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USAID Private Sector Activity in Azerbaijan Project Year I Work Plan



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USAID Private Sector Activity in Azerbaijan

PYI Work Plan

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Acronyms

ACRONYM	MEANING	ACRONYM	MEANING
ABPEA	Azerbaijan Berry Producers and Exporters Association	GlobalG.A.P.	Global Good Agricultural Practices
ADB	Asian Development Bank	GMP	Good Manufacturing Practices
ADS	Automated Directives System	GoAJ	Government of Azerbaijan
AFA	Azerbaijan Farmers Association	GUC	Grants Under Contract
AFAQ	Azerbaijani Women in Agriculture Project	HACCP	Hazard Analysis Critical Control Point
AFSA	Azerbaijan Food Safety Agency	ICT	Information and Communications Technology
AFSI	Azerbaijan Food Safety Institute	IEE	Initial Environmental Examination
AHPEA	Azerbaijan Hazelnut Producers and Exporter Association	IFC	International Finance Corporation
AKIA	Azerbaijan Agency for Agro Credit and Development	IOM	International Organization for Migration
AmCham	American Chamber of Commerce in Azerbaijan	IPM	Integrated Pest Management
AMFA	Azerbaijan Micro-finance Association	LOP	Life of Project
ANPEA	Azerbaijan Nursery Producers and Exporters Association	LSU	Lankaran State University
APPEA	Azerbaijan Persimmon Producers and Exporters Association	M&E	Monitoring and Evaluation
APPEC	Azerbaijan Pomegranate Producers and Exporters Cooperative	MBO	Member-Based Organization
APS	Agro-Procurement and Supply Company under the Ministry of Agriculture	MEL	Monitoring, Evaluation and Learning
ARPA	Azerbaijan Risk Professionals Association	MM	Million
ARWA	Azerbaijan Rural Women's Association	MoA	Ministry of Agriculture
ASAP	Agricultural Support to Azerbaijan Project	MOU	Memorandum of Understanding
ASAU	Azerbaijan State Agrarian University	MSME	Micro, Small and Medium Enterprise
ATB	Azerbaijan Tourism Board	NGO	Non-Governmental Organization
ATU	Azerbaijan Technology University	OSU	Oklahoma State University
AzAK	Azerbaijan Accreditation Center	PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
AZN	Azerbaijani Manat	PMP	Performance Monitoring Plan
B2B	Business to Business	PPEAA	Pomegranate Producers and Exporter Association of Azerbaijan
CAERC	Center for Economic Reforms Analysis and Communication	PSE	Private Sector Engagement
CFR	Code of Federal Regulations	PSA	Private Sector Activity in Azerbaijan
CLARA	Cash Flow Linked Agri-Risk Assessment	PY1	Project Year One
CO	Contracting Officer	QPR	Quarterly Project Reviews
COP	Chief of Party	SASEI	Sustainable Agricultural Sales and Exports Initiative
DAIM	State Agricultural Development Centers of the Ministry of Agriculture	SDC	Swiss Development Cooperation
DCOP	Deputy Chief of Party	SECO	Swiss State Secretariat for Economic Affairs
DNA	Deoxyribonucleic acid	SMB	Small and Medium Business Development Agency
EBRD	European Bank for Reconstruction and Development	SME	Small and Medium Enterprise
EDF	Entrepreneurship Development Foundation	SOCAR	State Oil Company of the Azerbaijan Republic
EDGE	Economic Development, Governance, and Enterprise Growth	STA	State Tourism Agency
EIA	Environmental Impact Assessment	STTA	Short-Term Technical Assistance
EMMP	Environmental Mitigation & Monitoring Plan	TA	Technical Assistance
EPA	Environmental Protection Agency	TTF	Technology Transfer Fund
ERC	Environmental Review Checklist	UNDP	United Nations Development Programme
EDF	Entrepreneurship Development Fund	U.S.	United States
EU	European Union	USACC	U.S.-Azerbaijan Chamber of Commerce
FAO	Food and Agriculture Organization	USAID	U.S. Agency for International Development
FDA	Food and Drug Administration	USD	United States Dollar
FSC	Farm Service Center	USDA	United States Department of Agriculture
GDA	Global Development Alliance	USG	United States Government
GHP	Good Hygiene Practices	VC	Value Chain
GIS	Geographic Information System	VCAP	Value-Chain Action Plan
GIZ	German Corporation for International Cooperation	WB	World Bank
GPPC	Goychay Pomegranate Producers Cooperative	WP	Work Plan

Executive Summary

By 2024, as a result of interventions under the USAID Private Sector Activity in Azerbaijan (PSA), more than **29,000** farmers will have adopted new agricultural or business practices. Those practices will have improved their livelihoods and increased their incomes by over **50 percent**. PSA will also have leveraged more than **\$7 million USD** of new investments in the targeted sectors, increased lending by over **\$5.1 million USD**, and facilitated at least **\$21 million USD** in trade from U.S.-based agribusinesses to Azerbaijan.

PSA will utilize a partnership and co-investment approach to support a more resilient Azerbaijan economy and improve the business enabling environment (BEE). PSA will improve the competitiveness of the private sector and reduce the administrative barriers that hinder the development of micro, small, and medium enterprises (MSMEs) through three interrelated objectives:

1. Develop a more diversified non-oil economy;
2. Improve the business environment for micro, small, and medium businesses; and
3. Support Azerbaijan's economic reforms.

Objective 1 will be dedicated to increasing private sector competitiveness of agriculture and related sectors by helping individual firms improve production efficiency, add greater value, access higher-value markets, and adopt better technologies from the U.S. and other markets. PSA will draw from its \$2 million in grants to catalyze activities and investments.

Objective 2 will remove regulatory barriers and improve policies and laws supporting MSMEs. PSA will facilitate this by increasing the quality of dialogue between the Government of Azerbaijan (GoA) and the private sector, and by building the capacity of industry associations to help them define the issues most important for their growth and raise these issues via a clear advocacy agenda. Capacity-building grants from the Grants-under-Contract (GUC) funds will be used to help further this objective.

Objective 3 will create a government-facing facility that will build the capacity of public sector agencies and officials to design and execute economic reforms that support the private sector. This facility will be flexible and provide support to the public sector on a demand-driven basis.

PSA has already launched a series of technical activities that have raised awareness of the program and created positive momentum for implementation:

- Organizing, implementing, and attending the U.S.-Azerbaijan Agricultural Forum in Oklahoma;
- Exhibiting at the Hazelnut, Walnut, and Chestnut Festival in Zagatala;
- Exhibiting at the Tea, Rice, and Citrus Festival in Lankaran;
- Supporting a Food safety workshop on food additives, jointly with the Azerbaijan Food Safety Agency (AFSA), Azerbaijan Food Safety Institute (AFSI), and Coca-Cola;
- Supporting an Agronomy course on *Plant Disease Diagnosis and Management* in Ganja in cooperation with Azerbaijan State Agrarian University (ASAU) taught by a visiting professor from the University of Illinois at Urbana-Champaign;
- Co-organizing a reception for 40 key private sector and government officials to facilitate public-private cooperation;
- Facilitating government-to-government linkages during a trip to New York by the leadership of Azerbaijan's Small and Medium Business Development Agency (SMB);
- Sponsoring, together with Coca Cola and other partners, the International Fruit and Vegetable Juice Producers Forum in Baku;
- Supporting participation of AFSI laboratory technicians in a Next Generation DNA Sequencing training in Dubai;
- Drafting and submitting reports on "Analysis of bank lending to agribusiness" and "Analysis of the State Budget of Azerbaijan for 2020";
- Holding an Agritourism event at a beneficiary farm in Lankaran to promote collaboration with the Agro Procurement and Supply company to demonstrate and promote the potential for attracting additional revenue to farm operations through the provision of agritourism services; and

Activities in the first months of PSA implementation are designed to gather information, create systems for service delivery, identify beneficiaries, and lay the foundation for effective, efficient implementation of project activities. Project Year One (PY1) activities are described in the narrative with tables following each section to outline specific actions. These tables are also included as a separate document, the Work Plan Gantt Chart, in Annex 2.

Program Description

The goal of USAID's Private Sector Activity PSA is to utilize a partnership and co-investment approach to support a more resilient Azerbaijan economy and improve the business enabling environment. PSA will do this by increasing the competitiveness of the agriculture sector, as well as sectors complementary to agriculture such as agricultural finance and agritourism, through the facilitation of private sector engagement, greater levels of investment, and improvements in the BEE. This goal will be achieved through the implementation of three interrelated objectives. Our approach will ensure that the three objectives of this project feed into and support each other.

Objective 1, which will constitute approximately 70 percent of the project's activities, will be dedicated to increasing private sector competitiveness of agriculture and the complementary sectors by helping individual firms improve production efficiency, add greater value, access higher-value markets, and access better technologies from the U.S. and other markets. **Under Objective 1, PSA will work directly with the private sector.**

Objective 2 will remove regulatory barriers and improve policies and laws supporting micro, small, and medium enterprises (MSMEs). PSA will increase the quality of dialogue between the GoAJ and the private sector and provide capacity building for industry associations to help them to identify the most important enabling environment reforms for their growth and to effectively raise these issues through a clear advocacy agenda. **Under Objective 2, PSA will strengthen the interface between the public and private sectors and will work directly with industry associations and GOAJ agencies.**

Objective 3 will create a government-facing facility that will build the capacity of public sector agencies and officials to design and execute economic reforms that support the private sector. This facility will be flexible and provide support to the public sector on a demand-driven basis. **Under Objective 3, PSA will work directly with the GoAJ.**

These implementation requirements underpin all project activities: ICT; donor and host-country coordination; private sector engagement; GoAJ partnerships; women's and youth economic participation; flexibility in implementation; sustainability and resiliency; and public information and outreach. These principles are reflected in the specific activities under each component, as well as in cross-cutting activities.

PSA will be implemented countrywide in Azerbaijan and PSA leadership will regularly meet with the COR, attend and actively participate in donor coordination events, and, together with USAID personnel (as USAID deems appropriate), meet regularly with GoAJ counterparts.

In all program activities, PSA will adhere to 22 CFR 216 USAID Environmental Procedures, and will manage grants under contract (GUC) in compliance with ADS 302.3.4.13 and ADS 302.3.5.6.

Program Activities¹

Objective I: Develop a More Diversified Non-Oil Economy

OBJECTIVE 1 LIFE-OF-PROJECT CONTRACT DELIVERABLES:

- \$7 MM USD leveraged in grant recipient cost share
- 30% increase in agricultural exports
- 56% increase in sales by assisted enterprises
- 50% increase in beneficiary household income
- \$21 MM USD in increased value of US exports to Azerbaijan
- 29,000 farmers using new agronomy and business practices
- \$5.1 MM USD in business loans facilitated

Under Objective I, PSA will work towards a more diversified non-oil economy, strengthening targeted agricultural value chains and complementary sectors such as agribusiness finance and agritourism. The strategies under this Objective will be refined and enhanced following the Value-Chain Prioritization and Gaps Assessment Process (currently underway and slated

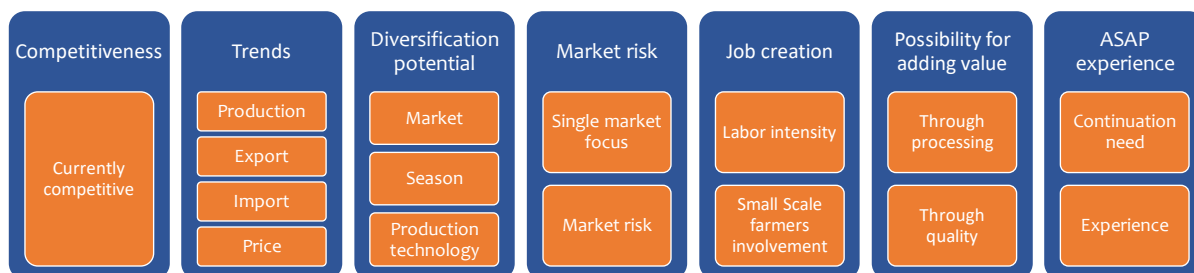
for completion in January) and the Agritourism and Ecotourism assessment (in development and also planned for completion in February). Activities under Objective I fall into seven categories: Value-Chain Prioritization and Gaps Assessment; Agricultural Production Improvements; Trade and Investment Linkages; Postharvest Processing, Food Safety and Quality Certifications; Investments in New Technologies and Capacity Building; Access to Finance for Agribusiness; and Development of Agritourism and Ecotourism.

I. Value-Chain Prioritization and Gaps Assessment

CONDUCTING THE VALUE-CHAIN PRIORITIZATION AND GAP ASSESSEMENT

PSA, with resource partner/subcontractor SEEDDEV, has conducted a Value-Chain Prioritization and Gap Assessment to inform value-chain selection, guide program interventions, and identify promising partnership opportunities based on a methodology recently tested and fine-tuned under USAID’s Agriculture Program in Georgia.

Competitive analysis focused on export trends, import substitution potential, ability to add value to the products through innovation, know-how or technological advancements, gross farm income, and the competitiveness index of Azerbaijani agricultural products. To prioritize value chains, PSA considered the outcomes of the competitive analysis together with a set of criteria designed to balance commercial viability with development priorities, including competitiveness, trends in the sector, diversification potential, market risk, job creation, the possibility for adding value, and USAID ASAP experience (see figure below).



For each value chain selected in the prioritization process, PSA conducted a market system mapping for an in-depth gap analysis. PSA assessed the performance gaps and potential along the value chain by investigating the existing and potential horizontal and vertical linkages in identified value chains as well as the situation in the target markets for the defined chains. This facilitated mapping exercise led to the identification and analysis of critical gaps in the value chain for each selected product group.

¹ **Note:** The (*) in the tables that follow denote a Work Plan item that is also a contractual deliverable with a specific deadline (also indicated in the table).

Based on this gap analysis, PSA developed value-chain action plans (VCAP) that will serve as a road map for PSA interventions and will be treated as living documents that meet the changing and emerging needs of each value chain. This value-chain assessment process has identified eight product groups, which have been further consolidated into five value chains that will be the primary focus of PSA. Each of these value chains, and their interventions, are discussed in the following section, followed by a more detailed discussion of *functional* interventions in production, trade and investment, post-harvest processing, investments in infrastructure, and access to finance.

	Sept (18- 30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Objective I: Develop a More Diversified Non-Oil Economy													
I. Value-Chain Prioritization and Gaps Assessment													
Tailor value chain assessment methodology for Azerbaijan													
Value Chain Prioritization and Gaps Assessment* (to include Bumpers Analyses, as necessary)					135d								

VALUE-CHAIN PRIORITIZATION AND GAP ASSESSMENT FINDINGS

The key findings of the value-chain prioritization and gap assessment undertaken by PSA subcontractor SEDEEV, complemented by PSA staff experience and information on activities under ASAP, are summarized here for the five value chains prioritized for selection:

- **Berries:** Includes “traditional” berries, i.e., strawberries, raspberries, blueberries, and blackberries as well as niche market products kiwi and feijoa;
- **Hazelnut;**
- **Orchard Fruit:** Includes stone fruit and apples;
- **Perishable Vegetables:** Includes tomato, cucumber, eggplant, lettuce and other leaf vegetables, as well as some types of cabbage; and
- **Pomegranate & Persimmon.**

a) *Berry Value Chain*

Strawberry (Raspberry, Blueberry, Blackberry)

ASAP advocated crop diversification (into strawberries, raspberries, blueberries, and blackberries) to vegetable and fruit producers to give farmers more flexibility in the face of market price and demand fluctuations, as well as to increase the production of high-value and export-oriented crops. The primary growing regions for this value chain are the Western, Southern and Absheron regions. Although blueberry and raspberry production were very poorly spread among the regions and not viewed as commercial crops, strawberry, kiwi, and feijoa production were widespread and demanded intensive care.

In Jalilabad, there are 35-40 producers with more than 5 hectares and 3 producers with over 20 hectares. Industry leaders were supported under ASAP to improve production technologies, establish a cold chain and create an association. As a result of ASAP efforts and interventions, the Berry Value Chain was greatly strengthened and saw the following accomplishments:

- The first high-quality strawberry seedling nursery in Azerbaijan was established in Shamkir;
- Several U.S. strawberry varieties were registered through the State Registration Committee;
- Strawberry producer AS Group obtained GlobalG.A.P certification, the first in the country to do so;
- Cold chain management and post-harvest handling of berries were improved;
- The Azerbaijan Berry Growers Association was established and legally registered in 2018;
- Strawberry producers received production trainings and technical assistance;
- Several vegetable producers diversified, adding strawberry to their production mix or expanding their existing strawberry production.

As a result, strawberry production in Azerbaijan increased by almost 10 times from 2016 to 2018, from about 2,201 MT to 20,830 MT. The harvested area in 2018 was 3,320 hectares and the major production regions are Lankaran, Ganja and Guba-Khachmaz. The production volume is about 35, 000 MT at the end of 2019. The size of the sector not only influences the quantity but also the quality of production. Strawberry production must be expanded and diversified urgently into the production of other berries in order to make expansion of the cold chain, including processing into frozen product, an efficient activity.

At present there are 9 strawberry varieties legally registered in Azerbaijan. Producers are purchasing new varieties in Italy, Spain and other countries and introducing them into production. While new varieties have been introduced in Azerbaijan, a systematic approach to varietal selection based on research on the fruit varieties in Azerbaijani conditions is still lacking.

Currently, three value-chain models are present in Azerbaijani berry production:

- Small producer/local market. A short chain can be advantageous for strawberry marketing as berries have to be marketed within a few hours or pre-cooled to 4 Celsius within two hours. Thus, the small producers are selling the berries in local green markets or local retail shops.
- Extended chain with integrator. In the future, this will be the prevailing structure. Aggregators with cold storage capacity are the central players in the strawberry VC. In Azerbaijan, at present, those are large producers or emerging traders who are collecting and marketing products. In a majority of the cases, they are supplying traders who sell to retail or they are exporting the berries.
- Export-oriented strawberry chain. Several companies are involved in strawberry production with acreage above 20 hectares. They are targeting the export market and exporting directly or via trading companies.

Cold chain constraints are a critical issue in the berry value chain, and while cold storages are an important element in the cold chain, they are not the only one. More small pre-cooling facilities in the field or in an area with concentrated production would help greatly in preparing products for market and increasing shelf life. There is also a need for improved knowledge of harvest and post-harvest techniques, storage maintenance, and cold storages to preserve the cold chain. In addition, market access is constrained by a lack of export market linkages, as well as a lack of awareness of Azerbaijani strawberry production in the export markets.

There are two clear and distinct opportunities for development for the berry value chain, one for higher-value production and distribution of fresh fruits, and one for development of a frozen strawberry value chain oriented primarily towards the export market. While these share similar needs across inputs and production, the two chains then diverge and will be handled differently.

PSA will emphasize research-based decision making on the introduction of new varieties and diversification of berry production to minimize risks, improve product offerings and market access, and develop a sustainable fruit sector.

PSA will promote the purchase of improved varieties from specialized growers and nurseries and discourage the use of used farmers' own cuttings. To further improve production, PSA will identify and work with innovative producers willing to adopt new technologies, and will leverage these producers to disseminate knowledge and practices to wider numbers of growers, including developing an online Production Guide for strawberry and other berries. As producers seek to access new markets, they will be supported in achieving necessary certifications including, as appropriate, Organic and GlobalG.A.P.

The present harvesting (marketing) season is about 3 months in open field production and 6 to 8 months in greenhouse production. It can be expanded by the diversification to different varieties as well as by changes in greenhouse growing practices. The production costs in greenhouses are higher, but the profit is still 30% higher, according to producers.

Increases in production will soon require solutions other than fresh produce marketing. One potential solution is freezing the berries (using quick freezing tunnels, sorting lines, and a -18°C regime cold storage) and marketing for retail or processing. This will also require support in meeting and obtaining quality certifications for processing facilities such as ISO, IFS, BRC, and HACCP.

For the export market, PSA will help companies to improve packaging, branding, and advertising materials, while in the domestic market PSA will support producers to build awareness and increase consumption through educational and promotional events.

Feijoa

The volume and value of current feijoa production is not insignificant. In addition, its production is quite complementary to other fruit and berry production due to its late harvest season. In 2018, there were 1,008 hectares of feijoa, of which 949 were in Lankaran economic region. Since average yields vary from 6 to 14 MT per hectare, production volumes also fluctuate, but are around 10,000 MT per year. Almost all product is sold in the local market, both fresh and processed. While there are limited exports, there is no official data and volumes are estimated at around 500-700 MT of fresh product to the Russian market.

Feijoa production can be very extensive, although there is limited pruning, fertigation, and irrigation. In some cases, all that is done is collection of the ripe fruit at harvest time. Feijoa, like most other plants, can provide much better results with proper orchard management and cultivation techniques, so there is significant potential to increase production volumes with existing acreage.

Kiwi

Kiwi is not a completely new crop to Azerbaijan; there are orchards that are more than a decade old and producers with good experience and knowledge of how to deal with the production challenges. However, the area under kiwi production, which was merely an estimated 100 hectares in 2017, has been steadily increasing, and is now about 500 hectares, thanks in no small way to large companies setting up new modern orchards. Production varies, but is around 200 MT, which is expected to increase after the new orchards start yielding. Kiwi production has tremendously increased and reached by 500 ha at the end of 2019. ASAP supported those enterprises and has positive experience working in the sector.

There is a large kiwi production concentration in the Lankaran region. Not many countries can produce kiwi, and Azerbaijan’s climatic suitability, combined with its proximity to countries which cannot produce domestically, offers unique opportunities for growth.

Import of kiwi in Azerbaijan doubled from 2015 to 2018, from 1,470 MT to 3,170 MT, which offers good import substitution possibilities. Neighboring countries also import significant quantities: Russia 75,000 MT, Kazakhstan 4,600 MT, and Georgia 1,500 MT in 2018.

ASAP provided support to establish modern kiwi orchards using various growing practices from the U.S., Georgia, and other countries. The next step is to support production improvements by introducing more orchard management techniques, adapting and improving based on lessons learned, and expanding efforts to larger numbers of growers.

The following table summarizes the most critical obstacles to, and needs in, berry value-chain development, as well as the investment opportunities with the most potential to transform and strengthen the berry value chain:

Critical Value-Chain Obstacles/Needs	Value-Chain Investment Opportunities
<ul style="list-style-type: none"> • New kiwi/feijoa varieties • Development of nursery within certification scheme and introduction of new varieties but with full respect of Plant Breeders Rights • Room for quality improvement through production training for farmers • Lack of knowledge of post-harvest techniques • Lack of processing of berries • Missing links with foreign buyers of fresh and frozen berries • Foreign buyers don't know about production increases in Azerbaijan 	<ul style="list-style-type: none"> • Establishment of nurseries offering improved and virus-free varieties • Cold storages for berries, kiwi, and feijoa • Freezing tunnels for quick freezing • Sorting and packing equipment for small and bulk packaging • Drying equipment • Processing equipment for pure and concentrate • Establishment of food safety control measures and certification schemes • Promotion to enter new markets and increase awareness of the quality of Azerbaijani berries

b) Hazelnut Value Chain

Five years ago, the hazelnut industry was fragmented and in disarray, with a strong presence by foreign middlemen, all of which depressed the value of the sector. There was a significant number of growers who considered rooting out their hazelnut orchards because of low yields and low incomes. There was no organized system of knowledge of good agricultural practices and no technical materials available locally. Processors, due to the lack of food quality and safety certifications and barriers to accessing higher value markets, exported primarily to the Russian market and developed a risky dependency on it. Agricultural equipment and machinery available in the country were old, inefficient, in poor repair, and often of Soviet or other CIS origin.

ASAP rolled out an intensive training program and addressed the limiting factors that inhibited growth in the hazelnut production field. Through classroom training, backed by the demonstration plots throughout the country, the project was able to achieve yield increases of 2.5 times on average. By mid-project, the Government of Azerbaijan, seeing great export potential in hazelnuts, declared it a priority sector and called on growers to double production. ASAP's 18 demonstration plots in seven regions showcased the effects of improved practices to thousands of farmers. This motivated growers, who started to increase the value of sales due to the increased volume and value of hazelnuts. Meanwhile, the sales price of a hectare of hazelnut orchards increased by 6.5 times.

ASAP identified major constraints in the processing field and addressed them by supporting beneficiaries through its Technology Transfer Fund, leveraging major client investment. ASAP was able to help improve the quality, increase the quantity and enhance the working conditions for laborers. The project pioneered formation and development of various associative groups, helped exporters to identify new sales destinations, facilitated U.S. business linkages with local companies, and partnered with government agencies in a mutual effort to reduce or eliminate administrative barriers and enable a favorable business environment. Today, with 104 million USD in exports, the hazelnut sector represents a rapidly growing industry. Nearly 60,000 hectares have been planted with hazelnut orchards, yielding over 40,000 MT of in-shell hazelnuts.

However, some of the old constraints remain and some new challenges have arisen as a result of growth in the sector. While the area under cultivation has expanded greatly and exports to the EU have grown in recent years, there are a number of areas in the value chain that haven't yet shown signs of such a major breakthrough. ASAP supported a few privately-owned, small-scale hazelnut nurseries in the regions, but the sector needs to have large and professionally managed nurseries supported by associations, cooperatives, and/or state extension agencies to provide certified, virus-free, properly labeled saplings to the wider community of growers. Value-adding is another area which has seen very little progress to date and is planned to be one of the key issues addressed under the PSA. To address these issues, PSA will go beyond the previous general grower trainings and partner with global private-sector actors, such as industry leader Ferrero, as well as educational institutions, to roll out training programs to educate growers, agronomists and agricultural university graduates in advanced horticultural practices.

ASAP had great success in improving agronomic skills via demonstration sites. PSA will take this lesson learned and continue to support demonstrations, but via commercially led demonstrations. PSA will offer TTF investments to help input suppliers, like the HH Group, EMA, or Agrokimya, become sources of agronomic and extension information. Furthermore, PSA will help industry associations to establish model farms or demonstration plots. As a part of their curriculum, the agronomist trainees in the certificate program will use these sites to build their skills in adult education techniques and fulfill their training requirements.

Using the local agronomists that have been trained under previous USAID projects, PSA will develop a nationwide programs of grower training targeted at increasing the technical knowledge base and understanding of practical application of the good agricultural practices in hazelnut orchards. PSA will also develop a series of free, publicly available, short technical videos, accessible on YouTube and other online platforms, to illustrate the different modules and techniques captured in the agronomist training program. PSA has identified a service provider who can film and edit these videos at low cost.

PSA will continue building relationships with Trécé International, a U.S. manufacturer of chemical solutions for tracking pests. PSA will assist Trécé to sign a collaboration agreement with ASAU (as preliminarily agreed at the Oklahoma forum in November 2019) to scale up the monitoring activities for Brown Marmorated Stink Bug (BMSB) initialized under ASAP.

As they are grown without chemical fertilizers, Azerbaijan hazelnuts command a premium on the world market. PSA will continue to support obtaining BIO (organic) certification by individual large farm enterprises, and extend that effort to include consolidated groups of smallholders.

The hazelnut value chain offers many opportunities for private sector engagement, and in addition to working with international companies such as Ferrero and Trécé, PSA will work with local hazelnut processors, such as Agrarco, a member of PMD Group, which reached out to PSA to discuss areas of potential cooperation. Key areas include joint grower training, an SMS notification service for growers, association development and enhancing cooperation between growers, establishment of nurseries, quality testing labs and other farmer support services, mapping out hazelnut production areas, and even establishing a stock exchange platform. These types of collaboration will be explored with other local hazelnut processors as well.

The following table summarizes the most critical obstacles to, and needs in, hazelnut value-chain development, as well as the investment opportunities with the most potential to transform and strengthen the hazelnut value chain:

Critical Value-Chain Obstacles/Needs	Value-Chain Investment Opportunities
<ul style="list-style-type: none"> • Improved technical and advisory support for production practices • Improved quality through farmer training • Lack of long-term and formal relationships along the value chain, in particular regarding purchasing and price setting • Need for improved aflatoxin control systems to prevent contamination in hazelnuts intended for export to the EU 	<ul style="list-style-type: none"> • Expansion of new intensive plantations of hazelnut • Higher levels of hazelnut processing, in addition to deshelling • Develop food safety control and certification programs • Enter new markets and promote awareness of quality Azerbaijani hazelnuts

c) Orchard Fruit Value Chain

Over the past five years, with ASAP support, Orchard Fruit Value Chain actors received training and technical assistance to improve the quality of their produce and facilitate entering more lucrative export markets. One tool for achieving improved production and quality is intensive orchard production, which has increased dramatically in recent years. As a result of ASAP assistance, more than 500 hectares of land have been planted with intensive and semi-intensive orchards, 350 hectares of which are already highly productive; a new plastic box manufacturer has been established, producing more than three million boxes annually for sale to more than 100 farmers, and four new cold storages, with a total capacity of 2,110 MT serving over 600 farmers, were constructed. In addition, the country's first in-vitro laboratory for the production of virus-free fruit rootstocks was established, and produce sales have expanded to new export markets including the UAE, Malaysia, Maldives, Iraq, Saudi Arabia, India, and the UK.

Stone Fruits

Stone fruits are the most diversified fruit subsector, characterized by a wide range of species and varieties. Although diversified, they share common investment needs and value-chain commonalities; in many cases different stone fruits are produced by the same producers, traded by the same traders and sold at the same points of sales.

In Azerbaijan, production of stone fruits increased by nearly 75% from 80,000 MT in 2009 to 140,000 MT in 2018. Sweet cherry production has been increasing continually since 2014. Plum production has a similar trend, while peach and cherry plum production are stagnating.

Sweet cherry is already a traditional fruit in Azerbaijan, but in the last six to eight years new intensive orchards have been established using the highly productive *Lapins*, *Cordia*, and *Regina* varieties and planting material imported from Turkey and the EU. The average yields of these new varieties at full production (5th year of growth) is 25 tons/hectare. Marketability of sweet cherries has been improved through intensified production, combined with improved post-harvest practices such as precooling by hydrocooler. The Guba-Khachmaz region is the primary sweet cherry growing region of Azerbaijan, with 21,000 MT out of a total countrywide production of 38,000 MT in 2018. The export of sweet cherries reached 38 million USD in 2018; with Russia as the dominant export market, but also some sales to Kazakhstan, Malaysia, Great Britain, and the UAE.

Peach production is about 20,000 MT. There are producers who are diversifying varieties and they are focused on quality as well as production volume. Peach exports recovered from a drop in 2015, gradually coming back to 10 million USD in 2018. Peach exports are very much dependent on the Russian market, which requires high phytosanitary standards as well as imposing other non-tariff barriers.

Plum species in commercial trade are both the hexaploid European plum (*Prunus domestica*) and the diploid Japanese plum (*Prunus salicina*). In Azerbaijan, the Japanese plum varieties are produced, which are the preferred varieties for fresh consumption. Plum exports in 2017 and 2018 were over 4 million USD and the dominant export market is Russia. Due to its different climatic zones, Azerbaijan can offer early ripening varieties in July, which command a 40% price premium in regional, EU, and Russian markets. Market diversification will be a key opportunity, and although Russia dominates current demand, opportunities exist and should be pursued in other markets.

PSA will identify leaders in the stone fruit value chain who are interested in developing an integrated production and post-harvest handling supply chain. Potential lead partners will include advanced producers who are willing to diversify their production and invest in post-harvest handling, as well as large fruit producers and traders who are willing to support and invest in production and cooperate with smaller fruit producers to organize input supply, production support, post-harvest storage, packing and marketing. PSA will seek to introduce innovative cultivars and intensive production technologies and improve market access through improved post-harvest handling and introduction of quality standards to increase and homogenize quality. Production training will include the development of online Production Guides for each stone fruit, and study tours for innovative producers to introduce new technologies.

Some retailers are interested in securing a consistent supply chain providing traceability guarantees that they are unable to get in wholesale markets. While these players are unlikely to be large investors in production, they are promising partners in alliances with producers who need market sales outlets.

Investment in additional cold storage is critical. Improved pre-cooling and cold storage management must maximize the utilization and efficacy of existing cold storage as well as new facilities. PSA will assist cold storage operators to base their business plans on diversification of product mix, maximizing utilization rates by taking into consideration the different timeframes and storage needs of the respective products (stone fruits, berries, and perishable vegetables).

PSA will support stone fruit processors' initiatives in drying, freezing, producing cold-press juices and introducing other innovative technologies, as well as in obtaining quality certifications such as ISO, IFS, BRC, and HACCP.

Apples

Azerbaijan has a favorable climate for apple production, is proximate to large markets and enjoys strong trade links with most neighboring countries. Azerbaijan's apple production averaged 259,500 MT per year from 2014-2017. During this period, the growth of production was faster than average world apple production growth. The major trigger for this growth was privileged access to the Russian market and investors from different sectors who recognized the opportunity.

Although Russia is one of the largest apple importers and apples from Azerbaijan are competitive at present in this market, diversification to other markets is necessary for the stability of enlarged and modernized production. There are exporters who have successfully sold to a range of countries in the Middle East, where quality requirements are very high, and competition is also stiff. The import of apples in Saudi Arabia is growing, about 3% per year from 2014-2018, while UAE imports decreased over the same period by 8% per year.

Indonesia is also a very significant apple importer, with annual increases of 27% from 2014-2018, with imports from the U.S., New Zealand, South Africa, and China. Other potential markets include Vietnam, India, and Bangladesh, where imports are increasing every year. Markets like Iraq and Algeria prefer smaller, lower quality apples at some of the lowest prices globally. Egypt seems to be the only country that purchases high volumes of both high- and low-quality apples.

In recent years, apple producers have used modern rootstocks (M9), and modern varieties in intensive planting systems (2,500 to 3,000 trees per hectare). Investments in cooling and storage capacity and quality improvements

(including complying with international standards like GlobalG.A.P. and HACCP) have the potential to further enhance the sector’s competitive position.

Including small-scale producers in the modern market chain is important for Azerbaijan and the easiest way to do it is through cooperation between small and large producers, where large ones are introducing new technologies while small ones are adopting them on a large scale.

There is significant potential for PSA to develop the capacity of exporters to identify new market opportunities, convey market requirements to producers, and reach mutually beneficial business arrangements with new buyers. This will include participation in relevant tradeshows, study tours to the Gulf to meet with prospective buyers to identify the quality requirements demanded, and assistance in supplying trial shipments to target buyers. The following table summarizes the most critical obstacles to, and needs in, orchard fruit value-chain development, as well as the investment opportunities with the most potential to transform and strengthen the orchard fruit value chain:

Critical Value-Chain Obstacles/Needs	Value-Chain Investment Opportunities
<ul style="list-style-type: none"> • Improved technical and advisory support for production practices • Improved quality through farmer training • Lack of knowledge of post-harvest techniques • Limited range of cultivars • Poor quality standardization • Need to diversify production to reduce income seasonality through shared cold storage, processing and marketing channels • Need for improved market information on export opportunities, trade channels, and quality/standards requirements 	<ul style="list-style-type: none"> • Introduction of new cultivars • Expanded cold storage for cooling/precooling fruit • Processing equipment, particularly introduction of equipment for new, value-added processing

d) Perishable Vegetable Value Chain

ASAP did extensive work in the Vegetable Value Chain to make it more competitive and demand-oriented, with the following results:

- Establishment of a high-quality vegetable seedling nursery supplying producers with premium virus-free materials;
- Introducing an improved greenhouse heating system in Shamkir that demonstrated increased production and export sales and whose technology was subsequently adopted by other greenhouses;
- Bina Agro LLC was the first greenhouse company in Azerbaijan to export to the EU with GlobalG.A.P. certification;
- Irrigation of vegetable fields was improved with new technologies which led to increased production;
- Awareness of Integrated Pest Management (IPM) tools and practices to protect crops which led to dramatic yield increases;
- Greenhouse group trainings increased the number greenhouse employees qualified in the safe use and application of pesticides and fertilizers and implementation of agricultural practices to avoid serious losses and diseases; and
- Crop diversification through a wider range of perishable vegetables, which improved resiliency of producers and exporters in the face of price fluctuations.

Perishable vegetables grown in Azerbaijan include tomato, cucumber, eggplant, lettuce and other leaf vegetables, and cabbage (categorized as perishable or non-perishable depending on the variety). In the Value-Chain Prioritization and Gap Analysis, the focus was on tomatoes, cucumbers, peppers, and eggplants. All of these products have the same investment needs, and often they are produced by the same farmers, traded by the same traders, and sold at the same points of sale. Despite these supply chain commonalities, they are significantly different in market size, product demand, consumption, competitiveness level, and export possibility.

Due to their relatively high levels of production, development potential, and interesting trends, specific attention was given to tomatoes. Although tomatoes are one of the major revenue-generating commodities for Azerbaijan,

it faces increasing competition in export markets and is relatively highly priced in export (Russian) markets compared to other sources. It is critical to continue market diversification, as has already begun to happen with tomato sales to Latvia, Hungary, Estonia, Poland, the UAE, Georgia, Qatar, Ukraine, and Belarus, in addition to Russia and Kazakhstan in 2018. Additionally, it is critical to focus on product diversification and season extension to increase sales, capture price premiums for early and late season vegetables, and reduce seasonality of incomes.

Tomato growers in greenhouses only achieve 25-30 kg/square meter in Azerbaijan while typical yields are 40-45 kg/square meter and in the Netherlands even reach 60-90 kg/m². Seasonality constraints include excessively high temperatures in summer and lack of daylight in winter. It would be possible to extend the season in winter by adding lighting, and this seems like a viable option to explore. In addition, improvements are needed in other production technologies, such as fertigation. PSA staff met with several greenhouse tomato producers in Shamkir (Fikrat Malikov) and Goranboy (Rafiq Mustafayev) regions. All understand the market demands, and the risks of overdependence on the Russian market, and as a result are ready for product diversification. These producers have already begun to modify planting schedules to extend the harvest period, but also want to diversify into persimmon, cherry, and strawberry production in open fields and greenhouses, and will benefit from PSA support.

The following table summarizes the most critical obstacles to, and needs in, perishable vegetable value-chain development, as well as the investment opportunities with the most potential to transform and strengthen the perishable vegetable value chain:

Critical Value-Chain Obstacles/Needs	Value-Chain Investment Opportunities
<ul style="list-style-type: none"> • Lack of new varieties and improved inputs • Need for new production technologies • Need more production certification programs (GlobalG.A.P., Organic) • Lack of pre-cooling and need for cold chain investments and management • Lack of market information and a need for IT platforms for knowledge sharing 	<ul style="list-style-type: none"> • Investment in input supply enterprises to improve supply of seeds, fertilizers, biostimulators (phytostimulators), pesticides, herbicides • Specialized seedling producers able to target different times of production • New production technologies including plastic tunnels, sensors and fertigation equipment • Small pre-cooling facilities at/near the farm • Processing equipment • Cold storages for frozen perishable vegetables • Freezing tunnels for quick freezing • Sorting and packing equipment

e) *Pomegranate & Persimmon Value Chain*

Pomegranates

Globally, both fresh and processed pomegranate and its derivatives are gaining in popularity. The area of pomegranate orchards in Azerbaijan has been growing since 2000, increasing from 9,300 hectares to almost 23,000 hectares in 2018. In 2018, about 155,105 MT of pomegranates were collected in Azerbaijan. However, the information on exports is difficult to verify since the pomegranates do not have their own individual Harmonized System code. They are included in the code for “fresh fruit not included elsewhere,” therefore the exact and mirror data on trade are difficult to obtain. Still, there are noticeable positive trends in exports and Azerbaijan is becoming more recognized on the global market. Several strong processors have developed local brands for premium juices, oil, and other products that are certified and exported to regional, European and Asian markets.

Despite being cultivated in Azerbaijan for millennia, only in recent decades has the pomegranate started to be systematically researched and improved, with noticeable market and production expansion. Azerbaijan is considered the only country where all varieties of pomegranate grow. *Guloysha*, *Vesel*, *Shandi*, *Shirin* and *Bala Mursal* are the primary varieties cultivated. Cultivation of new varieties and creation of new nurseries is important to the continued development of the sector.

The processors in this sector successfully export and market domestically pomegranate products such as juices, sauces, and oil. The *Guloysha* variety commonly grown in Azerbaijan has a specific sour-sweet taste that allows processing companies to produce competitive pomegranate juice for international markets. Another reason for the successful export of Azerbaijani pomegranate juice is the cheap price of lower-quality fruit, which represents

more than 50% of the total production by farmers. Usually, better-quality pomegranates are harvested and stored in cold storages or directly shipped to the Russian market from the orchards, and the lower quality (damaged, cracked) pomegranates are sold 3-4 times cheaper to processing facilities, which export the concentrates, juices, and other pomegranate byproducts.

Although the processing and export of pomegranate products is a profitable business for the processing facilities, it is not profitable for the farmers producing lower quality pomegranates. In recent years, there have been many pomegranate growers who have liquidated their pomegranate orchards or replaced them with other commodities like persimmons or other fruits.

Under ASAP, it became clear that a lack of focus on fresh pomegranate production was the key obstacle to profitability. The selection of varieties, cultivation practices, and post-harvest handling practices all inhibited the profitability of Azerbaijani pomegranate operations. To improve cultivation methods, ASAP developed a strategy including individual and group trainings, domestic and international experience exchange, improving extension services, technical assistance on all aspects of cultivation, technology transfer fund investments, demonstration plots, and marketing activities. With project support, for the first time, Azerbaijan's fresh pomegranates were exhibited at trade shows in the EU and an Azerbaijani pomegranate producer obtained GlobalG.A.P. certification, which facilitated new exports to the EU. Despite these advances, more production improvements are necessary.

There are no pomegranate orchards in Azerbaijan currently employing trellis systems. However, trellis systems, such as those in widespread use in Israel and Italy, would be useful for local pomegranate varieties in Azerbaijan. These protect the trees and fruits from wind damage and sunburn and allow for easy spraying. Bedding and mulching are also important for weed and disease control. Intensification of pomegranate production is one of the key features of any future interventions. Practices need to be improved in order to improve yields to average levels prevalent in other production countries. This starts from choosing varieties and planting a pomegranate orchard to pruning, irrigation fertigation, and harvesting. Kurdamir (Mabat LLC), Goranboy (Antim LLC) and Goychay regions are important areas in which demonstration plots could be created to showcase these technologies. Introduction of GlobalG.A.P. and organic certification is also critical to open doors to new and more competitive markets. Tracking and tracing are needed for importers and traders and certification for consumers to address the buyer requirements that can be an obstacle to market entry.

There are significant harvest losses and a lack of post-harvest practices and facilities. The harvest begins in the final weeks of September and continues until mid-November. The rains that are typical in this season, combined with a lack of available labor, cause the loss of 30 to 40 percent of the harvest. Storage is also critical for many producers, as post-harvest treatment of the harvested fruit indicates a lack of storage facilities for extended fresh sale.

The Pomegranate Producers and Exporters Association (PPEAA), which plans to develop extension centers in selected communities in the Central regions, will be supported by PSA to develop pomegranate demonstration plots through provision of technical assistance on cultivation and small-scale equipment for post-harvest handling and processing.

Production of new value-added products like pomegranate wine, seeds, and oil were also supported by ASAP, leading to incremental investments in the purchase and installation of modern equipment and technologies by the processing companies. These activities should be further supported and multiplied through PSA to identify value-adding opportunities and improved technologies.

Much has been done to develop the processing sector and produce juices, pomegranate seed oil, pomegranate sauce, and tannins from the skin, but the trends and latest industry leads need to be followed to address the need for convenience, health properties and premium quality. There is growing consumer interest in direct sourcing of products from small brands that build communications and consumer confidence on their proximity to the production base rather than the power of the brand.

Persimmons

Azerbaijan is one of the largest persimmon producers globally, with good rankings in production and trade. There are many different species of persimmon, the most popular of which is the Japanese persimmon or kaki. Only 15 countries in the world produce persimmons and only ten of them have annual productions over 3,000 MT. Azerbaijan has a dominant share in the region, CIS, NMS, and EU15, while other producers include Iran, Uzbekistan, Spain, Italy and Slovenia. Production in Azerbaijan is extensive and based on fruit gathering (rather

than intensive cultivation). Nevertheless, Azerbaijan has the highest yield of all selected countries at 18.1 tons/hectare and the most extensive harvested area under persimmon. There are increasing trends in both area harvested and total quantities. Persimmon as a fruit is gaining ground on market shelves, as it is a fresh, sweet, directly edible low-calorie fruit with high fiber content and antioxidants.

In spite of slight oscillations, export is high, and mostly dependent on the Russian market, which makes it vulnerable to market fluctuations. Diversification of export markets will be important in reducing market vulnerabilities. As the dominant market for Azerbaijani fresh persimmon, Russia started dictating the quality requirements. As other countries such as Spain can introduce better quality, and more visually pleasing, persimmons to the market, this has increased pressure on Azerbaijani producers to introduce production improvements.

ASAP laid the foundation for work in the persimmon value chain, and this will be continued and expanded under PSA. ASAP offered group and individual trainings, technical assistances on fertilization, irrigation, disease control, pruning and post-harvest handling. Under ASAP, demonstration plots for pruning, IPM, fertilization and irrigation were the key types of production assistance, while on the processing side the focus was on improvement of dried fruits processing for marzipan production that could be a good product for Middle Eastern markets.

Development of storage and post-harvest handling infrastructure can bring Azerbaijani persimmons to more demanding markets. There is insufficient storage volume and that affects the quality of persimmon, particularly in the later season. Competitors (Israel) are developing Modified Atmosphere Packaging (MAP), which allows for the longer storage of persimmons that is required to establish a year-round market for the fruit and facilitate longer shipping distances. After going through the de-astringency process to make them more pleasant for consumption, persimmons are treated in a modified atmosphere environment with a low oxygen, high carbon dioxide, concentration for storage of up to 3-4 months. The new packaging and treatment ensure a firmer fruit, while staving off Persimmon Black Spot Disease, a fungal disease which affects up to 50% of the yields of persimmons, usually developed during lengthy refrigeration periods. With the new storage technologies, persimmon can now be stored for up to five months with little waste due to disease or quality deterioration.

Finding export buyers has been declared as one of the highest barriers to export, as there is very little market diversification. This will be addressed by creating links with new buyers and by looking at what the competition does. The EU fruit market was significantly affected by the closure of the Russian market and EU persimmon producers (Spain) have focused on the internal EU market as well as on entering other markets with competitive prices and good quality. Spanish persimmon is on the rise, due to increased demand, little competition, and production set to soar in the coming years. Continuous promotion to enter new markets and raise awareness of the quality of the Azerbaijani persimmon will be the focus of interventions together with the strengthening of the value-chain network.

The following table summarizes the most critical obstacles to, and needs in, persimmon value-chain development, as well as the investment opportunities with the most potential to transform and strengthen the persimmon value chain:

Critical Value-Chain Obstacles/Needs	Value-Chain Investment Opportunities
<ul style="list-style-type: none"> • Lack of certified planting material • Low and declining yields do to soil depletion, lack of orchard management, aging orchards, and dated varieties • Traditional production without application of agritechnical measures such as pruning, fertilization, irrigation, trellising, mulching, thinning • Wide range of varieties that bring diversity but are difficult to manage; • Poor post-harvest management and lack of cold storage facilities for extended fresh sale • Need to expand marketing channels and reduce reliance on a single market • Need for sales or price contracts with buyers 	<ul style="list-style-type: none"> • Advanced production technologies, and drip irrigation systems (pomegranate) • High quality sapling production • Improved production methodologies including fertilization, integrated pest management, intensification of production, planting of new varieties • Improved harvest and post-harvest handling technologies, including sorting and packaging lines • Development of Azerbaijani branded pomegranate products and link to a quality certification program • Atmosphere-controlled cold storages

2. Agricultural Production Improvements

PSA will seek to improve rural livelihoods and increase the number of farmers using new agronomic and business practices through the introduction of agricultural production improvements. This will take place through a combination of complementary activities, including: delivery, through a network of Azerbaijani partner organizations, of production training for growers; introduction of a technical certificate program and collaboration with agricultural education and research institutions; demonstration plots that will complement training and show the advantages of new production technologies at each stage of the growing cycle; Farm Service Center pilots that embed technical training and extension in commercial sales of improved agricultural inputs; training videos on improved production practices to reach greater numbers of growers through the Internet; and targeted, product-specific study tours for growers and agricultural professionals to learn firsthand about production best practices in other countries.

a) Production Trainings for Growers

In order to impart recommendations on production improvements, PSA will roll out a series of individual trainings on selected areas of emphasis throughout the growing season for select crops falling under the Project's targeted value chains. Depending on the VC, topics may address such areas as pruning and trellis management, orchard floor management, fruit thinning, fertilization, crop budgeting, irrigation methods and timing, drip irrigation system maintenance, spraying, IPM, and other pest control efforts, intensive production, and harvest, post-harvest, cold storage, and packaging. As under the ASAP project, PSA will contract with at least one local agronomist in each of the five selected VCs. Working on a part-time basis, the agronomists will lead group trainings, provide limited individual technical assistance, and serve as field-based coordinators for PSA activities in their VC in their general regions of the country. In the Berry, Hazelnut, Orchard, and Pomegranate VCs, PSA will continue to work with agronomists utilized previously under the ASAP project. In addition, up to new agronomists will be identified and engaged by PSA to work as follows: two agronomists, one from Shamkir region (for perishable vegetables) and another from Goranboy region (for persimmons), who will initially receive capacity-building assistance from Mr. Zaur Hajiyev, who will be responsible for the Pomegranate VC.

These trainings will be focused, practical, and hands-on, and in most cases, targeted to a specific product, such as grower techniques for intensive apple production. PSA will follow the lead of associations and processors/exporters to identify the types of training most needed by growers, and will also provide training with and through associations, cooperatives, and buyer enterprises, in order to expand the reach of program activities and reach a critical mass of farmers. In addition to general agronomic, product-specific production, and farm/business management training, PSA will also support grower groups with training and certification in GlobalG.A.P. or organic certification, where appropriate, working in tandem with producer associations or a buyer/exporter to assure that the certification selected and implemented will improve market access. (See *Section 1.4.d of the Work Plan for more detailed information on training in international food quality and safety standards.*)

In order to leverage greater outside contributions to the costs of providing training, build local capacity, and provide for greater sustainability of such service provision, PSA will work closely with external governmental and nongovernmental organizations, as well as the private agribusiness sector, on these efforts. Thus, unlike under ASAP, rather than fully cover training arrangements and costs, PSA will partner with external resource partners, such as Azerbaijan State Agricultural University (ASAU), State Agricultural Development Centers (DAIM), associations, and enterprises, particularly demonstration hosts, for grower members/suppliers. In most cases, such external resource partners who express interest in jointly organizing, hosting, and delivering trainings will be expected to provide training facilities, invite trainees to the training, and increasingly contribute to either the delivery of the training or the cost of engaging the trainer, or both.

To expand implementation of this ambitious training program, PSA will implement TOTs for all of its training partners (DAIM centers, ASAU, associations, cooperatives) to build their internal agronomic and training capacity and to introduce new curricula and training materials. Training will be commodity based, and the production manuals developed by ASAP, supplemented by additional training materials that PSA will develop, will form the core of the training program. In addition to DAIM and ASAU, PSA plans to work with the following associations in developing and delivering production training:

Azerbaijan Rural Women's Association – The Association has 38 groups of women in 17 regions throughout Azerbaijan. Each group consists of an average of 8-12 women. The groups are engaged in a diverse range of activities such as: fruit and vegetable production, fruit drying, cattle (poultry) farm

management, and other non-farm activities. Based on a PSA needs assessment to be conducted by mid-February 2020, PSA will develop an action plan outlining planned activities, responsible parties, and timing for PYI.

- **Azerbaijan Hazelnut Producers and Exporters Association** – AHPEA will support its members with a range of training on tillage, IPM, storage and drying.
- **Azerbaijan Berry Producers and Exporters Association** – With PSA assistance, ABPEA will provide trainings to processors and farmer groups that are selected based on specific needs such as tillage, IPM, storage, drying etc.
- **Azerbaijan Farmers Association** – The newly-formed association is based in Baku, but not yet actively involved in any activities. PSA will work to build its capacity to serve members, and will provide TOTs on general agronomic and production topics, as well as product-specific production training based on member interest.
- **Pomegranate Producers and Exporters Association** – PPEAA was recently awarded a grant from the EU for the STEP (Support to Effective Pomegranate Production) project and has a plan to provide capacity building for pomegranate producers in the central regions of Azerbaijan through development of extension services in selected communities. The extension service centers will provide required technical assistance to selected communities' pomegranate growers. PSA will closely collaborate with PPEAA to leverage the STEP project's technical assistance on capacity building, organizational development, community-based, small-scale processing funding, and expertise on specific production and processing topics.
- **Azerbaijan Organic Producers and Exporters Association (AOPE)** – PSA is in the process of linking Raspberry Agro (Patil Biotech), which during ASAP provided input and consultancy to Aznar CSJ on organic pomegranate farming. Mars FK LLC, Shamkir Agropark and Mabat LLC are interested in organic certification program. All companies included organic certification activity to their 2020 action plan and will implement as soon as funding becomes available. PSA will coordinate all process and assist with additional technical assistance (finding raw material, information, certification process, etc.) if required, working with AOPE. AOPE is interested in promotion of organic production through provision of business forums in 4 regions in 2020, which PSA will also support. AOPE is also interested in promoting organic products to the UAE market. In February, AOPE will attend the world's leading organic food fair in Germany, where it hopes to gain the right to serve as an international organic certification authority for Azerbaijan. PSA will help AOPE prepare for attendance and arrange B2B meetings at the event.

b) Technical Certificate Program and Institutional Capacity Building

During its first quarter of implementation, PSA supported an intensive course in agronomy in partnership with Azerbaijan State Agricultural University (ASAU) on Plant Disease Diagnosis and Management. Conducted by a professor from the University of Illinois at Urbana-Champaign, the training benefited from interpretation and field visits arranged for the trainees by PSA.

Building on the previous section's series of periodic trainings delivered throughout the year to address the management practices most relevant at the current point in the growing season, the PSA Team will bring these modules together and expand on them to establish a certificate program for trained and diploma-holding agronomists. This certificate program will provide intensive training in very narrow technical areas currently sought out by Azerbaijan's commercial growers. To develop the curricula, PSA will expand on the production manuals already developed under the USAID Agricultural Support to Azerbaijan Project (ASAP) and expand into other areas as needs demand and Project resources allow. In PYI, the focus will be on the development of at least one certificate course from among the following possible areas:

- Improved practices in commercial hazelnut production;
- Improved practices in commercial pomegranate production;
- Improved practices in commercial strawberry production;

- Improved practices in commercial apple production;
- GlobalG.A.P.;
- Drip irrigation installation and maintenance; and
- Cold storage facility management.

Selection of the topic for the first technical certificate program will depend on several major factors, including demand/need by value chain production operations and commitment by institutional partners to formalizing and making the certificate program a sustainable ongoing resource. PSA has identified four institutions that are good prospective partners for the development and delivery of these training programs and materials, one or more of which may eventually take over ownership of the certification, as well as recipients of broader capacity building assistance, including a) Azerbaijan State Agricultural University (ASAU), b) DAIM, c) the Azerbaijan Agronomists Union, and d) the Azerbaijan Research Institute for Plant Protection in Ganja.

At present, it appears most likely that the focus during PY1 would be on collaboration with ASAU on a certificate program in “Improved practices in commercial hazelnut production.” PSA has already discussed the hazelnut course with ASAU management, which 1) has expressed interest in this specific collaboration, 2) has faculty currently engaged in teaching hazelnut production practices, and 3) has collaborated with the previous ASAP project on some field visits to USAID beneficiary hazelnut orchards to demonstrate to agronomy students the practical applications of their classroom studies. PSA has also had repeated meetings and communications with Ferrero, a global leader in confectionary goods and also an expert in science-based agricultural practices in the hazelnut sector, on possible collaboration in implementing this program, as Ferrero shares PSA’s goal of improved and expanded hazelnut production in Azerbaijan. Ferrero’s hazelnut production manual that ASAP previously translated into Azerbaijani for local use would also serve to support the development of this certificate course. (PSA is also planning to partner with Ferrero on other activities to benefit the hazelnut VC, as is described in section under Private Sector Engagement in the Cross-Cutting section of this work plan). In addition, both the Azerbaijan Hazelnut Producers and Exporters Association (AHPEA) and hazelnut producer Agrarco have expressed interest in supporting such efforts, offering the use of their training rooms, orchards for demonstration work and other resources to support such training efforts. PSA also envisions including DAIM centers in the northwestern regions in the program. DAIM agronomists and technical workers will be able to benefit from this training activity and receive Ferrero certificates after completion of the course. In subsequent project years, collaboration with ASAU or the other prospective institutional partners would be considered to enable the establishment of additional certificate programs.

Below information is provided on additional capacity-building efforts that PSA proposes to undertake with ASAU and other potential institutional partners with which it could develop and delivery technical certificate programs.

Azerbaijan State Agricultural University (ASAU)

It is anticipated that ASAU and PSA will jointly implement the following activities, which will be incorporated into an action plan to be drafted shortly after PSA work plan approval:

- Provide regular trainings to ASAU teaching staff and students on Food Safety and compliance with international standards. By May 2020, required curriculum will be developed and agreed with ASAU, starting from September 2020 the Curriculum will be utilized;
- Arrange ASAU teaching staff and students to visit PSA beneficiaries in order to improve their practical skills and knowledge;
- Engage ASAU’s senior students to receive internship trainings at PSA office and practical trainings on the farms during holiday breaks;
- Support ASAU teaching staff and students to receive trainings at leading U.S. agricultural universities;
- Support OSU specialists in conducting initial assessments of ASAU performance under the MOU signed between ASAU and OSU and to facilitate the design and delivery of such institutional collaboration;
- Hold a joint ASAU-PSA conference/workshop on Intensive Orchard Management at ASAU (in spring 2020);
- Support ASAU in building a small cold storage facility and establishing intensive and semi-intensive orchards (apples, nectarines/peaches, cherries, strawberries, etc.), and engaging local and international specialists to manage the orchards in order to serve as demonstrations and improve the quality and practical character of agricultural education.

State Agrarian Development Centers of the Ministry of Agriculture (DAIM)

DAIM has regional offices with modern infrastructure in most of the rayons of Azerbaijan. PSA plans to work with DAIM in Shamkir, Samukh, Goranboy, Kurdamir, Goychay, Gabala, Oghuz, Sheki, Zagatala, Gakh, Balakan,

Lankaran, Jalilabad, Astara, Guba, Khachmaz, and Gusar. Activities to be jointly implemented with DAIM Centers include:

- Engage local and international experts to build DAIM's capacity;
- Provide trainings and recommendations (see page 18) to local farmers in the communities and DAIM centers in partnership with DAIM;
- Support DAIM in developing and printing training and extension materials; and
- Facilitate participation of DAIM specialists in study tours and exchange programs in order to improve their agricultural skills and knowledge.

Azerbaijan Agronomists Union:

The Azerbaijan Agronomists Union is currently operating under HH Group as it hasn't been registered officially yet. HH Group has an office building, input sales point (fertilizers, pesticides, agricultural equipment), and seed storage facility in Khirdalan. HH Group specialists provide services in the Ganja-Gazakh and Guba-Khachmaz economic regions including Goychay, Salyan, Jalilabad, and Absheron. PSA will support the Azerbaijan Agronomists Union to:

- Build the capacity of agronomists and farmers;
- Hold joint conferences and workshops, for example Impacts of Technogenic Factors on Plants and Soil (February 2020);
- Link the organization to local farmers, and provide regular trainings and recommendations in pest identification and control;
- Develop and disseminate extension materials (training materials, brochures, booklets); and
- Facilitate participation of agronomists in study tours and exchange programs in order to improve their agricultural skills and knowledge.

Azerbaijan Research Institute for Plant Protection:

The Institute is located in Ganja with a pool of agricultural experts that are doing research to introduce and apply advanced production technologies on local farms. The Institute also has a laboratory to determine toxic residue levels in fruits. PSA will work with the Institute to formulate an action plan that is likely to incorporate much of the following:

- Improve skills and knowledge of institute specialists through STTAs;
- Develop extension materials (training materials, brochures, booklets);
- Provide trainings to farmers and agronomists using the pool of institute specialists;
- Apply and demonstrate biological control (beneficial insects, natural plant extracts) in demo plots;
- Link interested farmers to the Institute's plant residue test laboratory in order to determine residue levels in fruits and vegetables;
- Engage local and international experts to provide recommendations on how to establish laboratories and improve lab performance;
- Provide recommendations on how to determine application rates of newly introduced pesticides for regions in Azerbaijan;
- Apply crop rotation in greenhouses (e.g. tomatoes, radishes, greens etc.) and establish intensive strawberry fields (40-42 plants per m²), and establish similar demo plots across other VCs, if needed; and
- Facilitate participation of institute specialists in study tours and exchange programs in order to improve their agricultural skills and knowledge.

c) Demonstration Plots

Under the previous ASAP project, group training, study trips, individual TA, and other assistance were supplemented by demonstration plots that were established on parts (or all) of a selected beneficiary's land to model improved production practices throughout the growing cycle. While ASAP provided technical assistance and training (and in some cases modern tools and equipment) to facilitate the adoption of improved practices throughout the growing season, host beneficiaries themselves were responsible for procuring all inputs and supplies for ongoing cultivation in accordance with project recommendations. These demonstrations were then used to show and teach neighboring growers the results of such innovations, as well as to help them learn how to adopt them on their own operations. Such assistance was provided by a combination of project staff, international short-term experts, and field-based Azerbaijani agronomists, whose own capacity was strengthened through a menu of project-provided and/or supported trainings and other activities.

To demonstrate improved production and post-harvest technologies, PSA will similarly work with firm-level beneficiaries to establish demonstration plots for production technologies and hold demonstration days for post-harvest and processing equipment technologies. As previously, these demonstrations will follow the growing season and product life cycle, and wherever possible, will host events at each critical stage of production. One change will be that, in select cases, PSA will also collaborate with various partner organizations and institutions, to conduct demonstrations that will benefit from greater resources for sustainability. Partners will include, in addition to lead farmers, input supply retailers, associations and cooperatives, ASAU, and/or State Agricultural Development Centers (DAIM) of the Ministry of Agriculture (MoA). These demonstration plots will serve as centers of excellence where best practices will be modeled and taught to the wider growing community. These plots will be overseen by, and the hosts provided with training and technical assistance from dedicated agronomists in each VC whom PSA will contract with on a part-time consulting basis. It is anticipated that typically two-three demonstration plots will be established per PSA target value chain.

While demonstration plots will be assisted to incorporate best practices throughout the growing, harvest, and postharvest seasons, it is anticipated that PSA will implement the following types of demonstrations:

- **Berries**: At least one new demo plot focusing on new varieties (particularly strawberry, blueberry and blackberry), and quality planting material (which directly affects productivity);
- **Feijoa**: Introduce a new variety of feijoa from New Zealand that is larger than those traditionally planted in Azerbaijan;
- **Hazelnuts**: PSA will maintain up to a total of four demonstration plots, each in a major hazelnut cultivating area. The demo plots will be turned into state-of-the-art operations to display all feasible modern practices and technologies to increase yields and productivity. PSA has identified and will partner with Dutch-Azerbaijani company NPC Agro to install smart equipment allowing soil scanning and analysis, weather stations, remote management of production areas and measurement of water intake requirements. PSA will aim to apply affordable high-tech technologies with proven records of boosting production and optimizing costs. In accordance with findings from the Value Chain Selection study, PSA will promote expansion of intensive hazelnut orchards and improved quality seedlings and technologies. PSA will leverage support given to growers by donor organizations and government via subsidy schemes to support the establishment of new nurseries, with possible TTF support, using virus-free seedlings, such as one through AHPEA in Zagatala or Gakh regions. PSA will help the association to select the best material for planting from the existing main cultivar Atababa. Then the plant material will be sent to an EU laboratory to verify that it is free of potential viruses and/or eradicate any viruses. After that, the plants will be transplanted to the soil or pots. Based on the model that CNFA used in Georgia, the project will assist AHPEA to develop a “yellow label” system under which the plants will be marketed and standards for the plant materials developed and disseminated among hazelnut growers. The advantages of planting certified saplings with a developed root system, versus fresh cuttings, will be imparted through training, social media, and online videos.
- **Orchard Crops**: These demos will emphasize intensive and semi-intensive production, pruning and trellis management, IPM, orchard floor management, fruit thinning, fertilization drip irrigation, and spraying. Although the Azerbaijani variety of persimmon is primarily exported to Russia, to expand market opportunities PSA will assist growers to test grow Spanish varieties, which are in greater demand in the global market. A number of farmers in Agdash, Goychay and Shamkir have expressed interest in planting such varieties in a new experimental orchard.
- **Perishable Vegetables**: Demos in this value chain will likely focus on greenhouse modernization, IPM, product diversification, and soilless production. Demonstration plots for crop rotation in greenhouses will also model production diversification and be implemented with TA from Azerbaijan Scientific Research and Plant Protection Institute in Ganja.
- **Pomegranates**: These demos will model best practices in IPM, mulching, trellises, and bedding for pomegranate growers. This will be implemented with technical assistance from PSA, DAIM, and, possibly, international STTA.

PSA will also work with groups to implement demonstrations across multiple value chains, for example:

- **ASAU**: PSA plans to work with the university’s research station to establish demo plots including intensive apple and semi-intensive nectarine/peach, strawberry and cherry orchards to provide practical trainings to ASAU students and young agronomists in orchard management; and
- **Guba Women Grafters Group**: PSA would work with the group to establish a nursery demonstration on a 0.7-hectare plot of land owned by Woman Grafters Group in Guba and possibly support them

through TTF support to purchase small-scale agricultural machinery and equipment in order to improve the quality of saplings.

d) *Farm Service Centers*

Building on the idea of integrating training, demonstrations, and commercial access to improved inputs, PSA will develop a pilot program for the establishment of Farm Service Centers (FSC). These have proven highly successful in other similar contexts such as Moldova and Georgia, and PSA will study and adapt the Georgia model for introduction in Azerbaijan.

Piggybacking training and demonstrations on commercial retail input supply operations is a highly effective way of disseminating new technologies and production practices to producers and improving adoption rates. In Georgia, a network of over 40 Farm Service Centers has been created primarily with USAID support. The goal is to develop long-term relationships between the FSC and the farmer customer, transforming the input retailer from a mere sales agent, competing on price, to an integrated service provider, offering a range of customized services to support the farmer. The most successful FSCs in Georgia all refer to trust, partnerships, and long-term relationships as the keys to their success. These FSCs each develop independently, as private, profit-oriented businesses, but at the core of the FSC model are several important tenets that make them successful:

- The range of products and services offered by the FSC differ based on the demands of the region, farm size, product range, etc.
- The FSC understands that an educated farmer will spend more on the correct inputs, and provides extension advice (including training, one-on-one consulting, and demonstrations) as a sales and marketing tool, not paid for separately by the customer.
- FSCs serve as a community hub and offer access to other ancillary services that enhance their value to the farmer, such as:
 - Access to finance (many FSCs have MFI representatives housed in their facilities)
 - Education (FSCs allow input suppliers, donor programs, and others to use their training facilities to reach farmers as well as offering their own training, for example on the safe use and handling of pesticides)
 - Soil and plant testing (FSCs provide test results to farmers to help guide their input purchase decisions)
 - Machinery services (depending on the region, some FSCs offer custom machinery services to their clients, i.e., plowing, planting, or harvesting, while others offer machinery repair services for client-owned equipment)
 - Delivery services (to increase sales in more remote areas)

To introduce and develop this model in Azerbaijan, PSA will first develop a study tour to Georgia for its DCOP and staff of the potential FSCs to tour a range of FSCs that are most sophisticated and developed (see *Section 1.2.f below for more details.*)

Following the study tour, PSA will adapt the Georgia model to the Azerbaijani context, with the goal of establishing at least 3 FSCs in Azerbaijan, spread throughout different geographic regions. FSCs are most successful when they stem from an existing, commercially successful business, and therefore input and/or machinery and equipment providers, such as the HH Group, EMA, Agrokimya, and Progress LLC, are being considered as potential FSC partners. Goychay Pomegranate Producers Cooperative is also interested in expanding into input supply, and PSA will consider helping it and other associations or cooperatives to establish commercial input supply businesses to serve their members. Each FSC will offer a product and service mix tailored to the needs of *their* clients, and it is anticipated that there will be a range of business models, according to farm size, products produced, and access to markets.

PSA will seek to identify commercially oriented enterprises spread throughout different regions of Azerbaijan and in implementing the FSC model will work with each selected potential FSC to:

- Develop an initial product-service mix that best suits their farmer/customer base. In most cases this includes a core product offering of fertilizer, seed, and plant protection products, augmented in some cases by small-scale tools and machinery, large farm equipment or even animal inputs (feed and veterinary products). This product range is often supplemented by service offerings that may include: laboratory testing (soil testing or testing for pesticide residues), access to finance (in partnership with

rural lenders), machinery repair, or custom machinery services (tilling, planting, cultivating, or harvesting).

- Help FSCs to build relationships with nurseries, producers of fertilizer and plant protection products, importers/distributors of multinational input supply companies and other key suppliers (for example, this is a great opportunity for one or more FSCs to act as a representative of Trécé)
- Develop a business and investment plan *for each FSC* that leverages PSA Technology Transfer Fund (TTF) investment at least 3:1 with private sector investment in the form of either company contribution or commercial financing;
- Establish a physical FSC location that has a showroom, storage facilities, training room, and access to sufficient land for demonstration plot activities. Each facility may differ in detail based on available resources, product mix and business plan, but will follow this basic design; site selection will also take into account environmental considerations;
- Provide “Farm Service Center College” training to owners and managers that includes basic business management, financial management, inventory control/supply chain management, accounting, and sales and marketing;
- Develop an environmental and monitoring and mitigation plan, and provide PERSUAP training for all FSC personnel;
- Develop and deliver technical training according to the needs of each FSC, supporting them to provide product-based extension information and general agronomic support to their farmer customers;
- Work with FSCs to establish and manage demonstration plots to promote new technologies available through the FSCs;
- Enhance farmer access to finance by linking FSCs to microfinance institutions and other rural lenders (including housing MFI representatives in FSCs)
- Work with other FSCs to strengthen horizontal linkages and possibly revitalize input supply association AKTIVTA, or perhaps build the foundation for creating a new input supply association.

Using best practices from other FSC-development projects, PSA will seek to identify partners up front, and invest in all 3 pilot FSCs no later than the end of Year 2, leaving ample time to provide each FSC with business and technical support through the remainder of the project, with a view toward maximizing sustainability and commercial success.

e) *Training Videos*

PSA will leverage the power of the Internet to more widely disseminate production information through the creation of YouTube videos that can easily be uploaded and shared at a low cost to the project. In addition to making the videos available on YouTube, PSA will air the videos on relevant agricultural programs on local and regional TV channels, social media, as well as disseminate the information through ASAU, MBOs, and private companies in the sector. PSA will create a channel on YouTube and upload agronomical practices videos on relevant playlists, segregating them by topic and value chain. The project will also initialize pages on social media, including Facebook, which is by far the most popular social media platform in Azerbaijan. These videos will also be used as additional training material during the Project-supported grower training events.

In the Hazelnut VC, PSA has a preliminary agreement with Ferrero to translate instructional hazelnut production videos it has developed for the Turkish audience into Azerbaijani and customize them to fit Azerbaijan’s local conditions. These will be rather short, 10-15-minute videos that will focus on a particular agricultural practice. PSA will also combine these videos into a master training material for comprehensive hazelnut production training. Apart from hazelnuts, PSA will produce videos internally, and is exploring collaboration with other groups, such as the student-managed online television channel at ASAU, to produce select videos.

f) *Targeted Study Tours on Agricultural Production Topics*

Where appropriate, PSA will facilitate study tours for actors in priority value chains to observe new production, post-harvest, and processing technologies, to attend trainings, exhibitions, conferences, or trade fairs, and to visit with agribusinesses in other countries with technologies and production applicable to Azerbaijan. As CNFA discovered during implementation of ASAP, requiring major cost-share from participants or their employers is not only feasible, but a great way to ensure that only those for whom study tours are most relevant and who are most committed to deriving maximum benefit from the study tours take part, leading to greater impact. In most cases, PSA will require at least 50% cost share from beneficiaries. Study tours planned for PYI focusing primarily or exclusively on production-related topics will include:

Berry Study Tour to Georgia: While the production of berries, particularly strawberries, has increased rapidly in recent years in Azerbaijan, there are opportunities to learn from growers in Georgia. Both improved growing technologies and diversification of berry production have been pursued there in the last few years, and a study trip for Azerbaijani growers to Georgia could help provide practical demonstrations of these innovations. These innovations include expansion into raspberry, blackberry, and blueberry production, which is an especially high-priced product in Azerbaijan at present. Various new varieties have proven successful and have been complemented by the introduction of modern technologies and IPM measures to achieve high yields and more efficient production. The USAID Agricultural Program in Georgia has generously offered to share its experiences and organize field visits to beneficiaries whose diversification and yield increases have led to the expansion of both domestic and export sales

Farm Service Center Study Tour: To introduce and develop this model in Azerbaijan, PSA will first develop a study tour to Georgia for its DCOP and staff of the potential FSCs to tour a range of FSCs that are most sophisticated and developed, including in Telavi, Gurjani, and Gori. Staff of the USAID Agriculture Program in Georgia, who were actively involved in the creation and development of the FSC model there, will share their experiences and lessons learned, and study tour participants will also have a chance to learn from Union AgroService (an association of FSCs) and representatives of leading equipment, fertilizer, seed, and plant protection product companies how the FSC model has had a transformative effect on the input supply industry in Georgia.

Hazelnut Study Tour to Italy: International study tours facilitated in recent years have benefitted Azerbaijani hazelnut growers and processors greatly and resulted in proven impacts of improved growing and management practices. Based on previous successes, PSA will seek to organize a study tour to Italy in late Spring 2020 to help hazelnut growers and processors obtain better knowledge on modern production techniques and diversify their export markets. Italy, occupying second place in the world in hazelnut production volume, and having a rich history of production of this crop, has a lot to offer in terms of modern agricultural practices aimed at increasing yields. Italy is also the biggest buyer of hazelnuts in the world, mainly due to Ferrero's demand and infrastructure (storage and processing facilities). The EU, with Ferrero and other large wholesalers and confectionaries, is the biggest export destination of Azerbaijani hazelnuts. However, due to the quality requirements of buyers and EU customs requirements, every year 30-50 truckloads of hazelnuts are being returned back to Azerbaijan due to noncompliance issues, regardless of the fact that the local exporters obtain certificates of quality from AFSA as well as international certification organizations. This creates many questions and creates losses for processors and exporters. An important reason for the trip by the major exporters thus is the opportunity for participants to meet with buyers, representatives of quality control departments of these companies, and public unions. Finally, PSA has been advising quite a few advanced processors to begin installing value-adding lines and producing packaged food products, rather than exporting only raw kernels. To help support the processors, PSA is discussing collaboration with Ferrero, which has state-of-the-art processing in Italy. Since they would not compete with the yet non-existent processing industry in Azerbaijan, one of the points for collaboration would be advising local processors on the issues of food quality, certification, expected requirements regarding the sustainability of the supply chain and value-adding. The hazelnut industry is concentrated in four regions of Italy: Campania, comprising approximately 50 percent, and the remaining production being in Piedmont, Lazio, and Sicily. The group is expected to visit Campania and also travel to Rome to meet with the related businesses. Because Italy grows the same European variety of hazelnuts (*corylus avellana*) as cultivated in Azerbaijan, it would make sense to visit orchards there. As mentioned above, most participants would be processors, but the project will encourage large growers and agronomists to take part as well.

ILVP Programs: Finally, upon request, PSA will recommend suitable candidates to participate in any International Visitors Leadership Programs (IVLP) to the United States organized by the U.S. Embassy on topics of relevance to project beneficiaries' business activities.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Objective 1: Develop a More Diversified Non-Oil Economy													
2. Agricultural Production Improvements													
a) Roll out grower training program in cooperation with MBOs, public partners, and processors													
b) Develop and deliver a Technical Certificate Program with relevant partner organizations (i.e., associations, educational institutions)													
c) Partner with rural organizations to establish demonstration plots to highlight new production technologies													
d) Implement pilot program for developing farm service centers that combine input supply, demonstration plots, and technical training													
e) Create videos (including Ferrero videos) to broadly disseminate agronomic technical information													
f) Facilitate targeted study tours													

3. Trade and Investment Linkages

Fostering trade and investment linkages is a key driver of PSA activities, and thus a key priority will be identifying private sector actors in the U.S. and elsewhere to serve as buyers, suppliers, and investors in Azerbaijani agribusiness. PSA will foster trade and investment linkages through the following activities:

In November 2019, PSA helped organize a U.S.-Azerbaijan Agricultural Forum in Oklahoma in cooperation with the U.S.-Azerbaijan Chamber of Commerce (USACC), Oklahoma Department of Commerce, and Oklahoma Department of Agriculture, Food and Forestry. The group discussed best practices in livestock production, processing, packaging and marketing, as well as the prospects for bilateral trade, investments and collaboration between the United States and Azerbaijan.

- Fostering linkages and partnerships with U.S. agribusiness;
- Export and marketing assistance to diversify Azerbaijani export markets away from over-reliance on Russia;
- Supporting trade missions focused on a particular market or sector, to raise awareness of Azerbaijani products and facilitate trade;
- Organizing USAID Pavilion at Caspian Agro 2020; and
- Working with an array of GoA agencies to undertake the Sustainable Agricultural Sales and Export Initiative (SASEI).

a) U.S.-Azerbaijan Agribusiness Linkages

PSA will use a variety of mechanisms to foster linkages and partnerships with U.S. agribusiness. In November 2019, PSA helped organize a U.S.-Azerbaijan Agricultural Forum in Oklahoma. PSA will follow up with hosts and participants to identify potential linkages and concrete business opportunities and provide tailored support to bring these to fruition, as well as organize follow-up events and activities to build on newly established relationships between the two countries.

- Follow-On Oklahoma Trade Mission to Azerbaijan: PSA will invite Oklahoman participants to participate in a follow-up trade mission to Azerbaijan. To support Oklahoma Governor Kevin Stitt’s stated intent to travel to Azerbaijan as the head of a trade mission in spring 2020, as well as USACC’s plan to organize a Certified Trade Mission (CTM) to Azerbaijan for American companies, PSA will assist

USACC and AmCham in their efforts to organize this event, which is tentatively scheduled for April 2020, but might also be timed to coincide with Caspian Agro in late May if that better fits the Governor's schedule.

- U.S.-Azerbaijan Agricultural Forums: Following the same model used in Oklahoma, and in conjunction with the United States-Azerbaijan Chamber of Commerce (USACC) and CNFA subcontractor WCC International, PSA will continue to organize U.S.-Azerbaijan agricultural trade forums on an annual basis, the next of which could possibly be to Washington State late in PSA PYI with a focus on apples and other tree crops.

- Follow-Up U.S. Linkages Facilitation: PSA will continue to work with U.S. firms that exhibit an interest in establishing linkages with Azerbaijani firms, or with firms it or Azerbaijani agribusinesses identify and deem to be, offering goods or services that would serve a valuable need in the country. Due to its extensive trade facilitation experience in the region and U.S. presence, PSA subcontractor WCC is in a position to work closely with U.S. businesses to prepare them for entry into the Azerbaijani market as suppliers or investors and to identify and resolve any constraints to trade and investment deals.

As PSA already identified, there is a greater demand for products representing support, monitoring devices and gadgets that provide aims to enhancement of production practices, optimizing quality inspection in the food processing and tracking the condition and handling of the packaged produce. One of the more realistic options to bring U.S. brands into Azerbaijan is to link local dealerships with U.S. representatives and field offices in Eastern Europe and former CIS countries. Local companies could start on a sub-contract basis and grow their business into a full partnership contract in the future. An example of such linkage could be the wireless temperature monitoring products for the supply chain by the American firm Sensitech. PSA has already started a dialogue with the representatives of this firm and is going to host a national presentation conference to help the U.S. producer promote its products and trade opportunities in near future. At the same time PSA is working on the linkage with the American company Trécé, manufacturer of insect monitoring and control products with the ASAU and potential local distributors. During the recent Oklahoma Forum, PSA linked Trécé with the ASAU leadership. During their B2B meeting in Oklahoma City, the organizations agreed to meet in a few months in Azerbaijan to discuss helping Trécé to expand to the Azerbaijani market. In mid-January 2020, at ASAU's invitation, Trécé will travel to Azerbaijan to discuss the details of the potential partnership. Trécé will also meet with Agrarian Services Agency, under the Ministry of Agriculture in Baku. PSA will provide logistical and other assistance to Trécé both to organize these visits and help facilitate any follow-up negotiations between the parties.

PSA will provide ongoing support to the Azerbaijani firms that have established trade linkages with U.S. firms through assistance in organization of seminars, demonstration events, networking within the industry and potentially supporting the new endeavors through its competitive grant mechanism (TTFs). To help stimulate new trade deals with U.S. companies, PSA will prioritize the selection of U.S. equipment, machinery, and services both when reviewing TTF applications for support and when conducting procurement.

- Linkage Database Creation: Through all of its work in fostering trade and investment linkages, PSA will collect and organize the information it gathers, including:
 - Export offerings by Azerbaijani companies;
 - Equipment and inputs needed by Azerbaijani companies;
 - Equipment and inputs available from US companies interested in selling to Azerbaijan;
 - US and other international companies interested in sourcing agricultural and food products from Azerbaijan;
 - Azerbaijani companies seeking foreign direct investment; and
 - U.S. and other international companies interested in investing in the agricultural sector in Azerbaijan.

This information will be organized into a database that can be used by PSA and its partners to identify trade linkages and facilitate deals. In the longer-term, to promote the sustainability and utility of this data, PSA will identify an institutional partner to hand this over to towards the closeout of the project.

- Specific Activities with WCC: As part of its efforts to facilitate U.S. business linkages with Azerbaijani companies and individual entrepreneurs, PSA will utilize its U.S.-based subcontractor WCC International to conduct the following activities:

- Identifying, contacting, and meeting with U.S. companies interested in exporting products and services, or licensing a U.S. brand, product or technology to Azerbaijan, and assisting them to identify and reach out to potential Azerbaijani partners and customers, including coordinating with Commercial Section of U.S. Embassy in Azerbaijan when appropriate on this and other activities described below;
- Responding to specific requests from PSA beneficiaries in Azerbaijan to identify, contact and meet U.S. companies regarding the latter's products and services, and to assist them in facilitating ongoing communications and negotiations where appropriate;
- Responding to specific requests from PSA beneficiaries in Azerbaijan interested in exporting products and services to the U.S., and assisting them to identify and reach out to potential U.S. partners and customers;
- Assessing export or import readiness of identified companies in both the U.S. and Azerbaijan to make sure that they have done their background research prior to approaching businesses in the other country;
- Assisting beneficiaries in new product development (using U.S. content), e.g., food/feed production using U.S. equipment or packaging materials, and sourcing food/feed ingredients of U.S. origin;
- Providing training, recommendations, and other assistance on licensing and franchising U.S. technologies and best business models (production innovations, proprietary formulas, recipes);
- Providing training, recommendations, and other assistance on trade and warehousing legislation and logistics. Since cargo transportation involving shipping by air and sea has certain limitations, and there is no cargo consolidation and/or less-than-truckload (LTL) option between the U.S. and Azerbaijan, PSA through WCC can offer one-time market entry support assistance to PSA beneficiaries in U.S. and Azerbaijan;
- Developing innovative cross-border business models, such as Drop-Shipping (sourcing products across borders without inventory management);
- Assisting U.S. companies to conduct due diligence on prospective business partners in Azerbaijan, including review of U.S. FCPA compliance, and risk analysis and mitigation recommendations on the impact of sanctions (or potential sanctions), possible disruptions of trade routes, and geographic considerations;
- In cooperation with AZPROMO, SMB, ABAD and APS, designing and developing target-specific curricula (Fundamentals of International Trade: Import/Export Operations) and delivering a series of workshops to PSA target audiences in Azerbaijan. Target audience: importers and distributors of agriculture and other related products, agribusinesses, food and beverage producers, individual entrepreneurs and family businesses;
- Providing organizational and logistical support to conduct U.S.-Azerbaijani agricultural forums and trade missions in the U.S. and Azerbaijan.
- Providing organizational and logistical support for the organization of (or participation of U.S. and/or Azerbaijani farmers and agribusiness stakeholders in) agricultural exhibitions and trade shows in each country, including pre-event and post-event trade show activities, such as:
- Assisting with country-specific and product-specific trade compliance matters (Gulf or E.U. countries);
- Providing general advisory support with the development of marketing collateral (landing page, sell sheets, flyers, etc.);
- Assisting trade show participants (new exporters) with contract negotiation on terms of delivery (Incoterms 2020), TEV and Landed Cost calculations;
- Advising on IP protection-related matters (trademark, trade secret (product formula, etc.) brand registration).

b) Export Promotion and Marketing Assistance

PSA will reduce economic vulnerabilities by promoting the diversification of exports away from Russia and toward the European Union, Gulf Countries, and other alternative markets.

Acquiring space in international trade floors for new local brands will be an important activity under PSA. The Project will research different export promotion strategies and in doing so, the project will collaborate with SMB and other public and private organizations to support new and existing export promotion initiatives. PSA will search for opportunities to initiate acquiring a space in the trade floors and wholesale distribution centers to facilitate representation of the Azerbaijani brands that have exportable high-end horticulture produce. This

will help the new exporters to gain a foothold in the international marketplace and enter into contracting relationships with large serious buyers.

PSA will look for opportunities to support relevant government bodies with the creation of an Azerbaijani Pavilion which will have regular participation in many of the most prominent trade fairs in the world; export missions to targeted countries; the hosting of reverse trade missions to Azerbaijan for a select group of potential buyers; and financial assistance to Azerbaijani MSME to obtain globally recognized quality certifications for their companies, processes, and products.

PSA envisions supporting Azerbaijani agribusinesses with potential for starting and expansion of exports. Another objective of PSA will be supporting SMEs to participate in B2B workshops, exporter and buyer missions, networking events, trade fair participation, etc. A group of hazelnut exporters is interested in traveling to the EU, namely Italy, with a B2B mission. One of the goals for the travel is meeting with the relevant industry associations, trade chambers and unions to discuss the quality, logistics, payments and other issues arising during the exports. Another objective would be to learn from their organization of the public unions and associations and apply the relevant principles in Azerbaijan later.

Supporting a national and regional branding and marketing campaigns is an important objective that must be discussed with AzPromo and other government stakeholders and establish showrooms and pavilions in the targeted outlets and fairs in the EU, GCC and other potentially viable export destinations.

Working with business associations and chambers of commerce to improve the export capacity of their members, spanning the export process will also be vital to help build the organizational and institutional capacity of industry associations such as AHPEA, APPEA, and others.

PSA will make concerted efforts to improve the promotion portfolio of agribusinesses exporting from Azerbaijan. Brand development, brand awareness and presentability of the Azerbaijani firms will all be supported. PSA will facilitate marketing directly to large international wholesalers by continuing to encourage exporters to develop marketing and promotional materials. In order to support these efforts, PSA may attract a professional brand development graphic studio to assist the agribusinesses with the creation of presentable promotion and labeling/packaging materials.

In addition to these broader trade, export, and investment initiatives, PSA will provide one-on-one technical assistance to member-based organizations (MBO), processors, exporters, and other value-chain drivers in the selected value chain to access new markets. This will include supporting individual clients to develop branding, packaging, and marketing materials for accessing new export markets, establishing client presence in international wholesale trading spaces, and supporting participation in B2B visits, trade missions, and exhibitions, as appropriate.

c) Sector-Specific or Country-Focused Trade Missions

The project will promote entry into new markets, especially in the Gulf Cooperation Council (GCC) countries, and raise awareness of the quality of Azerbaijani hazelnuts, pomegranates, cherries, apples and other high-quality fruits and vegetables. As hazelnuts, for example, will double in production in Azerbaijan in the next few years due to newly planted orchards coming on line, there will be both more product to sell and more competition, necessitating the expansion and diversification of markets. Thus, PSA will assist beneficiary companies to learn about demand and market requirements from new markets, with a special emphasis on the Middle Eastern countries and help them to develop their production in accordance with that demand and market requirements.

Middle East Marketing Trade Mission: During PY1, PSA will conduct a trade mission to Dubai, UAE, likely in the spring of 2020. The Project will facilitate a trip for a group of 5-7 Azerbaijani agribusinesses to travel to Dubai, selected from firms that are capable of meeting the market requirements identified by PSA experts beforehand. PSA will engage apple, berry, hazelnut, pomegranate, and a few high-end specialty food producers regarding possible participation. Before the trip, PSA will ensure that trade mission members have good quality promotional materials and a social media presence. The Project will engage a local broker in the UAE to organize meetings with the Dubai Chamber of Commerce, various import-export promotion private and public organizations and large traders, distributors and wholesale/retail chains. The program will include meetings with international wholesale chains, individual brokers, and traders to teach participants how to access the GCC market, as well as potential meetings with government trade-enabling organizations. There are several proven

strategies to enter the Gulf market, including franchising, direct exporting, creation of partnerships or joint ventures, licensing, and opening manufacturing operations. PSA will schedule a small seminar with the brokering companies to learn about general opportunities as well as to seek out specific buyers to initiate trade. As the timing of Gulf Food Expo 2020 (February 16-20, 2020) is too soon to permit the Project to organize participation this year, PSA may consider supporting beneficiaries to attend that exhibition in Dubai in 2021 (or, alternatively, fairs like Foodex Doha (held each April) and Saudi Food Jeddah 2020 (held in March). PSA could possibly recommend that AzPromo organize an Azerbaijani pavilion at the trade fairs in these countries for PSA candidates as well. Agricultural/food exhibitions are advantageous in that they provide opportunities for visitors to showcase their products and meet with more potential buyers in one place, but for PYI PSA will focus on the trade mission approach. PSA will also look for a relevant government partner to support participation of local agribusinesses under “Made in Azerbaijan” or other programs.

Fancy Food Show: This is the largest specialty food industry event in North America, and the premier showcase for industry innovation. The show is held twice a year. AzGranata will be exhibiting at the Winter Fancy Food Show in San Francisco, CA from January 19-21st, 2020. The company decided to exhibit at the show upon the recommendation of Mr. Bill Finnegan, the U.S. Embassy in Azerbaijan’s former Economic Adviser, who visited AzGranata in 2017 through the USAID ASAP project. The Summer Fancy Food Show in New York, for its part, is North America’s largest specialty food and beverage event. It displays a wide variety of innovative products and due to its interactive character, it offers great opportunities to network with industry experts. Visitors can get new ideas and experience the latest cooking techniques by attending the numerous educational seminars, tastings and cooking demos. The sixty-sixth Summer Fancy Food Show will take place from June 28-30, 2020 in New York City. While PSA doesn’t have the financial resources to support attendance at this show in PYI, it could nevertheless be a good opportunity for Azerbaijani producers wanting to expand to the U.S. market (as well as buyers from Canada and Latin America) and willing to cover all expenses on their own. One of PSA’s beneficiaries AHEC is interested in expanding their exports to the American market and supplying large food wholesale corporations as Costco, Walmart and others. AHEC is considering visiting Summer Fancy Food Show in order to research the opportunities to enter into U.S. market as well as potentially meet new trade partners. PSA will share with interested beneficiaries the impressions and findings from AzGranata’s participation, and will consider providing logistical support for beneficiaries’ attendance upon request.

d) USAID/U.S. Embassy Pavilion at Caspian Agro 2020

Caspian Agro² is an agricultural trade show that is held in Baku each year. In 2019, several U.S. agribusiness input and service companies exhibited at the show through a U.S. pavilion that was organized by the ASAP project and funded by both USAID and the U.S. Embassy in Azerbaijan. Five U.S. companies were represented at the pavilion: Brandt, Grow More, Soil Biotics, Trécé, and WCC International. In addition, the U.S. Ambassador to Azerbaijan organized a networking reception at his residence to facilitate linkages between the exhibiting U.S. companies and local agribusiness stakeholders. In order to help to determine whether or not it would be cost effective and feasible to propose analogous support for a U.S. pavilion at Caspian Agro 2020, which will take place from May 19-21, PSA has evaluated the results of participation in last year’s pavilion through interviews with each of the supported exhibitors. Initial findings of this research were as follows.

As a result of Caspian Agro 2019, over 20 new products of the exhibiting companies have been registered in Azerbaijan based on the request of potential Azerbaijani buyers. Total sales/export of U.S. goods to Azerbaijan is over \$200,000. All exhibiting companies are expanding their activities in the region and are in the process of developing staffing or distribution points or stakeholders. Details are provided below:

Brandt: Brandt Company and its regional Turkish distributor Agrobrest have signed a memorandum with some Azerbaijani cotton cooperatives to conduct production trials this year to measure the effect on cotton yields of Brandt’s plant nutrition and plant protection products. The results of these trials will help determine next season’s sales and marketing activities. Brandt has three registered products in Azerbaijan: Saf T Side, Manni-Plex Ca, and Manni-Plex K, and is in the process of registering a fourth, B Moly. Brandt has also hired Mr. Serhiy Moshinnik to support technical/marketing activities in the country.

Grow More’s Azerbaijani distributor made initial contact with Azerbaijani firm Anata Group regarding selling its fertilizers from Grow More. Based on requests for new products from Anata and other potential buyers that

² There are also three related, concurrently running fairs, HOREX Azerbaijan, InterFood Azerbaijan, and IPack Caspian.

visited the company stand during Caspian Agro, Grow More registered 10 new products in Azerbaijan. The company is in the process of importing the first container of product, with a value of over \$100,000.

Soil Biotics had a chance to meet with potential buyers who are interested in new products and had meetings with the several agribusinesses. At the U.S. Ambassador's reception, Soil Biotics met HH Group, a local input supply company and service provider, which is interested in becoming a local distributor of Soil Biotics. Discussions are ongoing.

Trécé made contact with the Ministry of Agriculture and AHPEA regarding pest monitoring activity and supply. Based on initial interest and follow up, Mr. Bill Lingren, the company president, visited the ASAP-supported Oklahoma-Azerbaijan Agricultural Forum, where he met with ASAU and the Minister of Agriculture. Mr. Lingren is visiting Azerbaijan in January 2020 with several colleagues to meet the head of ASAU in Ganja, the Ministry of Agriculture in Baku, and four local agribusiness companies.

WCC lined up four potential deals with a cumulative value of \$94,440, for a variety of food production and processing equipment that ranges from small-scale, freeze-drying equipment, water aeration systems for fishponds, and aquaponics systems. All of these deals are in process and being facilitated by WCC

Other Follow-up: To date, two U.S. companies, Great Plains Manufacturing and American Meat Export Federation, have contacted PSA to express interest in participation in Caspian Agro 2020 with support from the U.S. Embassy/USAID pavilion if possible.

Initial Conclusions:

Establishing new business linkages between potential partners in the U.S. and Azerbaijan can be a lengthy and challenging process, due to due diligence, legal, and logistical requirements. While participation in Caspian Agro 2019 has led to limited final product sales to date, significant groundwork has been completed on establishing business relationships with prospective partners, registering products for import and sale in Azerbaijan, and attracting interest from potential wholesale and retail buyers. In addition, participating firms have already demonstrated significant willingness to expend their own funds on following up on potential business opportunities in Azerbaijan. As a result, PSA believes that hosting a U.S. pavilion at Caspian Agro in 2020 and onward can continue to be an effective and relatively low-cost tool to facilitate U.S.-Azerbaijani business linkages. If USAID and the U.S. Embassy agree with PSA's conclusions, the Project will again support a U.S. pavilion at Caspian Agro 2020. In that case, PSA will consider candidate U.S. firms recommended by the U.S. Embassy, WCC, and other stakeholders.

e) *Sustainable Agricultural Sales and Export Initiative (SASEI)*

PSA is in the process of working with the Agro Procurement and Supply Company (APS) under the MoA, AFSA and Center for Economic Reforms Analyses and Communication (CAERC) to implement the Sustainable Agricultural Sales and Exports Initiative (SASEI). SASEI is a multi-faceted initiative that seeks to enable small and medium-sized agribusinesses in Azerbaijan to upgrade their processes and product quality throughout the entire production and processing chain in order to enter or expand their access to foreign markets. SASEI will focus to competitively selected enterprises producing dried fruits, persimmons, and strawberries. Each party brings unique resources to address the various technical, business, finance, and quality constraints to export and will work within their own guidelines and procedures, but coordinating with one another wherever practicable, to undertake the following:

- **Conducting Export Market Investigation for Selected Target Products.** The Initiative will investigate potential markets and their import requirements, and draft reports for each product/market combination.
- **Facilitating Compliance with International Standards.** The Initiative will audit the selected enterprises and provide information on documentation, processes, and upgrades necessary for quality certification. Enterprises may also apply for TTF support for facilities upgrades to comply with international standards. SASEI members may support pilot ventures in access to subsidies and agricultural loans from AKIA, as well as from other funding sources.
- **Supporting Participation in Exhibitions and Trade Missions.** The Initiative will organize export missions for each exporter, including partially covering the costs of exhibiting and participation, and arranging buyer-to-buyer (B2B) meetings and visits, and support on follow-up meetings, negotiations, and other activities.
- **Organizing Buyers' Missions.** The Initiative will organize inbound buyers' missions to the selected Azerbaijani pilot ventures for familiarization with products to be exported, including partially covering associated costs.

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Objective 1: Develop a More Diversified Non-Oil Economy													
3. Trade and Investment Linkages													
Organize and conduct AZ-Oklahoma Agricultural Forum (Livestock)													
a) U.S.-Azerbaijan Agribusiness Linkages													
Organize follow-up Oklahoma-AZ Agricultural Trade Mission to Azerbaijan													
Organize and conduct 2020 U.S.-Azerbaijan Agricultural Forum (site TBD)													
b) Support individual clients to develop branding and marketing materials for penetration of new export markets													
Identification and engagement of US businesses seeking to engage in Azerbaijani agribusiness as suppliers, buyers or investors													
Foster and advance business linkages that emerge from trade forums, exhibitions, and study tours													
Development of Database of Azerbaijani products and product needs													
c) Support Individual and Association participation in B2B visits and trade missions													
d) Participate in Caspian Agro 2020 and support U.S. suppliers and local client companies to exhibit													
e) SASEI -- Sustainable Agriculture Sales and Exports Initiative (with APS & FSA)													

4. Postharvest Processing, Food Safety and Quality Certifications

While improving the quality and quantity of production will greatly improve the competitiveness of the selected value chains, technical assistance and investment are also required in the postharvest process, from handling and processing through to storage and cold chain management. PSA will work all along the post-production value chain with an emphasis on improving food safety and quality standards.

In November 2019, PSA facilitated the participation of four Azerbaijan Food Safety Institute (AFSI) laboratory technicians in a training program on Next Generation DNA Sequencing, a cutting-edge food safety methodology, in Dubai.

Increased awareness of and adherence to internationally recognized Quality and Food Safety Standards is essential from both health and sales standpoints. Modern consumers and developed markets increasingly demand assurance not only that specific products meet those standards, but that management systems for the entire production, processing, and handling chains are in place to prevent product contamination and deterioration and to detect and rectify problems when unexpected events occur. There are approximately 2600 registered food producing and food processing companies in Azerbaijan, and only 150 companies (about 6%) have internationally recognized food safety certificates. In addition, there are more than 106,000 registered farms in Azerbaijan, of which only seven have GlobalG.A.P. certificates. These numbers clearly illustrate that there is a huge gap and that tremendous work needs to be done to develop certification programs in the country. Azerbaijan's new food safety legislation will require that all large agribusinesses (with >200,000 AZN annual revenues) become HACCP certified within two years of the passage of the law. Non-exporting SMEs will be allowed a transition period of four years prior to obtaining certification under a HACCP-based plan. This legislation has put increased pressure on agricultural enterprises to conform to quality and food safety standards and PSA will help on a system-wide level as well as the level of individual enterprises.

a) *Capacity Building for Food Safety Agency*

PSA will provide a wide range of capacity-building support to the Azerbaijan Food Safety Agency. This will include activities directly related to capacity building for the AFSA and its associated AFSI, as well as activities to be

The Food Safety Agency (AFSA), Azerbaijan Food Safety Institute (AFSI), Coca-Cola, and USAID jointly organized and financed a one-day Food Safety Workshop, with a focus on food additives in late November. This workshop discussed international best practices and the role of the private sector in leading the way toward stricter food safety standards.

jointly implemented targeting beneficiary enterprises and organizations. Some capacity building activities will fall under and are described under Objective 3 as they relate to a reform agenda. In addition, under this Objective, PSA will develop a HACCP training curriculum for technicians from AFSA who will be assisting agribusinesses to become HACCP compliant and certified. While various discussions have taken place regarding formalizing this broad partnership with AFSA through an MOU, the most recent guidance from the donor has been to focus on signing a multilateral agreement with various GoAJ agencies, rather than a bilateral MOU with AFSA.

The following activities are planned:

- STTA to conduct training of trainers on ISO 17025 laboratory accreditation (Lead Auditor Certificate) and, afterwards raise public awareness of the relevance of this accreditation to the integrity of laboratory results;
- STTA on training on food supplement and Pesticide residual level determination;
- Possible TA on Harmonization of Contaminants and Toxins in Food and Feed Normative Act;
- Effective public relations and awareness raising in the field of food safety, animal and plant health, in collaboration with Coca-Cola; and
- Possible TA or other support for organizing scientific-practical conferences, symposiums, seminars, and/or meetings.

b) *Food Safety Training Curriculum with ASAU*

The PSA Program Team will also work with ASAU during the first semester of 2020 to develop a food safety training curriculum for their use starting in fall 2020. This will help to institutionalize food safety training and more widely disseminate information. The training will initially focus on ensuring that every student understands good manufacturing practices (GMP) and good hygiene practices (GHP), as implementing GMP and GHP is a good starting point for small processors who are transitioning to a HACCP-based plan.

c) *Food Safety Training Curriculum with Lankaran State University*

PSA experts work with LSU to develop a food safety training curriculum for their use. This will help to institutionalize food safety training and more widely disseminate information. The training will initially focus on ensuring that every technician understands good manufacturing practices (GMP) and good hygiene practices (GHP), as implementing GMP and GHP is a good starting point for small processors who are transitioning to a HACCP-based plan.

d) *Training and Certification for Individual Companies and Grower Groups*

Improving quality standards through training and certification is critical to improving market access, and PSA will conduct general group trainings to raise producer and processor awareness of the need for better quality standards and their role in accessing new markets. This training will allow producers, grower groups, and agribusinesses to better understand the types of certifications available, their advantages and disadvantages, and the processes and costs involved, so that they can make informed decisions on pursuing certifications.

For those who have attended these awareness-raising sessions and are committed to achieving compliance and certification, PSA will follow up with the provision of firm-level technical assistance on an individual basis in HACCP, GlobalG.A.P., organic, or other certifications, where appropriate, working in tandem with producer associations or buyer/exporters to assure that the certification selected and implemented will improve market access.

Implementation of food quality and safety standards in individual companies will be realized in three phases. The first phase consists of a consultancy (audit and gap analysis) and document development. The second includes implementation and monitoring of compliance with the processes codified in phase one, and phase three consists of preparation for certification. During work with individual companies, PSA will utilize support from and/or refer beneficiaries to partners such as associations, AzPromo, and others.

e) *Support for Implementation of Facility Upgrades to Meet Certification Requirements*

Where infrastructure or equipment upgrades are necessary to achieve compliance with certification standards, PSA will leverage TTF investments, as appropriate.

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Objective I: Develop a More Diversified Non-Oil Economy													
4. Post-Harvest Processing, Food Safety and Quality Certifications													
a) Sign MOU and design joint action plan with AFSA													
a) (continued) Develop training curriculum for technicians in the AFSA who will be helping agribusinesses become HACCP certified													
b) Develop and pilot food safety training curriculum with ASAU													
c) Food Safety Training Curriculum with Lankaran State University													
d) Guide 3-4 companies and public organizations through the audit, documentation and pre-certification process													
d) (continued) Guide clients to apply for certification and grant support from AzPromo													
e) Offer TTF support for facilities upgrades required to obtain certification, as well as for new post-harvest, processing, and storage technologies													

5. Investments in New Technologies and Capacity Building

PSA will invest in entrepreneurial, market-driven enterprises while targeting those enterprises and organizations whose growth and development can have a transformative effect within the targeted value chain. PSA will award two types of Grants: Matching grants to private sector actors (also referred to as Technology Transfer Fund investments (TTF)), and Community grants (also referred to as Capacity Building Support grants).

Technology Transfer Fund Investments will target enterprises and cooperatives within selected value chains. Through the value-chain assessment process, PSA will identify key constraints to growth in the targeted value chains and will work with interested enterprises and cooperatives to develop grant projects for transformative technologies that can catalyze growth up and down the value chain. PSA will encourage the participation of women-owned MSMEs and youth business owners and entrepreneurs, and will target value-chain drivers—enterprises positioned in the middle of the value chain, such as traders, aggregators, and processors—to maximize the impact of investments. Critical areas for investment include processing, aggregation, storage, and market infrastructure. Technology Transfer Fund grantees will be required to provide a contribution at a ratio of 3:1 (Grantee: PSA) or more in support of the grant activity.

Capacity Building Support grants will support sectoral and cross-cutting associations to strengthen the operating environment and services for VC actors. These will be awarded on a limited basis to strategically important organizations such as industry associations, educational institutions, and agricultural NGOs that lack the financial capacity to make a significant matching investment. These organizations play a broader role in supporting the targeted value chain, and the supported activities will have a catalytic impact across multiple enterprises. PSA will work with targeted organizations to develop capacity building grant projects that specifically address

constraints and build their capacity to serve agribusiness in the PSA-targeted value chains. PSA will finance capacity building costs at a ratio of up to 1:3 (Grantee: PSA).

As PSA works with enterprises and organizations in the selected value chains, it will be possible to identify value-chain gaps that can be addressed by investments in post-harvest, processing, or storage technologies. In such cases, PSA will work with the beneficiary to develop a grant project for potential funding from the *Technology Transfer Fund* following the procedures outlined in the Grant Manual already submitted to USAID. Priority will be given to transformational, replicable technologies that will impact large numbers of growers and significantly upgrade the targeted value chain, as well as improve competitiveness in international markets. For cooperatives and associations, Capacity Building Grants will be available for investments in technology, improvement of member services, and organizational strengthening.

PSA investments will be made based on opportunities, but will include such upgrading technologies as controlled atmosphere storage for highly perishable fruits and berries; freeze-drying equipment; pre-cooling, washing, grading, and sorting equipment for aggregation centers; or grading equipment for pomegranate exporters, or on the production side, investments in new varieties, intensive orchards, or cultivation equipment. In addition, TTF will support food processors to invest in the necessary infrastructure to obtain quality certifications. TTF in-kind grants may be available to support beneficiaries to hire private sector food safety consultants to develop plans, design facility upgrades, buy new equipment, and invest in the necessary infrastructure required to meet the requirements of a HACCP-based quality assurance plan.

Grants administration will be conducted in accordance with the Grants Manual, which was submitted to USAID on November 22, 2019. CNFA anticipates that all grants under the Technology Transfer Funds Investments and also Capacity Building Support will be In-Kind Grants. Under this grant type, CNFA will conduct all procurement for commodities and services required in the grant budget, and reimbursement will not be provided directly to the grantee.

As was the case under the previous ASAP project, PSA will generally make extensive efforts to identify multiple pre-qualified applicants and visit their operations in order to discuss their interest in the TTF Program and other forms of ASAP assistance. Because of its focus on the five aforementioned value chains, ASAP will endeavor to support grants for technologies likely to generate the most impact for the individual recipient business and its value chain linkages, as well as serve as a valuable demonstration of a technology that other analogous businesses in the value chain would most benefit from adopting. Competition will be solicited mainly through identifying and providing applications to multiple businesses in each value chain that could benefit from the identified technologies. The purpose for this approach is maintain a low profile for this aspect of the Project, as requested by USAID in consultations regarding implementation of PSA's Grants Under Contract component.

The PSA Team has already identified a large number of potential investments that will be further vetted and developed, as appropriate:

Value-Added Processing/New Product Development: PSA has identified a need for import substitution of some hazelnut-containing products, such as hazelnut paste. While being a hazelnut producing country, Azerbaijan still doesn't have a single processed product on the domestic market to cater to the needs of local consumers. PSA will assist interested production companies, specializing in dried fruits and nuts, with elaboration of a recipe and launching of a trial production of hazelnut paste with honey, cocoa and syrup. PSA will consider supporting the scaling up of this type of initiative.

Berries also offer significant opportunities for value-added processing, and PSA has already identified two possibilities:

- Establishing processing of berries, particularly of puree and concentrate for a large juice producer in Jalilabad. (According to the VC report, even Azersun is lacking sufficient supply.)
- Establishing processing of berries, particularly the drying of strawberries in Jalilabad.

Improved Food Safety in Hazelnut Production/Processing: There is a wide variety of new technologies that can improve food safety and quality in the hazelnut industry, and PSA will consider three different opportunities, as outlined here:

In Azerbaijan, hazelnuts are traditionally sun dried, and may be subject to mold growth and subsequent mycotoxin formation due to prolonged drying time in humid and rainy weather conditions. Drying hazelnuts within a reasonable period after harvest is necessary to produce mycotoxin-free, high-quality products. Nuts

contaminated by toxins pose a serious potential hazard to human health. Proper preharvest practices followed by post-harvest handling (such as drying and safe storage) reduce the hazards associated with contamination. Therefore, ASAP will identify and support TTF funding for beneficiary processors interested in improving storage conditions. Another important initiative could be supplying growers with fine nets that would be hung between the trees, above the surface level during the harvest time. Aflatoxin emerges upon fruits contacting the soil, as hazelnuts in Azerbaijan are harvested manually from the ground. Thus, if the farmers are successful in preventing the contact of the hazelnuts with the ground, this will prevent the produce from becoming infected. This is a low-cost innovation (recently started to be practiced in Turkey), which would be very efficient and easily replicated by a large majority of growers.

PSA is discussing an opportunity to establish a mobile quality/aflatoxin testing lab in Zagatala. There is an investment opportunity for PSA to contribute to the cost of the laboratory equipment, while the lab owner and operator would do all the technical installation and operational work, and AHPEA would also contribute to organizational and maintenance support of the project.

Cold Storage Capacity: Reducing losses, extending shelf life, and preserving the quality of fresh fruits and vegetables can be dramatically impacted by investments in cold chain infrastructure and management, with new cold storage technologies being introduced all the time. PSA will consider investment in a range of cold storage technologies to catalyze improvements in post-harvest handling and supply chain management. Potential investment opportunities include:

- A farmer in Goychay region, who owns over 10 hectares of persimmons and is interested in developing a logistics center close to Goychay city center. He would like to start this process with a 600-1000 MT capacity cold storage development that would be assisted by PSA;
- An agronomist in Guba who would like to establish a cold storage (500-600 MT) for orchard crops to increase the storage capacity of his farm. The storage facility would benefit dozens of small and medium farmers from nearby communities, and improve the quality of the farmer's services;
- A producer and exporter in Shamkir region with a 45-hectare plot of land (who would like to increase the cold storage capacity of his facility in order to strengthen his export potential);
- A farmer in Shabran in an area of intensive and semi-intensive orchards (as well as strawberry and raspberry fields) in the area who would like to build a cold store (1000 MT) to cool and store produce that comes both from his and other nearby farms;
- A greenhouse tomato producer in Shamkir region who is interested in building a 500 MT capacity cold storage to cool and store his tomatoes for short periods to better time the market for sales of the strawberries and persimmons that he and neighboring farms produce; and
- Other potential beneficiary growers have expressed interest in building cold storage facilities for berries in Goygol and Lankaran rayons.

In addition to cold storage, grading, sorting and packaging are other critical post-harvest handling investments that PSA will consider for multiple value chains. Current opportunities include:

- Packaging and grading lines: a farmer in Guba, would like to build a 5000-MT capacity packaging and grading line in order to expand his services and strengthen export potential of orchard crops.
- Packaging and grading lines: farmers in Gusar, would like to build a 3000-MT capacity packaging and grading line in order to expand their services and strengthen their orchard fruit export potential.
- A large producer and member of the Azerbaijan Pomegranate Producers and Exporters Cooperative (APPEC) who owns a 2000 MT capacity cold storage in Goranboy hopes to acquire a sorting line to install in his renovated facility.

While post-harvest and processing investments are prioritized due to their ability to have a catalytic impact on the value chain and benefit large numbers of farmers, there are some production investments, particularly in input supply and introduction of new varieties that can have similar impact. PSA will consider production technology investments on a limited basis, such as:

- Establishing a strawberry and blueberry nursery in Ganja-Gazakh region to provide farmers with improved and disease-free varieties, as there is no specialized berry nursery in Azerbaijan at present.
- A vegetable seed producer in Samukh region developed a modern vegetable seed processing facility in 2019. Unfortunately, due to a lack of raw material, the volume provided by its 12 member farmers is

not sufficient to facilitate exports to countries where there is demand. This could be addressed by the purchase of a harvester, which could cut losses during harvest in half.

- A community in Hajigabul rayon has the potential to produce over 10,000 MT of organic pomegranates and store them until spring, when prices are high, with low-cost storage methods. A lack of access to water, however, is a major limiting factor for local production. There is an old reservoir in the community that could be made operational through a new pumping system, which would bring water from the nearby Pirsatchay river.

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Objective I: Develop a More Diversified Non-Oil Economy													
5. Investments in New Technologies and Capacity Building													
Grants Manual developed and submitted*			60d										
Grant Program launched													
First grant awarded													
Grant project implementation													

6. Access to Finance for Agribusinesses

PSA undertook an analysis of bank lending to agribusiness, completed on November 22, 2019, which will help to target banks to improve agricultural lending, as well as identify opportunities and gaps in agricultural financing that can be capitalized upon or addressed.

Seventy-four percent (74%) of farmers in Azerbaijan have never taken out a loan.³ Collateral requirements and bureaucratic procedures for obtaining agricultural credit are high and discourage small and medium enterprises from accessing new credit. The transition to commercial production, value addition, and export marketing all require access to capital, and agriculture-specific financing mechanisms are necessary for farmers to move into more commercial production and export. PSA will provide assistance to selected agribusinesses in business planning, drafting brief project profiles, identifying potential lenders and investors, and applying for loans and other finance products, and will expand the number of beneficiaries provided with access to finance assistance. At the same time, the Project will work with beneficiaries to help ensure that the debt that they do take on will be manageable and not put them at risk of default.

a) *Promotion of and Referrals to AKIA, EDF, and other lending facilities*

Currently, loans from AKIA and the Entrepreneurship Development Fund (EDF) of the Ministry of Economy are disbursed and administered by commercial banks. PSA will regularly update information on the availability and terms of these and other lending options to farmers and agribusinesses to share with project beneficiaries. Also, PSA has come to an initial agreement with Kapital Bank to collaborate on access to finance issues and client referrals.

b) *Financial Literacy Training*

Equipping entrepreneurs with financial literacy skills can help them gain an improved understanding of financing options, the availability of financial support services, and their relative advisability.

³ Agriculture: Growing Opportunities in Financing. IFC (2019).

PSA will partner with the Azerbaijan Micro-finance Association (AMFA) to meet the financial education needs of small-scale agricultural entrepreneurs. As a result of receiving financial literacy training, beneficiaries will be able to make more informed decisions on financial matters in both their personal and business dealings. They will learn how to control their budget and as a result save money. Graduates of the training will be equipped with simple tools to manage cash flow and avoid over-indebtedness. Financially literate clients are the best clients for financial institutions, as they have a reduced chance of becoming delinquent in repaying their debts, thus this effort will contribute to reducing financial risks of the institutions, and help increase the viability of financial services in rural Azerbaijan. Kapital Bank also expressed a willingness to contribute to the educational trainings by providing trainers and sponsorship if needed.

AMFA already has a special curriculum (Financial management, risk analysis and risk management) developed in cooperation with Microfinance Center, Poland and successfully delivered in various regions in Azerbaijan by certified trainers of AMFA. Together with the PSA Access to Finance Specialist, training needs will be assessed and modules will be revised (including topics such as budgeting in business, taxes, and short, medium and long-term investments) Both local (such as a tax expert) and foreign best practice experts, if needed (e.g., from the Microfinance Center in Poland or the National Financial Educators Council in the U.S.), can be engaged depending on available funding. Innovative financial literacy topics will be incorporated into the curriculum to ease business growth, such as automating business accounts with a financial institution to optimize business transactions and eliminate human error.

Training sessions will be held throughout the regions to increase accessibility and minimize travel costs for participants. Training will take place in 15-25-person cohorts, with each group completing a series of short modules (two days each) spaced over a longer delivery period so that entrepreneurs are not absent from their companies/farms for long periods of time.

c) Promote cash-flow based lending

IFC is currently piloting its Cash Flow Linked Agri-Risk Assessment (CLARA), a cash-flow based lending tool, but it has not yet been accepted. PSA will coordinate with IFC and, if and when CLARA gains traction, will work with enterprises, AKIA, EDF, and commercial banks to promote its use on a wider basis.

In October 2019, PSA conducted a brief analysis of the State Budget of Azerbaijan for 2020 to analyze its potential impact on the development of the non-oil economy.

d) Conference on Agricultural Lending

In order to enhance the awareness of problems and opportunities in agricultural lending, PSA will organize a one-day conference on agricultural lending in cooperation with the Ministry of Agriculture, Ministry of Economy, Central Bank, and SMB with the participation of high-level representatives of both the agricultural and financial sectors as well as small- to large-scale agribusinesses either in Baku, Ganja, or Gabala. (Most conferences are held in Baku, so, Ganja or Gabala could be chosen to highlight the importance of regional events, though consultation with governmental bodies plays an important role if high-level representation is expected).

The event is planned to be held towards the end of May, and arrangements should start in early March at the latest. The agenda will be developed together jointly with PSA and AMFA. AMFA will plan and make all necessary arrangements to implement the event through negotiating potential cost sharing with SMB and subcontracting suitable conference meeting venues and other important vendors, sourcing and liaising with potential presenters, speakers, and/or facilitators for the event, as well as participants, preparing signage or promotional materials for the event, and arranging media coverage of the event as agreed. The conference will provide a demand-driven, participatory learning space where participants can share information on programs, strategies and tools, networked to build partnerships, and gain new technical capacities to continue to build the fields of rural and agricultural development and finance.

e) *Draft analytical briefs on financial topics*

PSA will provide regular analytical briefs to USAID on timely topics in agribusiness lending and the Azerbaijani financial sector.

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Objective 1: Develop a More Diversified Non-Oil Economy													
6. Access to Finance for Agribusiness													
a) Promotion of and Referrals to AKIA, EDF, and other lending facilities													
b) Design and deliver Financial Literacy Training													
c) Promote cash-flow based lending													
d) Support Conference on Agricultural Lending													
e) Provide regular analytical briefs to USAID on timely topics in agribusiness lending and the Azerbaijani financial sector													

7. Development of Agritourism and Ecotourism

Tourism is a priority area in the development of the non-oil sector, and there is great complementarity with agriculture in the area of agritourism. PSA will begin work in this area by identifying and fielding a consultant to conduct an agritourism and ecotourism assessment and will incorporate the recommendations from this assessment into its work plan. A consultant has already been approved by USAID for the assignment, which will commence in late January 2020.

Currently, there are many disparate activities focused on the tourism space that are being launched in Azerbaijan. PSA will coordinate with other organizations, public and private, to better coordinate, avoid overlap, and leverage resources. PSA will work closely with the State Tourism Agency (STA), Azerbaijan Tourism Board (ATB), APS, GIZ, and Coca Cola.

On December 15th, PSA held an Agritourism event at a beneficiary farm in Lankaran to promote its anticipated collaboration with the Agro Procurement and Supply company to support the development of the sector and demonstrate the potential for attracting additional revenue to agricultural production operations through the provision of agritourism services.

While specific activities will depend on the outcome of the Agritourism and Ecotourism assessment, noted in the first bullet below, the following list contains a variety of possible areas of focus for PSA’s agritourism efforts:

a) *Capacity assessment and support to STA and ATB*

PSA has already identified STTA for an assessment of agri/ecotourism that will provide a clear picture of the current situation in Azerbaijan. Based on the findings of the assessment, PSA will identify relevant activities to support this value chain. Agri/ecotourism (including national parks) routes and services will be closely analyzed and PSA will consider supporting the GoAJ’s, GIZ’s and other projects’ and organizations’ efforts to develop and provide for the offering of tours to build on the tourism features and potential of given regions.

b) *Development of a Rural Tourism Association*

PSA will assist the STA to establish a new Rural Tourism Association which will serve as a platform for private sector agritourism stakeholders to coordinate activities and provide for technical assistance. (See Objective 2 in this work plan for more information on this planned activity.)

c) *Assistance to public and private sector agritourism stakeholders to coordinate activities and facilitate communication*

By initiating and overseeing a series of stakeholder coordination meetings, PSA will play an essential role in coordination of the process among public and private sectors. PSA has already been requested by private and public sectors to assist in linkages among those companies and organizations involved in developing of agri/ecotourism. PSA will actively organize discussions, develop work plans, and facilitate networking among interested parties. After developing a successfully operating and coordination mechanism, PSA will hand over the coordination mechanism to the State Tourism Agency.

d) *Collaboration with Agro Procurement and Supply Company*

One of the planned directions of collaboration with APS is agri/ecotourism. PSA and APS have many similar programs and both parties plan to combine their similar programs and efforts wherever feasible in order to implement them under one umbrella, such as the “From City to Village” program. In PYI, PSA and APS plan to support up to 10 farmers to enable them to become newly engaged in providing agritourism services and to assist them in promoting their services. For example, as noted previously, in December PSA and APS held an agritourism event at Citrus Valley Farm in Lankaran to promote that operation’s agritourism activities. Going forward, the two organizations will collaborate to hold additional such visits up to four times a year to both promote individual agritourism providers and raise awareness of agritourism more broadly as an accessible and enjoyable leisure activity, as well as a potential source of additional farm revenue.

e) *Collaboration with German Corporation for International Cooperation (GIZ)*

PSA plans to work closely with GIZ (as well as other development partners in the sector), and several potential activities have already been discussed. GIZ recently conducted an ecotourism assessment in Azerbaijan and this report can serve as a good starting point. During PYI, PSA will conduct joint trainings, tours, and events on agri/ecotourism with GIZ, such as a joint event devoted to German heritage anniversary in Caucasus, which will include Georgian and Azerbaijani stakeholders.

f) *Collaboration with Coca-Cola*

PSA and Coca-Cola will organize tourism trainings in the regions to increase awareness of hospitality and teach budgeting to rural individuals, including farmers, women and youth. Anticipated trainings will be conducted 6 days per month from February-April 2020 by foreign trainers who are official representatives of Pearson, a U.S.-based learning and training center, for APS and PSA’s farmers. Coca-Cola, APS, and PSA will all contribute to the costs of these trainings.

g) *Grant Support through the TTF for facility enhancements*

After adopting new rural tourism standards, the Azerbaijan Standardization Institute, PSA, APS, and the Tourism Agency will provide selected beneficiaries with matching funding for facility upgrades to help them to meet the minimal requirements and improve their infrastructure for provision of agritourism activities. For example, PSA could support the upgrading, construction, or purchase of stationary or mobile WCs to help selected beneficiaries meet minimum guest expectations and standards and improve their infrastructure and enable them to provide agritourism activities at a higher standard. (See Section 1.5 of the Work Plan for more information.)

h) *Identification and introduction of new unique agri/eco-tourism products*

With a view toward expanding and diversifying the agricultural sector and the tourism product mix beyond the triple ‘s’s’ (sand, sun, and sea), PSA will work with the State Tourism Agency to develop its new program, “One Product and Region.” Envisaged by the 2020 Strategic Road Map, this program will cover at least one agricultural product with the possibility of branding and one region. This product should have an extended and sustainable period of harvesting (5-6 months) and the region should have a critical production density of this selected product, so it is anticipated that a southern region with extensive berry production, such as Jalilabad, would be a promising candidate. Specific PSA tasks, as suggested by the STA and Standardization Institute, would include serving with those organizations on the technical committee that will develop national guesthouse standards for agritourism providers.

i) *Individual Technical Assistance to agritourism providers*

PSA staff and/or STTA will provide individual technical assistance to MSMEs engaged in agritourism upon request and/or referrals to other agencies, programs, and projects offering such assistance, to help beneficiaries to improve or expand their offerings, promotional efforts, or other aspects of their operations.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Objective I: Develop a More Diversified Non-Oil Economy													
7. Development of Agritourism													
a) Identification of Consultant for Agritourism Assessment													
a) (continued) Assessment and Recommendations for Agritourism Development													
Update Work plan with assessment recommendations													
b) Development of a Rural Tourism Association													
c) Coordinate PSA tourism assistance with activities of other stakeholders including State Tourism Agency, APS, GIZ, and Coca Cola													
d) Collaboration with Agro Procurement and Supply Company													
e) Collaboration with German Corporation for International Cooperation (GIZ)													
f) Collaboration with Coca-Cola													
g) Grant Support through the TTF for facility enhancements													
h) Identification and introduction of new unique agri/eco-tourism products													
i) Individual Technical Assistance to agritourism providers													

Objective 2 – Improved Business Environment for MSME

Under Objective 2, PSA will identify and support association or government-led implementation to remove at least **10 Economic Administrative Barriers** to the growth and development of MSMEs. Barriers will be identified primarily through work with enterprises and MBOs under Objective 1, and

OBJECTIVE 2 CONTRACT DELIVERABLE:

- *10 Economic Administrative Barriers Removed by project end*

PSA will build the capacity of both the private and the public sectors to engage in public-private dialogue and work cooperatively to improve the business environment. Under Objective 2, activities fall under two categories, those focused on improving GoAJ support to MSMEs, and those focused on improving MBO support to MSMEs. In both cases, the focus is on developing sustainable institutions to support MSME growth, rather than directly providing services as a project. Under the first, PSA will work cooperatively with SMB to improve its capacity and service delivery, as it is the primary government agency for MSME support. Under the second, PSA will develop the capacity of private member-based organizations to deliver services to members and engage with the government on issues of concern to their members.

I. Cooperation with Small and Medium Business Development Agency (SMB)

In October, PSA arranged for Azerbaijan's SMB Development Agency to meet with the New York Director and International Trade Specialist from the U.S. Small Business Administration; a Regional Manager for Export Solutions from the U.S. Commercial Service's New York City Export Assistance Center; and the Director of the New York Small Business Development Center.

Under USAID ASAP, USAID provided support to SMB in the planning of their Central SMB House, which is soon to be launched. A study tour to the U.S. has already been conducted under PSA for SMB officials. Building on this foundation of cooperation, PSA will continue to support SMB with the following activities:

a) *Provide assistance to the SMB House development*

Support the design and development of the SMB House's third floor, which SMB has partly designated for business startups, foundations, and business organizations. While SMB is currently refurbishing a large building in Baku, its opening as an SMB House will be delayed and the first SMB House to open likely be the one in Khachmaz region during fall 2020. Some of the SMB Houses' planned services include: 1) business startup incubation and business accelerator lab; 2) research, resource, and learning center; 3) entrepreneurship and innovation center; 4) business mentoring, coaching, and advisory center; 5) public-private partnership center; 6) university exchange center; 7) business diagnostics and checkup program; 8) SMB Initiatives (manufacturing, agribusiness, retail, public-private partnerships); 9) business innovation, quality upgrading, and competitiveness programs; and 10) business matchmaking program. PSA could help SMB transform the third floor into an exemplary "one-stop" shop or platform for providing hands-on support to entrepreneurs and small and medium businesses, in their efforts to initiate, develop, and operationalize their business ideas and plans.

b) *Provide capacity building to the SME Development Center*

Another priority for the SMB Agency is the low availability of skilled workforce to drive SME development in Azerbaijan. For workforce development, the Agency is working with the EU and GIZ, which have both implemented useful projects. However, there is much more to be done in this field and PSA could support trainings in specific areas such as establishing curriculum in schools on entrepreneurship; including providing practical experience to students, to foster the entrepreneurship mindset. PSA will propose that SMB to get involved with the Project initiated student and knowledge exchange between the OSU and ASAU, an agreement reached in Oklahoma in the fall of 2019. SMB can bring on board valuable resources such as coordination, media coverage and facilitation of further employment of the students.

c) *Capacity building for business and industry associations*

SMB has proposed to contribute to PSA’s efforts in building the capacity of management staff, developing business and operational processes and teaching communication, reporting and public outreach skills to associative groups.

d) *Azerbaijan Rural Investment, Self-Employment and Business Development project (AzRISB)*

According to SMB, there are many programs carried out by various international development institutions aimed at rural development, increase of employment and empowerment of women in Azerbaijan. As these programs are implemented with the participation of different ministries and organizations, limited coordination leads to inconsistency and even overlap of activities. SMB and PSA envision creating potential synergies and coordination for these projects in order to achieve sustainable outcomes on KPIs for GDP, employment and export share of SME’s in different sectors.

e) *Establishment of a model factory to employ and demonstrate a “lean production” concept*

The SMB is interested in applying a version of the *lean manufacturing* model in Azerbaijani production facilities. Lean manufacturing aims to maximize value added in production while minimizing waste, in order to increase productivity. The Agency would welcome PSA support on this, by informing on how it was applied in other countries, determining applicable aspects to the Azerbaijani case, and mobilizing international STTA to assist in implementation.

In late 2019, PSA’s main counterpart at the Agency left the organization. As a result, work on further clarifying the collaboration between PSA and SMB has been delayed. Immediately once discussions with SMB have led to a mutually agreed program of assistance activities, PSA will resume discussions on drafting an MOU with the agency to further define roles and responsibilities in implementing these and other potential activities.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Objective 2 - Improved Business Environment for Micro, Small and Medium-Sized Businesses													
I. Cooperation with Small and Medium Business Development Agency													
Develop and Sign MOU													
Development of Joint Action Plan													
a) Provide assistance to the SMB House development													
b) Provide capacity building to the SME Development Center													
c) Capacity building for business and industry associations													
d) Azerbaijan Rural Investment, Self-Employment and Business Development project (AzRISB)													
e) Establishment of a model factory to employ and demonstrate a “lean production” concept													

2. Development of Member-Based Organizations (MBOs)

PSA will work with a wide range of MBOs to build their capacity to serve members effectively and interface with other private and public sector organizations. This includes business management associations, product-based membership associations in the targeted value chains, cooperatives, and community groups.

With product-based groups, work under Objective 2 will build on relationships developed through activities under Objective 1, while for broader MBOs Objective 2 may be the main focus of their interaction with the project. For example, work with the Azerbaijan Rural Women’s Association and Azerbaijan Farmers Association may entail utilizing these groups to help PSA identify promising beneficiaries from traditionally underserved groups such as women, youth, and members of communities vulnerable to violent extremism, as well as to help

the associations build capacity to attract new membership, improve service delivery, and strengthen their management operations.

By providing capacity building for MBOs, PSA will help them to identify the most important BEE reforms for their growth and effectively raise these issues through a clear advocacy agenda. The project will strengthen associations in the targeted sectors to provide better and more relevant services to their members.

a) Identify and select MBOs for assistance

PSA staff will identify interested MBOs, and work with each to develop an individualized institutional capacity assessment and action plan. While the number of associations and cooperatives with which PSA will work will continue to expand, the following are currently working with PSA to develop joint plans of action:

- **Azerbaijan Berry Producers and Exporter Association:** ABPEA is interested in strengthening the capacity of the association and member farmer groups through local and international expert support; providing trainings to processors and farmer groups that are selected based on specific needs such as tillage, IPM, storage, and drying; and jointly holding events and workshops with the project.
- **HH Group NGO/Azerbaijan Agronomists' Union:** The Union of Agronomists is interested in developing and disseminating extension materials, building the capacity of agronomists and farmers, and working closely with PSA to jointly hold conferences, trainings, and workshops on extension and agronomy.
- **Azerbaijan Farmers Association (AFA):** While at the beginning stages of development, AFA has the capacity to reach a large number of farmers, and is interested in cooperating with PSA both on internal capacity building and institutional development, as well as the provision of training to its members.
- **Azerbaijan Rural Women's Association:** The Association has 38 groups of women operating in 17 regions throughout Azerbaijan. Each group consists of an average of 8-12 women. The groups are engaged in a diverse range of activities, such as fruit and vegetable production, fruit drying, cattle (poultry) farm management, and other, non-farm activities. They need support to improve their businesses in technical and business management areas, provide training to member women's groups on tillage, storage, and drying, and hold joint events with the project to better engage women producers.
- **Azerbaijan Hazelnut Producers and Exporters Association:** AHPEA is one of the more active and successful MBOs in Azerbaijan's agricultural sector, but has an ambitious agenda and thus seeks assistance in a number of areas. PSA will help strengthen the capacity of the association and member farmer groups through local and international expert support; providing production and postharvest trainings to processors and farmer groups on specific needs such as tillage, IPM, storage, drying; jointly holding events and workshops in collaboration with the project, and developing study tours. The AHPEA-owned and operated Farmer Service Center in Mukhakh in Zagatala region will be assisted in drafting an operational plan, staffing selection and capacity development, financial projections and reporting, and Inventory management.
- **Azerbaijan Nursery Producers and Exporters Association (ANPEA):** There is still a lack of quality assurance within nursery operations in most of Azerbaijan's agricultural value chains. This is a result of both a lack of standard operating procedures at the industry level, as well as deficiency in technical knowledge in the country overall. Although there are some newly established tissue culture laboratories in the country, they also are operating without supervision or generally accepted standards. PSA will consider providing technical assistance to ANPEA to help it establish industry standards of methods for proper selection, handling, and transplanting of plant material, as well as raise awareness of reputable suppliers.
- **Goychay Pomegranate Producers and Exporters Cooperative (GPPEC)** is interested in developing a Farm Service Center which will be highly beneficial to its members due to both improved access to inputs and extension.
- **Pomegranate Producers and Exporters Association (PPEAA)** supports pomegranate growers in the seven central regions of Azerbaijan and seeks support in organizational development and sustainability, as well as capacity building for its farmer members through improved extension services.
- **Azerbaijan Pomegranate Producers and Exporters Cooperative (APPEC)** has already started to develop a project for neighboring farms on post-harvest handling (in Goranboy several cold storage rooms are being renovated and processing facilities built), which will help to attract new members to the cooperative. PSA will consider supporting the cooperative to develop a sorting line by providing TTF matching funding, provide recommendations on organizational development, and help

them to research and possibly source innovative cultivation machinery. APPEC is also interested in improving access to finance, export promotion, and development of agritourism.

- **ATABABA Hazelnut Producers Cooperative** is a growers' cooperative that was established last year and is focused on assisting hazelnut growers in Gakh with training and application of advanced production technologies. PSA is planning to build upon the previous USAID support of granting one of the members of the cooperative with TTF funding to establish a hazelnut drying and storage facility. The building is nearing the construction and PSA is planning to continue to support the facility and community on their business planning, price formation, technical training and organizational practices to sustain and grow the cooperation between the farmer-members,
- **Azerbaijan Organic Producers and Exporters Association (AOPE)** was established in 2019 in Baku by three fruit and vegetable growers. As it begins to expand its membership, PSA will provide it with organizational and business development capacity building through recommendations to strengthen its service provision. AOPE will be linked with the Raspberry Agro PVT for joint activities and to develop better tools to involve and certify local agribusinesses and their exports as organic. PSA will support AOPE to build linkages with farmers interested in their services
- **Development of a Rural Tourism Association:** As noted under Objective 1, PSA plans to build on its previous experience in guiding agribusiness association establishment and strengthening by assisting the STA and APS to establish a new Rural Tourism Association, which will serve as a platform for private sector agritourism stakeholders to coordinate activities and provide for technical assistance. (Originally, STA and APS each had their own plans to create distinct rural tourism associations, but upon discussion with PSA, it was decided that all three organizations would work together on one association for the sector, as specified by the 3.5.2 Activity Plan for implementation of the Strategic Road Map for Development of the Tourism Industry in Azerbaijan.⁴ Given news of the creation of a new Azerbaijan Ecotourism Association, which PSA received only on January 18th, however, PSA will also consider the alternative approach of working to build this new association's capacity instead during PYI.

The following are also interested in working with PSA, but do not yet have clearly defined objectives for cooperation:

- **Community-Owned Fruit Producers and Fruit Dryers:** PSA will consider supporting small-scale fruit and vegetable processors and dryers that AMAL and AFAQ have been assisting, or that DAIM may refer to PSA in the future. All of these organizations will be consulted to help PSA identify suitable community groups for Project assistance, including possible capacity building on business planning and marketing, as well as small scale equipment provision for juice or fried fruit production.
Azerbaijan Persimmon Producers and Exporters Association (APPEA): ASAP attempted to support this association through several activities that could be beneficial for persimmon growers. Unfortunately, the head of the association, who was appointed by the Deputy Ministry of Economy, didn't express any interest in this, requesting only that ASAP obtain statistical information on Azerbaijan's persimmon growers. Nevertheless, PSA will continue its efforts to be supportive for the development of APPEA in case the management of the association changes his attitude toward international development programs.

b) Build Capacity of Membership-Based Organizations

Support will be tailored and based on the action plan agreed with each association, but will likely include:

- Basic organizational management training program;
- Introduction of organizational management tools and documentation;
- Targeted technical support;
- Development of growers' unions within product-based associations;
- Targeted capacity building grants designed to improve member services or facilitate advocacy activities;
- Fostering relationships with other MBOs as well as relevant private and public institutions; and
- Developing networking capacity and opportunities.

⁴ http://iqtisadiislahat.org/store//media/documents/fermanlar/syx/Turizm_senayesinin_inkishafina_dair_strateji_yol_xeritesi.pdf

PSA will closely work with the MBOs to build capacity of the governing members to conduct transparent and inclusive management, targeted at improvement of the entire industry. PSA will assist the leaders of each association to create self-governed unions of growers within the associations where currently, due to their comparatively small production and business volumes, they may be viewed as less significant. This will empower growers to have a position and voice within an organization of larger processors and exporters. PSA will support grower certification initiatives, when entire grower communities can obtain organic (BIO) certificates from the international certification bodies and sell their crops at a higher value, due to growing market demand for organic production.

The Project will establish linkages and integration along the VC; some actors, particularly farmers still face restrictions relating to information asymmetry, trust issues regarding which organizations are authentic, and the processes of obtaining subsidies, planning production, setting prices, and accessing markets. It is important to systematically build long-term relations on a contractual basis where possible and to grow confidence and trust. In addition to work with existing MBOs, PSA will foster the development of new associations where interest exists, for example in the potential formation of a Rural Tourism Association, based on initial conversations with the STA.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Objective 2 - Improved Business Environment for Micro, Small and Medium-Sized Businesses													
2. Development of Member-Based Organizations													
a) Identification of Interested member-based organizations													
a) (continued) Institutional Capacity Assessment and Action planning for MBOs													
b) Build capacity of MBOs													
Basic organizational management training program													
Introduction of organizational management tools and documentation													
Targeted technical support													
Development of growers' unions within product-based associations													
Foster development of new associations where interest exists (i.e., Rural Tourism Association)													
Capacity Building grants to support MBO-led initiatives													

Objective 3 – Support for Azerbaijan’s Economic Reforms

Subcontractor Nathan Associates will manage this component, which will provide demand-driven support to government agencies in implementing Economic Reforms. For this work, PSA will reach out to

government agencies and partner agencies, inform them about PSA, and identify areas where USAID can support them on their economic reform activities. PSA will utilize a flexible mechanism for responding to and managing beneficiary requests.

OBJECTIVE 3 CONTRACT DELIVERABLE:

- *Technical Assistance to Economic Reforms as-Demanded by and Implemented Through Assisted Agencies*

Following the economic crisis due to the fall of oil prices in 2014, the Government of Azerbaijan launched a substantial economic reform program. Nearly all government agencies are ‘implementing bodies’ of this reform process. Since the reform program is ambitious and demands achieving results in a short period of time, some of the implementing bodies fall short in capacity and/or expertise to implement their respective tasks in the reform process. PSA will provide capacity support as requested by government agencies, as long as they trace directly to a specific economic reform.

Additionally, there are barriers for the private sector in Azerbaijan that are either related to government policies or require the government to play a role in enabling improvements. Usually, there is no bridge or dialogue between the government and private sector representatives to even begin discussing these issues. PSA can fill this important gap by establishing dialogue between stakeholders, taking an active role in preparing road maps for improvements, and monitoring the process to make sure it is moving according to plans.

Over the first months of the project, PSA has already received express interest from five government agencies to assist them with their activities supporting private sector development: The Center for Economic Reforms Analysis and Communication (CAERC), Azerbaijan Accreditation Center (AzAK), State Tourism Agency (STA), Agency for Agro Credit and Development (AKIA), and the Small and Medium Business Development Agency (SMB Agency). In addition, the previous project ASAP already had ongoing work with the Food Safety Agency (FSA). The policy-related elements of this work will be covered under Objective 3, while the implementation work will be covered under Objective 1. PSA will jointly develop and implement action plans with these agencies. In addition, based on meetings and research to date, there are priority government agencies that PSA can possibly collaborate with in PY1: the Ministry of Economy, Ministry of Agriculture, and the Central Bank. Therefore, activities under Objective 3 are divided into supporting government agencies in their reform agendas where those agencies have already expressed interest and continuing to identify and engage additional government agencies as interests or needs emerge.

Note: In accordance with guidance received from USAID on January 17, 2020, PSA will place further implementation of Objective 3 activities on hold until receiving further instructions from the Project’s Contracting Officer’s Representative (COR).

1. Supporting Government Agencies in their Reform Agendas

- a) [Center for Economic Reforms Analysis and Communication \(CAERC\)](#)

 - i. [Monitoring and Evaluation \(M&E\) Capacity Support](#)

Background

The Center for Economic Reforms Analysis and Communication (CAERC) is in charge of monitoring the progress on the implementation of reform activities outlined in the Strategic Roadmaps. The government agencies that implement these reforms are called ‘implementing bodies.’

CAERC manages a monitoring mechanism that solicits inputs from all implementing bodies. Inputs are gathered by ‘coordinating bodies’ at implementing government agencies (ministry level) as well as at state-owned enterprises such as SOCAR, Azerbaijanisq, and AzerGas. The coordinating bodies report on whether the reform activities recommended by the Strategic Roadmaps are making progress towards completion or have been completed. The reporting is done electronically through CAERC’s [monitoring.az](#) website. The reporting rate is high since CAERC put in place an incentive mechanism: it regularly ranks implementing bodies in terms of progress on achieving their share of the Roadmap reforms, and publish this on the [monitoring.az](#) website. If

the agencies do not report their progress, it is not reflected in the consideration for their rankings and they are perceived as 'under-delivering' compared to other implementing bodies. This gives the agencies the incentive to not only regularly report on their progress, but to execute their responsibilities on time.

CAERC serves as the focal point for collecting the progress reports on Strategic Roadmaps, organizing, and analyzing them. After giving the agencies an opportunity to review and respond to the monitoring results, CAERC publishes them. According to CAERC, the Roadmaps and their monitoring system were 'revolutionary' in terms of the productivity and credibility of government institutions.

Overall theme of PSA assistance

To date, the monitoring system described above has been rather basic; yielding binary, *activity-based* results. CAERC wants to transition to a more robust, *results-based* monitoring system. They would like to set quantitative targets for select indicators measuring progress towards Roadmap goals, which would be observed with more frequent intervals than under the current monitoring system. In the new system, the baseline and mid-term values would be measured more deliberately and systematically. They also would like to see if they can adapt an internationally recognized Monitoring & Evaluation methodology to match the GoAJ's needs.

In line with these requests, PSA would deliver an *M&E Capacity Enhancement* package to CAERC, providing technical advisory services on M&E methodologies suitable and tailored for the organization's goals, and their application in practice; advising on appropriate software and interface options to accompany the new M&E methods; coaching and training the organization's staff to be able to conduct M&E appropriately after the completion of PSA support; preparing M&E manuals and materials for permanent use; and providing technical experts on specific areas requested by CAERC.

Activities

- **M&E Methodology**: PSA will advise on an overall, internationally recognized methodology for M&E, tailored for the GoAJ and the Strategic Roadmaps. PSA will also provide mentoring on *how* to implement this methodology, technically and in terms of resources.
- **Data Collection Advisory**: PSA will introduce standard data collection methods and templates to be distributed to all implementing bodies that report to CAERC on their reform activity progress. If necessary, PSA will provide mentoring on the application of these methods.
- **Advisory support**: Once the details of the new M&E methods are accepted by CAERC, PSA will provide advisory services to CAERC to establish the new monitoring system; provide coaching and mentoring to CAERC on conducting monitoring activities; and provide assistance in M&E Plan templates and content. This kind of support would be continuous over time.
- **Expert support**: In cases where CAERC needs technical expertise in a relatively narrow area to support their M&E activities, PSA will provide these services/experts. This kind of support would be at given points in time based on need, rather than delivered continuously.
- **Software**: The new results-based M&E system envisioned by CAERC also requires software, including an online portal. PSA will assist CAERC in identifying and accessing the right experts to establish this system.
- **Staff manuals**: PSA will prepare manuals and other materials describing background, methods and procedures for CAERC's new M&E Methodology; which will serve as a permanent reference for CAERC staff, and help them conduct M&E activities properly after PSA completes its work.
- **Staff training**: PSA will provide training to CAERC staff on key M&E topics as identified in the process of establishing CAERC's M&E Framework. PSA will also train CAERC staff on the staff manuals prepared for activity 6 above, so that staff can feel adequate in applying the written material in practice.
- **Macroeconomic analysis of impact**: Several models can be considered here, and CAERC expressed an interest in working with Computable General Equilibrium (CGE) modeling to assess the impact of economic reforms. PSA can provide technical advisory assistance in this area for selected and suitable (for CGE modeling) reform activities determined by CAERC, which would constitute the basis for a CGE pilot assignment.

ii. Other areas for PSA support to CAERC

- Reforms in improving the investment climate
 - Strengthening Azerbaijan's competitiveness in attracting investment; and improving the country's competitiveness index
 - Conducting trade studies targeting trade policy reforms

- Targeting streamlining non-oil exports and trade facilitation reforms
- Linking Azerbaijani MSMEs into Global Value Chains (GVCs) and boosting overall market linkages
 - Supporting entrepreneurship development, working in tandem with www.enterpriseazerbaijan.com portal
 - Support e-trade by working with www.azexport.az portal to solve issues related to integration with international e-trade portals and e-payment systems
 - Support digital trade by working with www.dth.azexport.az portal on attracting investors by offering e-residency and m-residency
 - PSA can support promoting these portals inside and outside of Azerbaijan, in order to enhance awareness and utilization
 - Others as identified during PSA project discussions with CAERC related to increasing private sector engagement for this purpose
- Organizing joint PSA-CAERC public events, with the objective of informing government agencies and wider audience about the project scope and activities. ++
 - Launch event with CAERC on the topic of economic diversification, and PSA's role in helping Azerbaijan advance in this area
 - Smaller topical workshops and seminars on select economic reform issues such as *commercial law* or the *competition code*
- Legal aspects of economic reforms that will help improve the business climate
 - Commercial Law
 - Competition Code
 - Others as identified during PSA PYI

b) [State Tourism Agency](#)

Background

The State Tourism Agency is the policy-making arm of the tourism sector institutions in Azerbaijan, and is distinct from the Tourism Board, which is mainly tasked with the promotion of tourism abroad and domestically. Among other areas, the Tourism Agency has active initiatives on developing the ecotourism and agritourism subsectors.

PSA asked for an agency representative who would inform on tourism policy, their progress on the strategic roadmaps so far, and the nature of policy-related assistance they might need. Although this person was planning to attend our meeting, he had to cancel at the last minute. Therefore, the possible activities mentioned below would need to be revisited for YI work planning, after a follow-on meeting with the policy representative.

Activities

I. Legislative support

- a. Legislation related to infrastructure: Currently there is little to no infrastructure at the national parks, and therefore it needs to be developed. This includes accommodation sites and facilities. Legislative work needs to be done around building the infrastructure.
- b. Legislation related to concession management at national parks: Currently there are no travel agencies at parks that provide concession services. However, the views of the Tourism Agency and the Ministry of Ecology are not aligned on this. Preparation of legislation is needed for the Ministry of Ecology to work together with travel agencies. There are a few practical issues on this matter that need to be sorted out as well. This area is important for the Agency, because they are planning to structure national park tourism services on a concession basis.
- c. Legislation related to taxes for homestay establishments: In the sub-sector of agritourism, the tax structure for farmhouses offering overnight accommodation for tourists is not clearly defined. A factor that contributes to the complication here is that most of these establishments are not formally registered. Legislation is needed to provide clarity on the tax structure for these establishments for the ease of doing business.⁵

⁵ Note: The Tourism Agency staff mentioned that their legal department can provide more information related to the legal work they are doing and the kind of support they need. A representative from the legal department was not present in the meeting, so the knowledge of the staff present was limited on this matter.

2. Capacity development support

Raising quality and safety standards in the tourism sector: One of the main goals of the Tourism Agency is to attract more tourists to a more diverse range of attractions in the country. However, there is a major obstacle in front of that goal, which is the low level of service quality and safety standards in most accommodations and facilities. In order to create more business opportunities for the private sector, particularly SMEs, it is essential that there is a significant effort to raise standards in the sector. International standards on tourism and hotel industries are the guides that need to be followed. Azerbaijani private sector establishments should be required or encouraged to obtain international standard certifications in these fields (this would likely not apply for micro establishments).

PSA can support the establishment of an initiative on this with the Tourism Agency, as well as assist its existing trainings/mentoring on this field. One idea could be to match experienced American hotels operating in Azerbaijan with mid- to small-sized local enterprises for mentoring. The Tourism Agency established a program to improve safety standards in the sector. It recently procured a consultant company to come up with recommendations on which improvements need to be made. PSA can support the implementation of these recommendations.

c) Agency for Agro Credit and Development (AKIA)

PSA can support AKIA's following activities during PYI:

- Advisory services for agricultural insurance: Recently, Azerbaijan decided to follow a Turkish model for subsidized agricultural insurance: TARSIM. They will likely need some assistance on implementing it.
- Warehouse Receipt System (WRS): Among the multiple requests mentioned by AKIA, this is an activity that is very complementary to PSA's scope and has a high impact potential. WRS offers the following benefits to farmers: access to finance through using receipts as collateral, providing controlled (temperature and security) storage facilities for helping reduce post-harvest losses; offering new market opportunities to farmers to sell their products at different times, particularly when prices go up; facilitating sales between farmers and potential buyers; and provision of key market information through price-discovery mechanisms (transparency of market prices), among other benefits in the agriculture sector.

In addition to these examples, AKIA would like to examine farmer schemes around the world in order to learn from and implement elements that apply to the Azerbaijani context. Mr. Aliyev specifically mentioned a 'mini-farm' model in the U.S. where they have a scheme for farmers, which seemed like something that Azerbaijan might want to look into. AKIA is also open to PSA recommendations on what kind of activities would be good to work on for their support to economic reforms.

d) Small and Medium Business Development Agency (SMB Agency)

The SMB Agency places emphasis on strengthening domestic value chains and production capacity. In this vein, one of the items high on their agenda is cluster development strategy and implementation. This is a priority topic for the SMB Agency that they have been considering since shortly after starting operations. Although there has been one development on the regulatory aspect, they are still at the initial stages of this project. They would welcome PSA support in three overarching areas: a) Coming up with a strategy/roadmap informing on the "How" of cluster development in Azerbaijan; particularly for agriculture and farming activities; b) Supporting the legislative aspect of the reform: Recently there was an "Amendment to the Tax Code" that will facilitate cluster development. However more legislative action is needed defining the mandate for cluster development. This includes the laws and regulations around the establishment of a *cluster company*; c) Provided the necessary legislative reforms are completed during PSA duration, assisting the SMB Agency with implementation, such as establishing the clusters in select value chains.

e) Azerbaijan Accreditation Center (AzAK)

PSA had an initial meeting with the Azerbaijan Accreditation Center (AzAK), which accredits institutions that issue certificates of standards to Azerbaijani companies on their products, production facilities and processes, namely testing and calibration laboratories, and inspection authorities. In general, AzAK needs PSA assistance

on strengthening the knowledge and application capacity of standards for all sector products, including operational standards for implementing entities.

However, AzAK is not currently reporting to a particular supervisory agency, and therefore is in an institutional void. AzAK was supposed to be under the State Agency for Antimonopoly Policy and Supervision of the Consumer Market (Antiinhisar və İstehlak Bazarına Nəzarət Dövlət Agentliyi) that was going to be established per a government decree of April 2018. However, that agency was not actually established, and the Anti-Monopoly Agency was merged with the Ministry of Economy. Due to this institutional uncertainty, PSA will hold off on providing support to AzAK, at least for PY1.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Objective 3 - Support for Azerbaijan's Economic Reforms													
NOTE: All Objective 3 activities from January 2020 onward on hold pending further USAID guidance													
Supporting Government Agencies in their Reform Agendas													
Center for Economic Reforms Analysis and Communication (CAERC)													
Formulation of terms of cooperation													
Development of Action Plan													
Jointly implement Action Plan to introduce improved M&E systems													
State Tourism Agency													
Formulation of terms of cooperation													
Development of Action Plan													
Jointly implement Action Plan on legislative and capacity development support activities													
Agency for Agro Credit and Development (AKIA)													
Formulation of terms of cooperation													
Development of Action Plan													
Jointly implement Action Plan regarding assistance on agricultural insurance and establishing a warehouse receipt system in Azerbaijan													
Small and Medium Business Development Agency (SMB Agency)													
Formulation of terms of cooperation													
Development of Action Plan													
Jointly implement Action Plan regarding assistance on cluster development strategy													

2. Identifying and Engaging Additional Interested Government Agencies

Objective 3 is flexible and responsive to requests from GoA agencies and changes in the business operating environment. Therefore, in addition to specific support to the five agencies outlined above, PSA Objective 3 staff will continue to identify and engage government agencies under three modalities:

- Continuing to meet with government agencies to explain and promote the project and identifying potential areas of government interest, in which case the same process of jointly developing and implementing an agency-specific, reform-oriented action plan will be followed;
- Identifying critical issues raised by the private sector, particularly under Objective 2, and identifying and engaging an appropriate government agency to address these issues. This is dependent upon identifying a willing government agency, and links together the activities under several objectives; and
- As with the Food Safety Agency, providing targeted support to agencies already working with PSA under Objective 1 in areas specifically related to their reform agendas.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Objective 3 - Support for Azerbaijan's Economic Reforms													
Identifying and Engaging Additional Interested Government Agencies													
Outreach and Meetings with Potentially Interested Agencies													
Seek out agencies to address project priority issues													
Formulation of MOUs with interested agencies													
Development and implementation of action plans													
On-demand support to partner agencies on Objectives 1 & 2 for targeted reform agendas													

3. Objective 3 Staffing

A. Objective 3 Lead/Economic Reform Manager (ERM)'s Role

The ERM's overall role is to manage the direction and day-to-day operations of Component 3 work. The ERM sets (and regularly revisits) the strategy for development of component work with each beneficiary government organization, based on USAID's vision and expectations. The ERM also initiates and manages the project's relationship with the beneficiary and partner agencies. During discussions, meetings and particularly when determining activities for Memorandums of Understanding (MoUs) with beneficiary agencies, the ERM insures that the component's work and PSA communications are consistent with USAID's vision and instructions. The ERM facilitates the development of an Action Plan with each beneficiary based on the MoUs.

After setting up this foundation with each beneficiary agency, the ERM regularly monitors the progression of the work with each of them. The ERM serves as a bridge between the beneficiary organizations and USAID; and is the point person for questions and concerns from all sides. The ERM also leverages her relevant technical background to inform and guide discussions, and facilitate selecting and defining project activities with project beneficiaries. In cases where there is a match between the ERM's technical background and beneficiary requests, the ERM herself provides Technical Assistance (TA) directly to beneficiary organizations.

We recommend that the Component 3 Lead/ Economic Reforms Manager (ERM) maintains the LTTA position as suggested originally in CNFA's proposal and conducts her work full-time in Azerbaijan for at least one year. Extended stays with gaps at intervals could also work to achieve the same objectives, as long as they work within Nathan's budget.

Below are reasons for ERM's continuous engagement:

- I. Maintaining the LTTA or long-term role for the ERM during the first year of the project will be essential for the project to build a strong foundation for this component. The earlier ASAP project did not work closely with government agencies until late in implementation, so PSA is not well known in the policy/economic reform sphere, and has less experience in this area than in the other project component areas. Naturally, relationships are limited or non-existent for the beneficiaries of this component, unlike the other components, particularly the agricultural work. Therefore, firstly PSA needs to be introduced to government agencies devoted to economic reform-related activities. PSA also needs to explain PSA's objectives, work mechanisms, and the ways it can assist beneficiaries.⁶ Secondly, relationships and trust need to be built with the government agencies and partner agencies for the component work to move forward and bring results throughout five years of project duration. The ERM has already initiated the communications and relationships for the component work. Trust takes time and continuity to be built. If the ERM leaves after starting these relationships and coming to an initial agreement with the beneficiaries, there would be a gap between her departure and the recruitment of another person to attend to Component 3, which could set back the development of

⁶ Based on the ERM's meetings so far, the government agencies do not have much of an idea about what PSA does, and they do not seem to be clear about how we can help them.

this relationship until a new person is hired, which would likely not only slow down the work, but wear down the beneficiaries' eagerness and enthusiasm for relationship-building with the project. The investment of ERM's initial STTA assignment will likely be less thoroughly leveraged if she only stays engaged remotely on a part-time basis.

2. Another factor in addition to the relationships about USAID's initial STTA investment is the foundation of information and knowledge about the economic reform context in Azerbaijan that the ERM has been building since the proposal stage. This facilitates the work in terms of both speed and quality. Similar to the relationship-building factor, it will also not be possible to leverage this background factor much if the ERM is not present in Baku full time.
3. Getting results in Component 3 work necessitates having a person on the project side who understands what the client needs, what the consultant is doing and helps facilitate the communication between them. Based on the ERM's experience so far, the beneficiary parties are not proactive, so somebody on the project side needs to constantly keep tabs, check on the beneficiaries, and remind them of next steps, in order to abide by agreed upon timelines and keep the work moving. While the Component 3 Manager can maintain limited contact with the beneficiaries over digital communication, we do not believe this will be sufficient, as Azerbaijani government staff are unlikely to engage as thoroughly through digital means. This kind of relationship needs to be built through face-to-face, in person communication, particularly during the first year of the project.
4. The ERM is a development economist with a specialization in private sector development. Her background is closely relevant to PSA's technical scope. This facilitates discussions with all parties on component work, and gives her the ability to inform and guide the work. It also opens up the possibility of her delivering technical assistance directly on areas that match her background. For example, her M&E background gave her the ability to converse on a technical level during our first meeting with CAERC's M&E team. As a result, we were able to identify areas for collaboration quickly and address key questions at an early stage.

B. Technical Assistance activities anticipated for Objective 3 work during Year 1

Out of the five agencies the ERM has met with and establish initial understandings with, we propose prioritizing the M&E Capacity Enhancement work with CAERC. Secondly, we will work with AKIA, the SMB Agency and the Ministry of Tourism. While there is no clear indication of when MOUs will be signed with each of these agencies at this point, we assume that PSA will deliver at least one TA project to each of them in PY1. We understand that USAID assistance to AzAK might not be a priority, so we assume that that activity would start no sooner than in PY2. Below we provide a breakdown of the anticipated external consultant work for Year 1:

- CAERC M&E Capacity Enhancement:
 - o M&E Expert. Mid-to-senior. Involved part-time 40 days for Y1 (likely to continue in Year 2)
 - o Software Expert. Mid-level, can be a local. 10 days
 - o CGE Modeler. Senior-level. 15 days
- SMB Agency, AKIA and Tourism Agency:
 - o Assuming one expat STTA mid-to-senior level for each of the 3 agencies. 15-20 days each.

Cross-Cutting

I. Private Sector Engagement

Private sector linkages and engagement are at the center of PSA's implementation methodologies. PSA will empower private sector actors to lead initiatives, and wherever possible will act in a facilitative role, rather than

In late October, PSA and its private-sector-engagement partner, Coca-Cola, jointly supported the International Fruit and Vegetable Juice Producers Forum, hosted by Sure-Global-Fair (SGF) and the International Fruit and Vegetable Juice Association (IFU) in collaboration with the American Chamber of Commerce in Azerbaijan.

directly providing services. Some types of private sector engagement are outlined below, while specific activities with these private sector actors have also been described in the previous sections.

- **MBOs**, primarily associations and cooperatives, are critical private sector actors not only in Objective 2, where they will play a critical role in interfacing with government and improving the business

environment for MSMEs, but also in Objective I, where they will partner with PSA to provide services to members, educate growers, and reach export markets.

- **Financial Institutions**, including commercial banks, microfinance, and nonbank financial institutions, along with finance associations such as the Azerbaijan Micro-finance Association (AMFA) and Azerbaijan Risk Professionals Association (ARPA) will be important partners in identifying and addressing constraints to agribusiness lending.
- **Educational Institutions**, specifically those focusing on agriculture and agribusiness, will play a crucial role in disseminating and institutionalizing the curricula and training programs developed by PSA. PSA will work closely with the Azerbaijan State Agrarian University (ASAU) and is also exploring opportunities with Azerbaijan Technologies University (ATU), the Tourism Institute, and Lankaran State University (LSU).
- **Private Agribusinesses** can serve key roles not only as project beneficiaries, but also as partners in development. These relationships and partners are wide ranging, and the network will grow and develop over the course of implementation. For example, Agrokimya, an input supplier, is poised to offer not only inputs but also demonstrations and technical expertise to clients and could be a useful partner to pilot the Farm Service Center model. Large processors and exporters seek assistance to grow and develop their supplier base through improved contracting and agronomic assistance for growers.
- **Trade and Investment** can be fostered through work with the American Chamber of Commerce in Azerbaijan (AmCham) as well as the U.S.-Azerbaijan Chamber of Commerce (USACC), both of which are already working with PSA on other activities, such as the U.S. agricultural forums.

PSA will work with its existing and potential private-sector partners in order to leverage one another's resources in support of joint activities to further the project's mission. Where possible, PSA will utilize its staff expertise and limited matching funding contributions to help make possible or scale up the implementation of activities such as the Food Safety Workshop on Food Additives and the International Fruit and Vegetable Juice Producers Forum, both of which were sponsored by private-sector players such as Coca-Cola during PSA's startup period. PSA has worked with Coca-Cola and Ferrero to develop partnerships and plan joint activities, which are detailed here. At the same time, PSA will actively explore opportunities to pursue more extensive and longer-term private sector engagement with players such as Trécé, John Deere, and other U.S. firms.

Coca-Cola

Collaboration between PSA and Coca-Cola already began in the fall of 2019. Below are outlined several activities implemented to date, three more that the enumerated parties are committed to implementing during PSA PY1, as well as four additional concepts (marked "TBD") that will be further examined during PY1 for possible implementation during this or the following project year. An MOU will be drafted to outline and formalize this collaboration.

- **Regional Tourism Trainings**: PSA, Coca-Cola, and APS will organize tourism trainings in the regions to increase awareness on hospitality and budgeting of rural people including farmers, women and youth. Anticipated trainings will be conducted 6 days per month from February-April 2020 by foreign trainers who are official representatives of Pearson, a U.S.-based learning and training center, for APS and PSA's farmers. Coca-Cola, APS, and PSA will all contribute to the costs of these trainings.
- **Conference on sustainable management of water resources in agriculture**: PSA and Coca-Cola, in partnership with the Ministry of Agriculture, Ministry of Ecology, Azersun, and IDEA NGO, plan to organize a conference on sustainable management of water resources in agriculture, in processing and at the municipal level. Water resources have become for a big problem for Azerbaijan in recent years. Government and the private sector have started seriously thinking about how to solve these problems, starting with a platform through which stakeholders can share information and discuss good water use practices. The planned conference would include three major panels focused on water management for agriculture, processing, and municipal use, aimed at formulating an action plan for addressing these problems.
- **Demonstration project on waste management and recycling of packing materials**: PSA, Coca-Cola the Ministry of Ecology, and Azersun plan to establish a demonstration project on waste management and recycling of packing materials. This project aims to collect waste in designated places and Azersun will recycle the packing materials as a demonstration of best practices for other industry producers.

- Assessment of sustainable management of water resources: PSA, Coca-Cola and Ministry of Agriculture and Ministry of Ecology plan to bring STTA for assessment and recommendations on sustainable management of water resources: TBD
- Joint food safety trainings for SMEs: PSA and Coca-Cola plan to conduct joint food safety trainings for SMEs: TBD
- Public awareness-raising activities on food safety: PSA and Coca-Cola plan to conduct public awareness-raising activities on food safety for consumers: TBD
- PSA, Coca-Cola and the Ministry of Youth and Sport plan to conduct a Youth Entrepreneurship Program particularly start up for young entrepreneurs: TBD

Ferrero

As mentioned above, PSA is holding discussions with the world leader of confectionary products Ferrero. Up to date, the organizations have outlined eight points of potential collaborations, stated below:

- Training of trainers: In the previous program PSA focused on developing capacity of mainly two horticulture agronomists located in the Zagatala and Khachmaz regions respectively. These agronomists also delivered grower training and managed the project's demo plots in their regions. Going forward, PSA is planning to attract a larger number of agronomists and especially select graduating students and alumni of the agrarian university (ASAU) to provide technical training and build up their practical knowledge base and skills. PSA proposes to organize a group of 6-8 young professionals to undergo a year-round training on the various agricultural practices at the Ferrero's training premises in Georgia or Azerbaijan. Having graduated from this annual program and successfully passing through all the training modules, the agronomists would be given certificates and facilitated to function as independent consultants, extension agents and trainers in their respective regions/cities.
- Adaptation and translation of the Ferrero hazelnut cultivating videos and airing them to a wider audience through internet, social media and possibly TV channels in Azerbaijan to communicate the message of the best agricultural practices throughout the country more effectively.
- Memorandum of Understanding: PSA proposes to attract a large hazelnut production company in Azerbaijan and sign a tripartite MOU to use the resources of each party to promote grower training. The local company will provide its' training premises and relevant resources and help collect the audience, PSA will make the local agronomists available to deliver the training and Ferrero will provide experts to oversee the training and field days to perform hands-on training.
- Joint development and delivery of training programs together with Azerbaijan State Agrarian University (ASAU) and the regional DAIM (State Agricultural Development Agency) centers, industry associations, and cooperatives for delivery to local agronomists and growers, as well as senior ASAU students and graduates. We would use Ferrero training materials, ideally together with agricultural machinery, equipment and tools. In addition to curriculum development, this could entail capacity building and enhancing the organizational functionality of the regional DAIM centers, industry associations, cooperatives, and educational institutions.
- Nursery Establishment: PSA proposes to establish hazelnut nurseries in the regions to promote the propagation of the best-performing varieties. There is a real need in making quality seedlings available to the greater number of farmers. Moreover, there is a need to establish a proper labeling and certification of the seedlings to ensure predictable results and best ROI for growers.
- Demonstration Plots: Use and adaptation of existing USAID demo plots and new hazelnut orchards as knowledge-sharing platforms to apply and display Ferrero's best agronomic practices. PSA could participate in establishing new demo areas together with Ferrero, as well as contribute toward the purchase of agricultural machinery and equipment (or use of equipment already purchased in Zagatala by USAID) needed for modern management of the demo fields. Special events and field days could be organized with participation of regional growers and ASAU students to provide hands-on interactive training.
- Study Tours for Exporters: Organize study tours and trade missions for Azerbaijani exporters to Italy to improve exporting practices, enhance the understanding of relevant standards, quality and volumes, especially in the face of rising aflatoxin and other quality issues. Establish working relationships with all the main stakeholders in the sector.
- Provision of Information Services: through mobile applications (such as development of an SMS-based notification platform) to growers on the required seasonal agricultural interventions as well as to the processors and exporters regarding the exporting expectation of Ferrero and general export promotion to the EU.

Having received these eight points of suggested collaboration from PSA, Ferrero decided to travel to Azerbaijan and visit completed projects under ASAP to gain a better understanding of the level of technical interventions and training performed in the value chain. In mid-January, PSA hosted a Ferrero expert in Gakh and Zagatala and showed him the Project’s demo plots, a nursery, agricultural machinery center, training room in the association building and a community-owned drying and storing operation.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Cross-Cutting													
Private Sector Engagement													
Coca-Cola: Sign MOU on future collaboration													
Coca-Cola: Regional Tourism Trainings													
Coca-Cola: Conference on Sustainable Water Management													
Coca-Cola: Demonstration Project on Waste Management and Packaging Material Recycling													
Ferrero: Sign MOU on future collaboration													
Ferrero: Joint Hazelnut Training													
Ferrero: Dubbing, adaptation of hazelnut videos													

2. Women’s and Youth Economic Participation

Guided by USAID’s documentation on integrating gender and youth in development, PSA will develop its approach to gender and youth⁷ integration and economic empowerment. Wherever possible, activities will be incorporated into activities under all the objectives, and not implemented as stand-alone activities. Gender-responsive design of program activities, combined with capacity building on gender and agribusiness development for PSA staff, will help to ensure integration of activities.

PSA has met with the Azerbaijani Women in Agriculture (AFAQ), the program acting under Azerbaijan Procurement and Supply program of Ministry of Agriculture. AFAQ’s strategy consists from 3 directions: 1. Technical Assistance, 2. Trainings and 3. Establishment of women farmers groups. AFAQ closely works with the Rural Women Association and PSA also will intervene with the required technical assistance and expertise on agricultural development. Depended on need, PSA will also provide demonstration plot and TTF support for specific activities (i.e. persimmon pre-processing in community level, homemade pomegranate products (juice, *narsharab*) production and etc.). Specific activities include:

- Collaboration with Azerbaijani Women in Agriculture (AFAQ): Identifying opportunities for cooperation with AFAQ, a new initiative of APS to assist women farmers;
 - Identifying opportunities for cooperation with AMAL project (see subsequent bullet in this list) funded and implemented by AKIA and FAO including: Training for shortlisted youth on cultivation, irrigation and IPM
 - Small grants for shortlisted young entrepreneurs
 - Organizing summers schools for youth for developing agricultural skills and knowledge
 - Organization of study tour to Turkey for learning of all stages of production, post-harvest handling, processing for selected commodities;

⁷ Youth refers to young people up through the age of 30.

- PSA and AMAL are planning to make its representatives in the regions who will be operating as a volunteer. The project also intends to establish Agrarian fields and demonstration plots for youth. The main objective of the project is to facilitate the access of women to the sales markets, forming women entrepreneurs in the field of agriculture, increasing their knowledge in marketing and sales, creating small production facilities and greenhouses for women. Coordinating outreach mechanisms through the Azerbaijani Rural Woman's Association to engage more women in PSA activities. The Association has representation in 17 rural regions where it brings women agricultural producers together to jointly engage in production and/or postharvest activities. PSA will provide group trainings and TA to the farmer groups, as well as consider supporting technology improvements through TTFs for purchasing small-scale agricultural machinery or drying equipment, for example, or other assistance;
- **Rural Women's Association:** PSA may support women's groups through the Rural Women's Association that are engaged in fruit drying and fruit and vegetable production to access technical assistance and potential capacity-building TTF support;
- **Gender-Responsive Budgeting:** In collaboration with GoAJ agencies, especially under Objective 3, modeling and encouraging gender-responsive budgeting and asserting the value of policies that actively address inequality in women's economic engagement;
- **Azerbaijani Youth in Agriculture (AMAL):** PSA will identify opportunities for cooperation with Azerbaijani Youth in Agriculture, a new initiative of AKIA to assist youth. A pilot project of the activity will select 200 young people to receive training and other assistance in 10 districts. The first stage of the project will organize workshops on generating business ideas, agriculture and innovation, developing business plans, and development of financial models for future entrepreneurs. PSA may contribute to the training program in the areas of agriculture and innovation and access to finance, as well as consider for TTF support participating entrepreneurs who have already started up their businesses and seek to expand them;
- **PSA Internship Program:** Engaging students from agricultural universities as interns in the PSA office and with agronomist trainers to provide practical, on-the-job experience in business and agriculture;
 - Provide students in cooperating universities with opportunities for field trips to visit PSA-assisted agribusinesses; and
 - Help PSA-assisted agribusinesses to engage agricultural students as interns.
- **Agtech Events for Youth:** Innoland, a local acceleration and incubation center established under ASAN Service, has reached out to PSA with funding proposals to support youth entrepreneurship and the use of AI in agriculture. The project, called Sup.VC, was founded in 2014 and is an intensive acceleration program that helps startups grow in Azerbaijan and expand to international markets. There are two events that Sup has proposed to support. The first, Agtech Hackathon, is planned to be organized in Ganja. This three-day event is a competition, which is open to students, researchers, entrepreneurs, associations, companies, developers, job seekers, designers and domain experts. Agtech Ganja Hackathon is planning to support 50 entrepreneurship-minded young individuals to develop, discuss, and finetune their business proposals. If PSA decides to support this initiative, the Project will help the students with the most promising ideas to connect with PSA beneficiaries who are leaders in their industries and also MBOs and other organizations for future collaboration. The second event is a five-day workshop which will be organized in Ganja to educate participants about new technological trends in agriculture, such as precision agriculture, use of robotics and AI in the sector, and vertical farming in controlled environments. If PSA decides to become a co-sponsor of this event, the Project will benefit from identification of U.S. companies that would be interested in attending the event and sharing information on their product portfolios. This event could generate a great deal of interest and become a good platform for networking. PSA plans to meet with the management of the acceleration center and learn more about participation at the events and hold more detailed discussions to inform decisions on whether and how to support these initiatives.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Cross-Cutting													
Women's and Youth Economic Participation													
Identify ways to cooperate with other government and donor gender and youth programs (i.e., AFAQ)													
Identify and assess capacity of women's and youth agribusiness organizations													

State Tourism Agency	<ul style="list-style-type: none"> Identify areas for cooperation in the development of agritourism Capacity assessment and support, if requested
Azerbaijan Tourism Board	
Center for Economic Reforms Analysis and Communication (CAERC)	<ul style="list-style-type: none"> Jointly develop MOU and action plan to support reform agenda related to M&E systems Jointly develop MOU and action plan to support reform agenda related to capacity building for internal staff, accredited laboratories and external assessors.
Azerbaijan Accreditation Center (AzAK)	

3. Donor and Host-Country Coordination

PSA understands the benefits of cooperating with other USAID and donor programs. Contributing ideas and resources to other development efforts and receiving them in return results in a higher and broader impact of all programs. In the first quarter of PYI, PSA will meet with relevant donors and programs with the intent to identify joint activities that enhance the efforts of both parties. While PSA anticipates work with a wide array of donor and host-country programs, the following have already been identified as having high potential for cooperation based on mutual interests and goals, and PSA will work to identify areas for coordination and joint activities, as appropriate.

Agency <i>(those in Italics are anticipated, but not launched)</i>	PSA Activities and Relationship
Azerbaijani Women in Agriculture (AFAQ)	A program of the APS company, PSA will identify ways to cooperate with AFAQ to enhance women's economic participation
German Corporation for International Cooperation (GIZ)	Their tourism project has been extended and they will focus on German and Jewish heritage, among other areas, as well as regional efforts with Georgia. Discussions on collaboration with PSA are ongoing.
International Finance Corporation (IFC)	Learn from IFC's introduction of cash-flow based lending tools to enhance agribusiness access to finance
USAID Economic Development, Governance, and Enterprise Growth (EDGE) Activity	EDGE aims to create inclusive, sustainable economic growth and support intra-regional development. In initial discussions with EDGE management, tourism was identified as a possible area for cooperation
Technical Assistance Project for the implementation of the Support to Rural and Regional Development	Seeks avenues of diversification of the economy through support to economic development of at least five selected agricultural-food value chains; tomato, honey, grapes and wine/juice, persimmon and pomegranate. PSA will access information in the prioritization and mapping of value chains, and seek to collaborate where value chains overlap
EU-funded, Entrepreneurship Development Foundation (EDF)-implemented project "Support to Small Business Development in Azerbaijan"	Identify opportunities for joint investment projects
USAID-funded Association Development Project	Not released yet, PSA will seek to coordinate with this activity depending on the selection of associations.

In addition, PSA will develop relationships with bilateral and multilateral donors to identify current and upcoming programs that may offer opportunities for synergies and cooperation, such as the International Organization for Migration (IOM), United Nations Development Programme (UNDP), European Bank for Reconstruction and Development (EBRD) and its Azerbaijan Agricultural Finance Facility (AZAFF), European Union (EU), Food and Agriculture Organization (FAO), Swiss State Secretariat for Economic Affairs (SECO), Swiss Development Cooperation (SDC), World Bank (WB), and Asian Development Bank (ADB).

4. Flexibility in Implementation

PSA has been designed to be flexible in implementation. As any private sector-based activity, interventions will be responsive to changes in market conditions as well as the business environment, reacting to minimize adverse effects and take advantage of new opportunities. Due to the focus on exports and trade linkages, administrative and political barriers to trade will be of particular importance to the success of the project, and the PSA staff will keep abreast of new developments in trade and work with public and private sector counterparts to react and adapt.

5. Sustainability and Resiliency

PSA is also designed to be sustainable and resilient, and to build resilient systems with its beneficiaries. Key aspects of this resiliency include environmental management and mitigation measures for agricultural production, development of financial instruments to offset the inherent risks of agribusiness, and improved organizational development and strategic planning for all beneficiaries to increase their ability to react and adapt to the changing business climate.

Project Management

1. Operations, Facilities, and Equipment

PSA is fully operational with all accounts, systems, and procedures procured and updated. The project office in Baku has been operational since the first day of the contract, using the facilities previously housing USAID/ASAP as detailed in the Start-Up and Preliminary Work Plan submitted on October 18, 2019. CNFA has obtained full registration of a branch in Azerbaijan as of July 17, 2019, and will now also register the PSA project, a process which is anticipated to take up to six months.

2. Staffing

PSA will be implemented with 16 technical and administrative staff, plus support personnel (including one full-time and several on-demand drivers). As described in the Start-Up Work Plan, personnel were initially engaged on consulting agreements, but staff will be transitioned to employment agreements upon legal registration of the PSA project. The updated project organizational chart is included as Annex 5.

One local position remains to be filled, the Business Environment Improvement Manager, which is currently in the process of selection and anticipated to be in place by February 15, 2020.

Iliia Kvitaishvili served as acting DCOP during PSA start-up through December 8, 2019. Recruitment continues for a permanent PSA DCOP, with plans to fill this position by the end of January 2020.

PSA is on schedule to engage three interns in the first year, each for an estimated minimum 80-day period, who will assist agronomist trainers seasonally and/or provide assistance to project staff in the Baku office.

STTA in PY1 will include the following assignments and will be more fully developed as needs are identified through the value-chain prioritization and gap analysis as well as through the agritourism assessment. Currently anticipated STTA assignments include:

Assignment	Implementing Partner	Anticipated Timeframe
Value-Chain Prioritization & Gap Analysis	SEEDDEV	November 2019 – January 2020
Agritourism and Ecotourism Assessment	CNFA	January – February 2020
PERSUAP Update	CNFA	January – February 2020
Harmonization of Azerbaijani legislation with Codex Alimentarius	CNFA	TBD
Scoping Assignment for Oklahoma State University-ASAU Collaboration	CNFA	April 2020
Establishment of Intensive or Semi-intensive Stone Fruit Demonstration Plots at ASAU	CNFA	February 2020
M&E Expert (CAERC M&E Capacity Enhancement)	Nathan Associates	March-September 2020 (extended effort on part-time basis, likely to continue in Y2)
Software Expert (CAERC M&E Capacity Enhancement)	Nathan Associates	September 2020 (could be HCN)
Computable General Equilibrium Expert (CAERC M&E Capacity Enhancement)	Nathan Associates	September 2020 (possibly October)
Expert for SMB Agency (ToR to be determined)	Nathan Associates	September 2020 (funding permitting)

Expert for AKIA (ToR to be determined)	Nathan Associates	April/May 2020 (funding permitting)
National Tourism Agency (ToR to be determined)	Nathan Associates	April/May 2020 (funding permitting)

PSA Staff will be encouraged to refresh and update their technical expertise through participation in training and study tours, as appropriate, both by accompanying beneficiaries and as participants. In addition, a cadre of PSA technical staff will travel to Georgia to visit Farm Service Centers and Machinery Service Centers established there by previous USAID projects, and will study these models to modify and pilot them in Azerbaijan under PSA. This trip is planned for Month 7 to allow time for modification and adoption of the Farm Service Center model, as appropriate, in Azerbaijan.

3. International Subcontracting

To support the implementation of PSA, CNFA will utilize the expertise of several international subcontractors to execute activities in their areas of expertise.

CNFA immediately executed a subcontract with **Nathan Associates** on September 18, who will provide leadership under Objective 3, where they will establish a responsive, flexible mechanism for supporting the Government of Azerbaijan (GoAJ) with its Economic Reform Agenda as well as supporting the GoAJ in the streamlining and operationalization of regulations governing MSMEs in Azerbaijan. Ms. Zeynep Akalin, a development economist, will lead PSA Objective 3 and was deployed to Azerbaijan on October 22nd.

WCC International was initially subcontracted under a limited agreement to organize field visits for the leadership of Azerbaijan’s SMB with analogous organizations in New York City, as well as to organize the First Oklahoma-Azerbaijan Agricultural Forum in early November. Now that these two activities have been completed, PSA will execute a longer-term subcontract with WCC for subsequent activities.

PSA has also contracted **SEEDDEV** under a limited subcontract to conduct an Agricultural Value-Chain Prioritization and Gap Assessment (which is currently ongoing).

4. Grant Management

To support activities under Objective 1, PSA has a grant fund of \$2 million that will be used to finance grants to a variety of non-state entities, including private enterprises, cooperatives, and associations. The cumulative value of all grants issued under this activity will not exceed \$2 million, with individual grants not exceeding \$100,000 without express CO approval. PSA expects to administer an estimated 30 grants within this ceiling. The technical use of grant funds was described above starting on page 34.

PSA submitted a tailored PSA Grants Manual to USAID, as required, within 60 days of the award. It includes procedures and guidelines for financial, administrative, and technical management and controls for solicitation development and grantee selection criteria and guidelines. All Grants Under Contract (GUC) will be administered in compliance with ADS 302.3.4.13 and ADS 302.3.5.6.

Grants will be In-Kind. Under this grant type, PSA will conduct all procurement for commodities and services required in the grant budget, and reimbursement will not be provided directly to the grantee with the possible exception of minor costs that will be reimbursed to the grantee based upon receipts, as specified in the grant agreement and approved budget. The use of an in-kind grant allows the activity to be implemented with a local organization in the lead, while significantly minimizing the risk to PSA and USAID.

Candidates for both types of grants will be identified through other Objective 1 and Objective 2 activities, and grant projects will be developed jointly by the potential grantee organization and PSA staff. Regardless of the type of grant, grant applications will undergo a rigorous vetting process to ensure that they are financially viable, environmentally compliant, and have the potential to contribute to the growth and development of one of the targeted PSA value chains. After careful analysis and development of the grant project, it will be submitted to the Grant Selection Committee for review and approval, as outlined in the Grants Manual.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Project Management													
Grant Management													
Grants Manual developed and submitted*			60 d										
Grant Program launched													
First grant awarded													
Grant project implementation													

5. Monitoring and Reporting

The Performance Monitoring Plan (PMP) is included in Annex 3 with PYI and LOP targets. PSA will update USAID regularly on its planned and completed activities, via the following mechanisms in PYI:

- **Weekly Reports:** these concise reports will provide USAID with timely information on implementation, highlight accomplishments, and raise points for discussion, as required.
- **Start-Up and Preliminary Work Plan:** already submitted on October 18, 2019, this document outlined the key tasks required to make the project fully operational.
- **PYI Work Plan:** to be completed in the first 90 days, this outlines the proposed activities for the first year, together with timeline, budget, anticipated progress towards achieving outputs, and information on how activities will be integrated with other implementing partner and GoAJ activities.
- **Quarterly Progress Reports:** these will report PSA performance and results against the approved work plan and identify constraints and recommended remedial actions as required. These will include GIS Reporting Data.
- **MEL Plan and Data:** to be separately submitted to USAID on January 21, 2020, this will include a list of indicators with detailed descriptions, clearly defined targets, baseline information, data quality assessment plans, performance indicator reference sheets, and a learning plan. In addition, the MEL Plan and Data includes an activity-level log frame that demonstrates PSA's connection to the Accountable and Resilient Systems Development Objective of the Mission and a brief description of the linkages between outputs and expected results. Within 30 days of MEL Plan approval, PSA will conduct a baseline survey that will establish baseline numbers for all relevant indicators – and within 60 days will complete a public perceptions survey, which PSA proposed to be conducted in collaboration with the SMB Agency. At present, PSA has received neither feedback from SMB as to its interest in such a public perceptions survey nor commitment from the Agency to contribute to this effort, but upon Work Plan and MEL Plan approval will commence discussions with SMB. Based on the outcome of these discussions and in line with USAID's subsequent guidance, PSA will choose a course of action.
- **Quarterly Project Reviews (QPR):** starting in the second half of PYI, the MEL and Communications Manager will facilitate QPRs with the COP, DCOP, and technical staff under all three program objectives. These QPRs have the objective of assessing project progress and delivery against targets for adaptive learning, informed decision-making, and communication of project results and achievements.
- **PY2 Annual Work Plan:** this document will be submitted no later than 30 days before the end of the USG fiscal year, and in addition to all the items in the year one work plan, will also highlight the first year's accomplishments, problems, and progress towards achieving contract outputs.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Project Management													
Monitoring and Reporting													
Weekly Updates*													
Start Up and Preliminary Work Plan*		30d											
Grants Manual			60d										
PYI Annual Work Plan*				90 d									
MEL Plan and Data*					120 d								

Quarterly Reports (with GIS Reporting Data)*				85 d									
Quarterly Project Reviews													
PY2 Annual Work Plan*													

6. Environmental Compliance

The PSA will design, implement, and monitor all activities in compliance with USAID and Azerbaijan environmental regulations and adhere to all 22 CFR 216 requirements and will act in accordance with USAID’s Automated Directives System (ADS) Parts 201.5.10g and 204. PSA will ensure that all the activities comply with the USAID’s Initial Environmental Examination (IEE), including but not limited to the mandatory inclusion of requirements in solicitations, awards, budgets and work plans, initial screening of proposed activities against the limitations, and monitoring and reporting.

In implementing activities, PSA will identify potential environmental impacts through an Environmental Impact Assessment (EIA) and categorize each project as:

- Categorical Exclusion (no further environmental review required).
- Negative Determination with Conditions (the most likely category for activities). This will require development of an ERC and EMP for each activity. Details on environmental compliance in the grant process are found in the *PSA Grants Manual*.
- Activities falling under other environmental risk classification categories will not be considered.

Under USAID ASAP, a PERSUAP was approved by USAID in November 2017, and PSA will bring in an STTA to update the PERSUAP for this project during PY1.

PSA shall report on environmental compliance requirements as part of its routine project reporting to USAID.

	Sept (18-30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Project Management													
Environmental Compliance													
Update PERSUAP													
Adapt ERC and EMMP templates for PSA use													
Conduct EIA and develop ERC and EMMP documentation for each new project/activity													
Routinely report on environmental compliance activities in all reporting to USAID													

7. Public Information and Outreach

The third International Hazelnut, Walnut, and Chestnut Festival was held in Zagatala on September 28, 2019 to promote the economic, cultural and tourism potential of Zagatala district. PSA had a stand at which it exhibited hazelnut production manuals. PSA also supported AHPEA with the design, development and procurement of an association stand, and AHPEA displayed tractors, air-blast sprayers, and flail mowers recently purchased with USAID ASAP TTF assistance. This served to promote PSA to beneficiaries and AHPEA to potential members.

PSA’s Communications and Outreach activities will focus on effectively telling the USAID story, disseminating accomplishments and raising awareness. PSA will actively coordinate with the USAID/Azerbaijan’s Outreach and Communications Specialist to integrate events and messaging into the Mission’s broader communications strategy and to leverage their outreach channels for broad information dissemination. Communications and Outreach activities will be designed to further the goals of each program activity by attracting participants and disseminating information to program beneficiaries through a variety of media. Engaging stakeholders and building

awareness of the project in PYI will set the stage for deepening outreach and promotion of results in future years.

PSA's outreach message to the beneficiary audience will be:

- Power of partnerships with USAID to connect with skilled agricultural and food safety professionals to gain knowledge, skills, linkages you need and have access to proper audience to share your own.
- Stay current by expanding your knowledge, promoting best practices and expertise, growing your connections to save time, money and resources, and to help grow and build more solid value chains in Azerbaijan's agriculture.

PSA will provide timely responses to press inquiries, draft press releases for all public events organized or co-organized by the Project, organize press conferences, and prepare press interviews and talking points for the press briefings as required, under USAID Azerbaijan's supervision. During the year, PSA will develop four video success stories and examples of PSA's activities to be shared mainly through USAID's Facebook page and through the YouTube channel to be developed. Considering changing reading habits in society, cost effectiveness, and environmental impact, PSA will prioritize maintaining an active presence on digital platforms. The video materials to be developed will generally be filmed internally, though they may require some basic outsourced editing. In addition, PSA will explore potential collaboration with ASAU's student television on developing some video materials. Taking into account bloggers' public influence and participation in more informal and interactive communications, PSA will consider trying to engage them when appropriate. For example, the blogger Vafa Ali (@vafa_ali), who blogs on lifestyle, family issues and women empowerment, cooperates with the Ministry of Agriculture, including APS and FAO. She regularly posts on APS-organized activities such as trade fairs, and the "From Village to City" retail outlets, and promotes AFAQ project and female involvement in agriculture. The utilization of bloggers to broaden PSA outreach could add particular value to Project efforts to connect with women and youth, as well as to promote PSA's agritourism activities.

The Project will also organize and co-organize several major events during the year. These events will provide wider audience among the stakeholders and other target audiences to promote the USAID's presence in Azerbaijan's agriculture. The expected events which might involve the media coverage, together with the responsible PSA activity manager, are listed below:

- Sustainable Management of Water Resources in Agriculture Conference, organized by PSA, Coca-Cola, Ministry of Agriculture, Ministry of Ecology, Azersun holding and IDEA (Fuad Aghayev);
- Demonstration Project on Waste Management and Recycling of Packing Materials – organized by PSA, Coca-Cola, Ministry of Ecology and Azersun (Fuad Aghayev);
- Impact of Climate Change to Agriculture Conference – organized by PSA and HH Group/Azerbaijan Farmers Union (Elvin Aghayev); and
- Intensive Orchard Management Conference – organized by PSA and ASAU in spring 2020 (Elvin Aghayev).

After each event, the Project will monitor broadcast and social media covers of project activities to share with USAID after each relevant event, as well as to include summaries of the volume of press coverage generated in quarterly reporting.

PSA will develop updates on key achievements for USAID's internal newsletter and posts for USAID Azerbaijan's Facebook page.

The Project's collaboration with the local and regional TV channels would be mainly in broadcasting the video materials on best modern technologies and practices in agriculture. For this matter, the PSA will hold negotiations with Ictimai, ARB and ATV TV channels, along with collaborating with the TV channel of the State Agrarian University to develop video materials on the best agricultural technologies and practices. In case of agreement for collaboration, the TV channels might be involved not only in broadcasting the video materials, but also would provide support in filming the materials, while PSA would provide the expertise in agriculture.

	Sept (18- 30)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Project Management													
Public Information and Outreach													
PSA Participation in local trade fairs and festivals													
Public information campaign													
Press releases and success stories													
Periodic short videos to highlight PSA accomplishments													

Annex 1: Project Year I Budget

Submitted as a separate document in Excel format.

Annex 2: Work Plan Gantt Chart

Submitted as a separate document in Excel format.

Annex 3: Performance Monitoring Plan (Results Framework)

Attached

Annex 4: Updated Organizational Chart

Attached

Annex 3: USAID PSA Performance Monitoring Plan (Results Framework)

#	Indicator	Type of Indicator	Definition	Rationale	Data Source	Collection Frequency	Targets						
							Baseline	Y1	Y2	Y3	Y4	Y5	Total
1.	<p>Dollar value of cost-share leveraged from grant recipient organizations</p> <p><i>Unit of Measure: USD</i> <i>Disaggregated By: product and value chain</i></p> <p>(Measures contract deliverable #1)</p>	Custom, Outcome	<p>The value of contributions invested by grantees selected by PSA for direct support. Grants will be designated as either technology transfer investments or capacity building grants. Technology transfer investments will be financed by PSA at a 1:3 ratio. Capacity building grants will be provided to strategically important organizations and will require a reduced matching investment ratio or no matching investment at all. All grants will be in-kind grants, and may provide commodities and/or services. The value of cost-share will be counted at the time of commitment by the grantee, but will be revised later, if necessary, upon grant closeout.</p>	<p>This indicator measures the monetary value of the project's success in leveraging client investment in technological innovations and adoption of improved technologies by growers, processors, and other value chain actors supported by the project.</p>	Grant agreements	Quarterly	0	0.5	1.9	2.3	1.7	0.6	\$7 mill
2.	Percentage increase in value of agricultural exports to markets in Europe, Middle East, and Asia	Custom, Outcome	<p>This indicator will measure the percent change in value of exports of PSA-targeted products to Europe, the Middle East, and Asia. Exports should be counted against the baseline of existing</p>	<p>This indicator measures the project's success in enhancing the export sales competitiveness of farmers and other value chain actors</p>	Survey of enterprises directly assisted by PSA conducted by direct interview	Annually	TBD	2%	8%	10%	8%	2%	30%

	(contract deliverable #2) <i>Unit of Measure:</i> USD <i>Disaggregated By:</i> product and value chain		export levels from the previous year. This value will be measured for enterprises directly assisted by PSA, by measuring their total sales and taking the proportion of sales that are to the target export markets. Targeted value chain commodities counted for this indicator include berries, hazelnuts, orchard crops, perishable vegetables, and pomegranates/persimmons.	supported by the project.										
3.	Percentage increase in quantity of Private Sector Activity-targeted farm products exported <i>Unit of Measure:</i> Metric Tons <i>Disaggregated By:</i> product and value chain	Custom, Outcome	This indicator will measure the percent increase in quantity of exports of PSA-targeted products to Europe, Middle East, and Asia. Exports will be counted against the baseline of existing export levels from the baseline year. This value will be measured for enterprises directly assisted by PSA by measuring their total sales during the reporting year and taking the proportion of sales that are to the target export markets. The increased quantity would be calculated by comparing the total quantity exported during the reporting year against the total quantity exported of the year before. Targeted value chain commodities counted for this indicator include	The increase in sales is expected to result from increased productivity through better access to practices, technology, and finance and improved market linkages particularly to export markets, as a result of activities to directly assist enterprises under Objective 1, supported by the results from Objectives 2 and 3.	Annual Survey of Assisted Enterprises	Annually	TBD	5%	6%	7%	7%	5%	30%	

			berries, hazelnuts, orchard crops, perishable vegetables, and pomegranates/persimmons											
4.	Percentage increase in sales by assisted enterprises <i>Unit of Measure:</i> USD <i>Disaggregated By:</i> product and value chain (contract deliverable #3)	Custom, Outcome	The change in value of overall sales of targeted agricultural commodities by production enterprises, processors and other value chain actors assisted by the project. Targeted value chain commodities counted for this indicator include berries, hazelnuts, orchard crops, perishable vegetables, and pomegranates/persimmons	The increase in overall sales is expected to result from increased productivity and quality through better access to practices, technology, and finance and improved market linkages particularly to export markets, as a result of activities to directly assist enterprises under Objective 1, supported by the results from Objectives 2 and 3.	Annual Survey of Assisted Enterprises	Annually	TBD	4%	14%	16%	12%	10%	56%	
5.	Increase in sales of beneficiary households engaged in targeted sectors <i>Unit of Measure:</i> USD <i>Disaggregated By:</i> gender (contract deliverable #4)	Custom, Outcome	This indicator relates to PSA contract deliverable #4, Improved rural livelihoods in targeted region. Improvement in rural livelihoods will be measured through increase in sales as a result of the Activity's interventions in targeted commodities and among farmers who have applied improved practices. Improved practices include practices supported by PSA that are adopted by the farmer. Increase in sales will be measured among households directly receiving USG assistance	The activities implemented under Objective 1, PSA will lead to at least 30,000 farmers using improved agronomy or business practices, thus increasing their sales and improving their livelihood through Objective 1: More Diversified Non-Oil economy.	Sample survey of activity participant activity records	Annually	TBD	4%	14%	16%	12%	4%	50%	

			during the reporting year.										
6.	Value of U.S. exports to Azerbaijan in targeted sectors <i>Unit of Measure:</i> USD <i>Disaggregated By:</i> None (measures contract deliverable #5)	Custom, Outcome	This indicator measures the value of exports from the US to Azerbaijan that are purchased to improve practices and technologies to increase productivity. The value of business linkages is the value of exports, including academic linkages from the U.S. to Azerbaijan.	PSA aims to strengthen the commercial presence of U.S. agricultural companies and educational institutions in Azerbaijan and help them to introduce or expand their sales in the country.	Signed agreement, beneficiary company's report to PSA	Annually	0	\$2M	\$6M	\$6M	\$5M	\$2M	\$21 million
7.	Number of new PSA-facilitated business deals between U.S. and Azerbaijani companies <i>Unit of Measure:</i> number <i>Disaggregated By:</i> None	Custom, Output	This indicator measures the number of business linkages finalized between Azerbaijani and U.S. companies purchased to improve practices and technologies to increase productivity. A linkage will be counted once per agreement signed between the organizations or when a sale takes place between the two parties.	PSA aims to strengthen the commercial presence of U.S. agricultural companies in Azerbaijan and help them to introduce or expand their sales in the country.	Signed agreement, beneficiary company's report to PSA	Quarterly	0	1	3	3	3	0	10
8.	Number of individuals in the agricultural system who have applied improved management practices or technologies with USG assistance (contract deliverable #6) <i>Unit of Measure:</i> Number <i>Disaggregated By:</i> value chain actor type, sex, age, management practice or technology type, commodity.	F indicator (EG.3.2-24) Outcome	This indicator measures the total number of agricultural system actors participating in the USG-funded activity who have applied improved management practices and/or technologies promoted by the USG anywhere within the food and agricultural system during the reporting year. This indicator counts farmers reached directly by PSA and those reached by PSA-assisted agricultural dealers, associations, and other partners through an	Improved management practices and technological change and adoption by different actors throughout the agricultural system will be critical to increasing agricultural productivity and supporting stronger and better functioning systems	Sample survey of activity participants, activity records	Annually	0	2,000	8,000	10,000	7,000	2,000	29,000

			intentional facilitative approach.										
9.	<p>Value of agriculture-related financing accessed as a result of USG assistance (contract deliverable #7)</p> <p><i>Unit of Measure:</i> Value <i>Disaggregated By:</i> Type of financing accessed, type of debt, size, sex, age</p>	F indicator (EG.3.2-27) Output	<p>This indicator sums the total U.S. dollar value of debt (both cash and in-kind loans) and non-debt financing, such as equity financing, disbursed during the reporting year as a result of USG-assistance to producers (individual farmers, fishers, cooperatives, etc.), input suppliers, transporters, processors, MSMEs, and larger enterprises that are in a targeted agricultural value chain and are participating in a USG-funded activity. USG assistance may consist of technical assistance, insurance coverage, guarantee provision, or other capacity-building and market-strengthening activities to producers, organizations and enterprises. The indicator counts the value of non-debt financing and both cash and non-cash lending disbursed to the participant, not financing merely committed (e.g., loans in process, but not yet available to the participant).</p>	<p>This indicator measures the monetary value of the project's success in building awareness of opportunities for technological innovation and encouraging investment in and adoption of improved technologies by growers, processors, and other value chain actors supported by the project.</p>	Interview of activity participants	Annually	0	\$0.4M	\$1.4M	\$1.6M	\$1.2M	\$0.5M	\$5.1 million
10.	<p>Number of business loans to private sector facilitated under the activity</p> <p><i>Unit of Measure:</i> number</p>	Custom, Output	<p>To be counted, agribusinesses must have received USG assistance which resulted in a loan from any financial institution, formal or informal, commercial banks, or informal lenders, as well as from</p>	<p>The lack of access to financial capital is frequently cited as a major impediment to the development of agribusinesses, thus helping agribusinesses</p>	Interview of beneficiaries by PSA Access to Finance Specialist	Annually	0	2	6	7	5	2	22

	<i>Disaggregated By:</i> none		in-kind lenders of equipment (e.g., tractors/plows) or other agricultural inputs (e.g., fertilizer seeds), or transport, with repayment in cash or in kind. The business loan will be counted when the loan is disbursed to the individual. This indicator counts the number of loans disbursed under EG 3.2-27, Value of agriculture-related financing accessed as a result of USG assistance.	access finance is likely to increase investment and the value of output. This will directly contribute to the expansion of markets, increased agricultural productivity, and the reduction of poverty.										
11.	Number of new jobs created in PSA-targeted regions <i>Unit of Measure:</i> number of jobs <i>Disaggregated By:</i> age, gender	Custom, Outcome	The indicator measures new jobs created by firms who are direct beneficiaries of PSA assistance, which means they are either reached directly by PSA or by PSA-assisted agricultural dealers, associations, and other partners through an intentional facilitative approach. For firms, it is projected that each firm receiving a grant for catalytic technology transfer will generate full time jobs. On farm, we project seasonal jobs, which will be translated into full-time equivalent jobs and reported. One FTE equals 260 days (excluding weekends) or 12 months. Thus, a job that lasts 4 months will be counted as 1/3 FTE and a job that lasts for 130 days (excluding weekends) should be counted as 1/2 FTE. Number of hours	The development of commercial agriculture and agribusinesses in Azerbaijan would increase firm competitiveness and lead to job creation both on-farm and off-farm through Objective 1. This is a direct measure of improved livelihoods, as it measures creation of employment and related income.	Annual Survey of Assisted Enterprises	Annually	0	30	30	30	30	30	150	

			worked per day or per week is not restricted as work hours may vary greatly.										
12.	Percent increase in revenue as a result of provision of agritourism services introduced or improved with USG assistance <i>Unit of Measure:</i> percentage <i>Disaggregated By:</i> none	Custom, Outcome	To be counted, agribusinesses must have received USG assistance in establishing or developing agritourism activities within their operation resulting in increased revenue. The agribusinesses' revenue only from agritourism activities that occurred during the reporting year would be compared against the revenue earned the year before .	Diversification in the farm operation would serve to increase revenue within the agricultural sector.	Annual survey of direct beneficiaries involved in this activity	Annually	0%	0%	5%	10%	20%	10%	45%
13.	Number of food safety and quality standards or practices adopted <i>Unit of Measure:</i> number of elements of standards or practices <i>Disaggregated By:</i> type of standard or practice	Custom, Output	Total number of key elements of food safety and quality standards adopted. The adoption of key elements of any of the following standards or practices is counted: a) Water control and monitoring programs b) Raw product receipt and storage programs c) Pest and chemical solution control programs d) Personal hygiene and sanitary programs e) Manufacturing equipment programs Adoption indicates that the enterprises is implementing the practice continuously in their business.	This indicator measures the project's success in assisting beneficiary firms to make progress toward meeting selected international standards and practices, which are of fundamental importance for ensuring quality and exporting to modern markets.	PSA Staff Members, Training/Service Provider direct observation and reporting	Quarterly	0	15	30	30	30	15	120
14.	Number of firms receiving USG assistance that have obtained certification	F indicator (EG.2.2-2)	Firms can be formal or informal. If multiple owners, managers or workers in a single firm	Internationally recognized certification of product standards	Certificates from	Quarterly		0	3	4	4	2	13

	<p>from (an) international quality control institution(s) in meeting minimum product standards</p> <p><i>Unit of Measure:</i> number <i>Disaggregated By:</i> none</p>	Outcome	<p>receive technical assistance over the reporting period, the reporting operating unit should count that as one benefiting firm for the reporting period. In the narrative accompanying this indicator, OUs should specify the certification(s) they are reporting on. Types of certifications expected through the PSA project may include ISO 2200, HACCP, Organic and etc.</p>	<p>should increase firms' export revenues and sources, thereby increasing broad-based economic growth in the host country</p>	certified firms								
15.	<p>Number of days from USAID agreement to the Scope of Work to placement of on-demand-driven technical services</p>	Custom, Output	<p>This indicator will measure the average number of calendar days between the time an approved Scope of Work is posted by PSA and the time a technical advisor is selected and placed. "Placed" means that the technical service provider has been selected by the PSA team and signed their contract. The average number of days will be calculated based on the time to place number of technical service providers placed during the reporting year.</p>	<p>Placing technical services within 21 days of posting the SOW reflects that PSA is highly responsive to demand</p>	Signed agreements between technical service provider and PSA	Quarterly	0	21	21	21	21	21	21
16.	<p>Number of annual deployments of technical advisors</p> <p><i>Unit of Measure:</i> number of deployments <i>Disaggregated By:</i> sex, technical areas of intervention</p>	Custom, Output	<p>This indicator will measure deployments completed during the reporting year, defined as a demand-driven international short-term technical assistance assignment. Deployments need to be completed and deliverables submitted in order to count towards</p>	<p>Fielding qualified technical advisors reflects that PSA is highly responsive to demand</p>	STTA trip reports	Quarterly	0	4	4	4	4	0	16

			this indicator.										
17.	Number of economic administrative barriers removed for MSMEs <i>Unit of Measure:</i> number <i>Disaggregated By:</i> none (measures contract deliverable #8)	Custom, Output	This indicator measures the removal of administrative barriers for MSMEs through assistance to the SMB and facilitation of public-private dialogue between private sector and GoAJ agencies.	Removal of the economic administrative barriers would serve to improve the ease of access, and equitable access, to government programs.	Partner reports or key informant interviews	Quarterly	0	0	2	4	2	2	10 barriers
18.	Number of economic reforms implemented through assisted agencies (contract deliverable #9) <i>Unit of Measure:</i> number <i>Disaggregated By:</i> none	Custom, Output	This indicator counts the number of economic reforms that are implemented during the reporting year as a result of PSA interventions. Economic reforms implemented must be by USG-supported GoAJ agencies that support the private sector under Objective 3.	Economic reforms would serve to increasing the economic efficiency and opening up the economy to competition	Partner reports or key informant interviews	Quarterly	0	0	1	2	1	1	5 economic reforms
19.	Number of facilitated exchanges between/by business associations, MSMEs, and the GoAJ <i>Unit of Measure:</i> number <i>Disaggregated By:</i> none	Custom, Output	The activities should count each instance of Public-Private Dialogue where business associations, MSMEs and GoAJ would be brought together for improved discussion and collaboration towards improving policies and laws related to MSMEs during the reporting year. The exchanges must be organized or facilitated by PSA and relate to PSA-specific interventions in order to be counted under this indicator.	Public-Private Dialogue would facilitate the improvement of the ease of access, and equitable access to government programs	Meeting Minutes	Quarterly	0	5	5	5	5	5	25

20.	Ratio of number of recommendations provided to GoAJ reformers responsible for improvements in business enabling environment to number of technical and policy recommendations implemented by the GoAJ <i>Unit of Measure:</i> percentage <i>Disaggregated By:</i> none	Custom, Outcome	This measures the percent of recommendations adopted by GoAJ out of the total number of recommendations made.	Economic reforms would serve to increase the economic efficiency and open up of the economy to competition	Partner reports or key informant interviews	Annual	0	15%	20%	25%	30%	35%	25%
21.	Number of new legislative acts improving the business environment <i>Unit of Measure:</i> number <i>Disaggregated By:</i> none	Custom, Output	This measures the number of legislative acts improving the business environment facilitated by the USG.	Economic reforms would serve to increase economic efficiency and open up the economy to competition	Partner reports or key informant interviews	Quarterly	0	0	1	1	1	1	4

Annex 4: Updated Organizational Chart

USAID Private Sector Activity (PSA)

