is destined for Russian markets. Project assistance to improve production quantity and quality, extend market windows through improvements in cold storage, as well as enhanced BDS assistance to strengthen linkages to outside buyers has allowed the project to strengthen export opportunities in these sub-sectors.

An additional project growth focus is employment creation. Given the labor-intensive nature of the targeted agricultural sectors and sub-sectors, PSCEP transformational assistance in the form of newer technologies—often substituting investment and equipment for labor—can result in instances of negative tradeoffs between employment levels and the adoption of higher profitability, cost savings, investment, and new technology methods. It can be the case therefore that the adoption of newer transformational technologies, by making labor

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<sup>2</sup> Client investment numbers for Sheki and Ganja are still preliminary.

more efficient, will not increase but in fact reduce employment levels<sup>3</sup> or will result in longer “fuller-time” work hours rather than new jobs.

### **C3: Enhance Social Capital/Build Associative Relationships**

The success of the consolidated eyed-trout egg order in December 2010 has led to greater producer-BDS coordination in the aquaculture sector. There has been a realization that future eyed trout egg orders are necessary to improve fish stock; that to be effective such future orders should and could be done in a similarly combined manner; and that this group arrangement would also be useful for supplying quality fish feed, a needed input to feed the growing stocks of fish. Furthermore, PSCEP has been working to develop local technical assistance by inviting a local specialist from Nakhchivan to shadow Tom Ort, PSCEP’s specialist, during his assignment in February. In April, the grants committee will also review a proposal by the carp (lake fish) farmers association in Zagatala to establish a carp hatchery to benefit this group of farmers. BIC, the BDS in Sheki, will begin to work on a distribution channel for fish feed from Georgia to meet the demand of the Azerbaijani fish farmers for quality feed.

A second associative relationship strengthening activity undertaken during the period, with substantial involvement from the TIRSP project, involved the leasing industry (leasing companies, bank leasing departments, and the Azerbaijan leasing association). TIRSP, PSCEP, IFC, EBRD, and the leasing association—with the assistance from PSCEP’s leasing specialist John Bengel met to further discuss draft recommendations and lobby for changes in the Azerbaijani laws affecting financial and operational leasing arrangements. This activity will continue during the next quarter.

In the next quarter, PSCEP will also work with the poultry association to promote AIM’s new feed analysis laboratory. PSCEP will also participate in the working group meetings for the ASENA feed conference, which brings together industry leaders in poultry and cattle to discuss feed issues.

In June, PSCEP will field a cold storage / post-harvest handling expert who will provide training and technical assistance to the (informal) cold storage associations in both Guba and Ganja. The Ganja BDS is also trying to develop an association of greenhouse producers, while PSCEP’s greenhouse specialist, Bruce Hicks, worked with individual producers across Azerbaijan during his assignment in January, there is growing interest in coordinating to consolidate orders for fertilizer and other inputs, to reap benefits similar to the successes experienced by the aquaculture association.

### **C4: Build Capacity for Business Development Services to Client Firms**

During the quarter, the BDS providers continued to be actively involved in the determination of the scopes of work, scheduling and field visits of the PSCEP short-term technical experts (STTA). BDS staff accompanying project STTA on site visits were able to update their technical knowledge; and the short-term technical experts also provided briefings and recommendations to the BDS providers, specifically in poultry, aquaculture, and greenhouse technologies.

The PSCEP project also developed and circulated a sustainability plan template to serve as a guiding long-term strategic planning tool for the BDS providers. During the January BDS

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<sup>3</sup> Please note that industry trend figures for 2009 were not available at the time of writing.

workshop in Ganja, PSCEP reviewed the tool with BDS providers and during subsequent site visits to Lankaran, Jalilabad, and Guba, DCOP Barbara Yale provided comments, critiques, and suggestions on how to develop and strengthen these instruments; as well as assisted the BDS in tracking the financing which they have leveraged for their clients to date. Similar site visits for Sheki and Ganja are planned for April.

The BDS workshop also focused on improvements in reporting and building greater cross communications between the BDSs. Each BDS reported on their activities and results from the first year of the project. Further presentations were made by AIM about their existing capabilities and the upcoming feed analysis lab and UMID's USAID-funded dairy program in the central regions of Azerbaijan.

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

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

- Normal and routine administrative activities are planned.
- As part of PSCEP's M&E data collection and analysis, the project will initiate random sampling to judge impact on indirect beneficiaries.

### **B. PROGRAM ACTIVITIES**

#### **B1: Sector Level Activities**

##### **Access to Finance**

- Stewart Cole arrives in late March to begin the trade finance training program with partner banks.
- The TIRSP project will bring John Bengel, PSCEP's leasing specialist, back to work on legislative reforms for leasing regulations, the first step to initiating a leasing program with the banks in Azerbaijan.
- PSCEP's FVCS Arif Aghayev will work with BDS providers in the regions to coordinate work with partner banks in the region and assist to leverage financing for BDS clients.
- AIC has requested assistance in technical due diligence for an upcoming poultry deal from PSCEP expert Tom Fattori in April if his schedule permits, as well as for a possible dairy project. These would be "desk audits" requiring a few days of analysis, but not travel. Further information on aquaculture and cold storage will be provided by visiting STTA or from PSCEP's VCS when possible.

##### **Agribusiness (Fruits & Vegetables)**

- PSCEP will field cold storage and post-harvest handling specialist, Dr. David Picha in June. Dr. Picha will also assist a number of cold storage facilities in fruit drying procedures.

##### **Aquaculture**

- PSCEP VCS Yashar Farajov will follow up with farmers who received eggs from the first consolidated eyed-egg order to ensure that the feed regimes and directives on water flow from PSCEP's specialist are being implemented.
- Mr. Farajov will also work with the Sheki BDS to prepare the second consolidated egg order, planned for June 2010.
- Sheki BDS are working with Girkhbulag Fish Farm to finalize their full grant application for revitalizing their feed mill in Sheki. Once finalized the grants evaluation committee (GEC) will convene to approve/disapprove the full application. The concept paper was approved in February 2010.
- The GEC will meet in early April to review grant concept papers for an association-based carp hatchery in Zagatala, as well as a fish feed distribution channel to import fish feed from Georgia to supply feed for the growing aquaculture sector until adequate local feed production can be meet this demand.

## **Poultry**

- In February, the GEC approved AIM's grant application for developing a feed analysis lab at their facility in Agebeddi. The project is waiting for a source/origin/nationality waiver for the import of lab equipment from Turkey. Once approved by USAID, the grant agreement will be signed and equipment ordered. It will take approximately 8-10 weeks from date of purchase for the equipment to arrive and be installed, staff trained, and for the lab to begin initial testing operations.
- PSCEP will work with STTA from the Oklahoma State University to train AIM extension agents to work with local farmers on feed regimes, on outreach techniques to promote the feed lab, and on business profitability and sustainability issues for the feed analysis laboratory.
- PSCEP VCS, Indira Asgerova will participate in the working group for ASENA International Feed Conference. In 2009, PSCEP provided a number of feed experts for poultry and aquaculture to speak at the conference. Depending on the timing of the conference this year, PSCEP can use the conference to promote the new AIM feed analysis lab, and possibly have experts from the Oklahoma State University make presentations.

## **ICT**

- The PC Software Anti-Piracy GDA MOU was signed in March. In April, Softline will begin providing training to CBA auditors. In addition the Ministry of Education is reviewing the MOU for Phase II of the GDA. The second phase of the GDA is expected to be signed in the second quarter of the calendar year.
- The GDA with Azercell's Barama Innovation Center and Cisco Entrepreneur Training Program is nearing finalization. Azercell has proposed a MOU signing date of May 17, 2010 to initiate the program.
- The Ministry of Education informed PSCEP that tentatively they will be ready for signing Phase 2 of the Anti-Piracy GDA and the CISCO Network Academy GDA in May. However no new information has been received from the MoE in the past few weeks, we therefore expect a delay in this timing. We do project these GDA signings to occur during the second quarter of the calendar year.

## **Marketing Information Systems**

- Preparations will be made with AIM and Oklahoma State University for a short-term assignment to improve the AIM marketing information system.
- PSCEP will carry out an analysis of the sources of market information used by firms and organizations in the project's targeted sectors and sub-sectors.

## **Other**

- PSCEP will assist USAID in discussions with the DOD regarding the possible sourcing and procurement of agricultural food supplies from Azerbaijani companies.

## **B2: BDS Sustainability Activities**

- PSCEP DCOP Yale will travel to Ganja and Sheki to review investment trackers and work on sustainability plans with regional BDS providers in April.

- In June, the DCOP will begin new rounds of the BDS to collect M&E statistics and monitor progress on client work, investment indicators, and sustainability/growth plans.

### **B3. Grant Fund and GDAs**

- PSCEP Grant Evaluation Committee is scheduled to meet on April 2<sup>nd</sup> to review the next round of grant concept papers, including that for an association-based carp hatchery in Zagatala, a fish feed distributorship through the Sheki Business Group, and BDS sustainability grant proposals from Guba and Lankaran BDS providers.

### III. FINANCIAL REPORTING

PSCEP spent approximately 68 percent of its total budget through March 2010 and as of March 2010 had reached 78.6 percent of its obligated amount.

Contract No.	Total Contract Value	Authorized Expenditures	Actual Expenditures	Balance (as of 03/31/10)	Contract Completion Date
PSCEP-AID-112-C-08-00002	\$6,588,557.00	\$5,712,935.00 (obligated amount)	\$4,489,630.62 (78.6%)	\$1,223,304.38	September 2011

## **IV. ISSUES**

### **A. ADMINISTRATIVE ISSUES**

The project is in the process of clarifying the visa and registration procedures for its expatriate staff. Though not onerous, the process does take resources and time. Following the COP's first 90 day visa renewal, PSCEP began the process to also renew his local police registration. However, the police informed the office that they were not allowed to issue a second pink card in the same district for the same visa. While the travel agency which facilitates the registration offered to register him in a different district this is not a solution over the long-term where each expatriate must exit the country four times per year. The office manager was referred by the local police district the Immigration Department. Because of our "humanitarian project status" Immigration is not responsible for our registration process, and referred her to a new office in the MFA. The MFA required a new letter from Ali Hasanli's office confirming the 90 day extension. When we requested this letter from Hasanli's office, we were informed that the police were incorrect in denying the extension request and that we should go directly to Internal Affairs who would be "informed" by the Cabinet of Ministers to facilitate the registration. However, with the new visa directive recently received from USAID, the re-registration process will hopefully not be necessary in the future.

### **B. PROGRAMMATIC ISSUES**

#### **Budget and related project assistance**

The possibility of receiving the final tranche of the PSCEP funding obligation in September 2010 or later was raised by the Mission. At the projected rate of expenditure the current obligation will fund the project only through June 2010. This raises a potential funding gap issue. Subsequent discussions with the Mission have provided assurance that the obligation issue was on-the-way to being resolved.

## ANNEX A: LOANS DISBURSED UNDER PSCEP'S SME/DEBT FINANCING COMPONENT THROUGH MARCH 2010

<b>N</b>	<b>Bank Name</b>	<b>Value of Loans disbursed since August 1, 2009</b>	<b>Number of SME customers</b>	<b>Sectors</b>
1	Bank of Baku	3,200,000	115	Agriculture, Production, Trade, Processing etc.
2	Demir Bank	5,625,000	32	Agriculture, Production, Trade, Processing etc.
3	Bank of Azerbaijan	5,320,877	28	Agriculture, Production, Trade, Processing etc.
4	Royal Bank	400,600	37	Agriculture, Production, Trade, Processing etc.
5	Mugan Bank	2,477,000	10	Agriculture, Production, Trade, Processing etc.
6	RabitaBank	7,800,000	176	Agriculture, Production, Trade, Processing etc.
<b>TOTAL</b>		<b>24,823,477</b>	<b>398</b>	

As of March 22, 2010

## ANNEX B: BDS INVESTMENT TRACKER THROUGH DECEMBER 2009\*

### 2009 BDS Investment Tracker

BDS	JABC	LBC	YA	BIC	GMC	AZN Total	USD Total
<b>Actual Investment</b>	<b>339,638</b>	<b>3,971,750</b>	<b>7,482,000</b>	<b>2,081,500</b>	<b>4,572,500</b>	<b>18,447,388</b>	<b>23,059,234</b>
Debt	31,000	495,000	-	-	-	526,000	657,500
Equity	-	-	6,800,000	-	-	6,800,000	8,500,000
Leasing	6,000	-	-	-	800,000	806,000	1,007,500
Self-Financed	96,000	861,000	2,000	81,500	854,000	1,894,500	2,368,125
State Fund	-	-	650,000	2,000,000	2,000,000	4,650,000	5,812,500
WB/Other Funding	-	-	30,000	-	-	30,000	37,500
Working Capital	206,638	2,615,750	-	-	918,500	3,740,888	4,676,109
BDS	JABC	LBC	YA	BIC	GMC	AZN Total	USD Total
<b>Pending/Pipeline</b>	<b>511,500</b>	<b>44,378,000</b>			<b>10,200,000</b>	<b>55,089,500</b>	<b>68,861,875</b>
Debt	-	-		320,000	-	320,000	400,000
Equity	-	-		-	5,000,000	5,000,000	6,250,000
Leasing	463,500	78,000		3,000,000	2,500,000	6,041,500	7,551,875
Self-Financed	48,000	43,950,000		13,000	500,000	44,511,000	55,638,750
State Fund	-	350,000		-	2,200,000	2,550,000	3,187,500
WB/Other Funding	-	-		-	-	-	-

\*Latest available numbers. \*\*Investment numbers for Sheki (BIC) and Ganja (YA) BDS have not yet been finalized.