



**USAID**  
FROM THE AMERICAN PEOPLE

Private Sector Competitiveness  
Enhancement Program

# PRIVATE SECTOR COMPETITIVENESS ENHANCEMENT PROGRAM

**WORK PLAN  
OCTOBER 2009 - DECEMBER 2010**

**30 November 2009**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

# PRIVATE SECTOR COMPETITIVENESS ENHANCEMENT PROGRAM

**WORK PLAN  
OCTOBER 2009 - DECEMBER 2010**

**Contract No. AID-112-C-08-00002**

# CONTENTS

<b>I. Introduction</b> .....	<b>1</b>
<b>II. Managing For Results</b> .....	<b>2</b>
A. Transformation .....	2
A1. Promotion of the Value Chain Concept .....	2
A2. Introduction and Dissemination of Management and Technical Practices or Technologies .....	2
A3. Life of Business Appropriate Finance and Investment Instruments ....	3
A4. Promotion of Sectoral Cohesiveness and Associative Development ..	3
A5. Promotion of Demand-Pull over Supply-Push Strategies .....	3
A6. Improved Business Environment .....	4
B. Budgeting for Results .....	4
C. Staffing for Results .....	5
D. Communicating Results .....	6
E. Collaboration and Cooperation .....	7
<b>III. Sectoral Work Plans</b> .....	<b>10</b>
A. Access to Finance .....	11
A1. Commercial Bank Lending in Year 2 .....	11
A2. Equity Investment .....	13
A3. Subordinated Debt / Mezzanine Financing Activities .....	13
A4. Development Credit Authority .....	13
B. Poultry .....	15
C. Dairy .....	17
D. Aquaculture .....	18
E. Fruits and Vegetables .....	20
E1. Greenhouse .....	21
E2. Cold Chain and Warehousing .....	22
E3. Processed Fruit and Vegetable .....	22
F. Cross-Cutting Sectoral Activities .....	25
F1. Food Safety .....	25
F2. Packaging .....	26
G. Information Communication Technology (ICT) .....	27
<b>IV. Competitiveness Innovation Fund (CIF)</b> .....	<b>30</b>
A. Competitiveness Innovation Grant Fund (CIGF) .....	30
B. Global Development Alliances (GDA) .....	30
<b>VI. Performance Monitoring</b> .....	<b>34</b>
A. Monitoring, Evaluation, Analysis, and Communication Overview .....	34
B. PSCEP M&E Objectives .....	34
C. Types of Indicators .....	35
<b>Annex A: BDS Sustainability Plan Template</b> .....	<b>42</b>



## I. INTRODUCTION

Chemonics International is pleased to present the final year work plan for the USAID Private Sector Competitiveness Enhancement Program (PSCEP). This document provides a road map for each sector and subsectors to show how, when, and by whom project activities will be executed and contract targets met in the period from October 2009 to December 2010.

This work plan reflects several tenets of our approach that are integral to the described program activities.

*Leveraging capital, know-how, and human resources* to effect transformational change and sustainability is central to all activities. The project will focus on leveraging strategic activities—specifically in terms of finance, global development alliance (GDA) work, and cross-cutting and intra-sectoral interventions where USAID resources can be the catalyst in bringing to bear much greater resources.

*Building on and further developing key institutional relationships with project stakeholders.* In Year 1, PSCEP created the foundation for relationships with (1) governmental institutions such as the Ministry of Economic Development (MOED) and Regional Executive Committees which provide buy-in to project objectives from the Government of Azerbaijan (GOAJ); (2) a broad base of local financial institutions such as the Azerbaijan Investment Company (AIC), the Caspian International Investment Company (CIIC), and six local banks which will facilitate investment lending in Year 2; (3) other USAID and donor programs with whom the project coordinates activities, pools resources, and creates synergies to expand sector development; (4) international private sector companies such as Microsoft, Adobe, Cisco in the effort to promote growth in the critical ICT sector; and (5) developing sectoral associative relationships by which to promote sustainability of project results in the long-term.

*Achieving contract targets by which to measure progress.* Chemonics shares USAID's sense of unique opportunity at a time when the Government of Azerbaijan (GOAJ) and the private sector are investing major resources in the country's economy. Similarly, we share a common urgency about delivering results based on contract indicators. Throughout the work plan we show how our planned activities will meet the contract indicator targets.

## II. MANAGING FOR RESULTS

### A. Transformation

USAID's Private Sector Competitiveness Enhancement Program (PSCEP) is designed to transform non-oil sectors of the Azerbaijan Economy and, in-so-doing, create sustainable drivers of sales, jobs and investment that will diversify the economy of Azerbaijan and limit dependence on the energy sector. Seventeen key indicators have been designed to measure the transformative effect of PSCEP. Year one results have been substantial in many respects, yet even with significant evidence of impact and a defined means of measurement the vision of the project embodied by this word –transformation–remains a subjective measurement.

#### trans·for·ma·tion

##### Origin:

1400–50; late ME < LL  
*trānsfōrmātiōn-* (s. of  
*trānsfōrmātiō*) change of shape.  
See TRANS-, FORMATION

##### –noun

1. change in form, appearance, nature, or character.

To be clear about the PSCEP vision of transformation as it pertains to our program, the following list and explanation of six forms of transformation that USAID's PSCEP project is engaged in, have been included below:

#### A1. Promotion of the Value Chain Concept

PSCEP follows a value chain methodology within which sectors and subsectors are broken down into components such as inputs, production, processing, distribution and marketing. These designations chart the change in value of a product as value is added through different activities. The value chain concept is also a systemic view of business interactions which underscores the relationships between transactional actors. During year one PSCEP mapped the value chains of targeted sectors and through technical assistance and stakeholder participation added value to multiple products. While that value is measurable financially, these interventions also broaden perspectives and alter the way value chain participants think about each other, perceiving them as partners in a “win-win” situation rather than as competitors or “rogues and scoundrels.”

#### A2. Introduction and Dissemination of Management and Technical Practices or Technologies

When new practices or technical innovations alleviate critical sector wide constraints the basic structure and possibilities of the sector are altered and enhanced. An improved cold-chain and post-harvest handling system changes and expands seasonal marketing patterns for a wide swath of the fruit and vegetable industry, moving from a low-priced bulk-harvest sale industry to one where high priced market periods and markets can be reached. The project's IT sector component, focusing on expansion of IT capacity and utilization, will modernize and significantly improve the competitiveness of the country's private sector, eventually bringing it up to the information technology standards of its

immediate competitors. And improvements in basic management practices like recordkeeping, cost accounting and planning make possible the correct calculation of product cost, profitability, opportunity costs and long-term investment decisions, thus broadening and deepening business' planning horizon.

### **A3. Life of Business Appropriate Finance and Investment Instruments**

Sourcing financing in favorable times is a problem for many firms; and in the aftermath of the global financial crisis, access to capital has become even more challenging. Many businesses limp by on small amounts of retained earnings and sporadic financial help from personal resources. The limited types of bank debt financing available in Azerbaijan have been mainly for specific short-term requirements. These coupled with the uncertainty of financing from personal resources and almost complete lack of intermediate and long-term financing results in businesses being forced to adopt a quick return short-term view. During year one of activities in Azerbaijan, PSCEP moved quickly to improve longer term equity investment, introduce a wider range of appropriate short-term lending, augment medium-term lending for capital equipment through leasing facilities, and foster the adoption of cost-cutting and more efficient business options to increase cash and earnings retained in the business for working capital and capital investment requirements. These financing mechanisms enable a shift from a short-term to a long-term “ongoing” business perspective, allowing an expansion of current operations as well as a longer planning horizon for capital investment, wider markets and longer-term risks.

### **A4. Promotion of Sectoral Cohesiveness and Associative Development**

A corollary of the PSCEP's value chain efforts is the promotion of sectoral cohesiveness changing the “win-lose” mentality to a “win-win” one. One pervasive aspect of the business environment of Azerbaijan is the pronounced suspicion of cooperative or associative structures at the enterprise level. While the origins of this trait of the business environment in Azerbaijan may have a historical basis, the resulting mistrust between enterprises truncates sectoral growth in the present by inhibiting market information and the synergies enabled through collaborative effort. Through the development of associative relationships, the enhancement of collaboration and the facilitation of transactions which also promote market efficiency within the sector, PSCEP activities are serving as a catalyst for cohesion and enhanced sector performance.

### **A5. Promotion of Demand-Pull over Supply-Push Strategies**

In a developed market, supply is based on given demand in the form of verbal or written contracts. This is referred to as demand-pull. In developing markets, supply is often generated with the expectation of demand but without substantial cues evident in the market place. Often the results are unsold products or products sold below cost. Businesses employing this supply-push strategy quickly run into major difficulties and do not survive for long. PSCEP sectoral interventions will promote market demand strategy through development of comprehensive market reports, training local BDS and associative entities to gather, use and disseminate market information to their clients, and by developing websites to share market information on production, processing and

market trends. By providing timely market information PSCEP aims to change the line of sight that an enterprise has of these demand cues, allowing them to better determine what to sell, when to sell and at what price, buy inputs in more cost effective ways, earn increased profits, expand operations, and invest for the future.

#### **A6. Improved Business Environment**

Improving the business environment can change the paradigm of a sector or subsector entirely. For instance, collaborating with the TIRSP project to reform existing leasing regulations would alter the tax profile of leasing and change the overall access to equipment in the country. The PSCEP GDA anti-piracy program in the ICT sector by enhancing demand for legitimate software will increase the quantity and quality of options made available by software providers. And working with TIRSP on the implementation of sanitary and phytosanitary recommendations can serve as a catalyst to opening new markets and altering the food safety profile of the country.

#### **B. Budgeting for Results**

In Year 1, the project at the request of USAID has burned through 49 percent of the 3-year obligation. The reasons for this burn rate include: higher than anticipated costs across the board, considerably more reliance on STTA to implement project assistance, and compliance with USAID requests for accelerated and extended use of STTA in the first year. The average rate of expenditures for the last four months has been \$350,000 or more per month, almost double the straight-line average of \$183,000 per month originally estimated for the 3 year LOP. Judicious use and leveraging of the remaining resources and strong collaboration with TIRSP and other donor projects is required to achieve contract targets by the close of the project in December 2010.

- PSCEP will expand collaboration with other projects to maximize existing synergies and extend limited resources:
  - PSCEP and TIRSP – will cooperate to the extent possible in areas where the project objectives and activities overlap, specifically in promotion of finance and investment, international standards and certification, export and international trade, and business enabling environment training. In these areas the two projects will coordinate and share STTA to the extent possible to maximize the use of budget resources and programmatic impact. Furthermore, as sister projects, PSCEP and TIRSP will collaborate on back-office and administrative assignments from the Home Office. Chiefs of party for both projects will meet on a weekly basis to facilitate a smooth working environment and budget maximization for both projects.
  - PSCEP and EU TACIS – cooperation in development of AIC/CIIC where EU training funds can be leveraged for capacity building to enhance the number of equity investment deals finalized. Further cooperation to introduce Subordinated Debt/Mezzanine financing through local investment companies and financial institutions.
  - PSCEP and the Private Sector – where possible, such as under the GDA process and grants facility, PSCEP will maximize resource leveraging from



the private sector to expand program activities (above the 1:1 matching requirement) to create ownership of programs and drive sustainability and cooperation that will last beyond the term of the project.

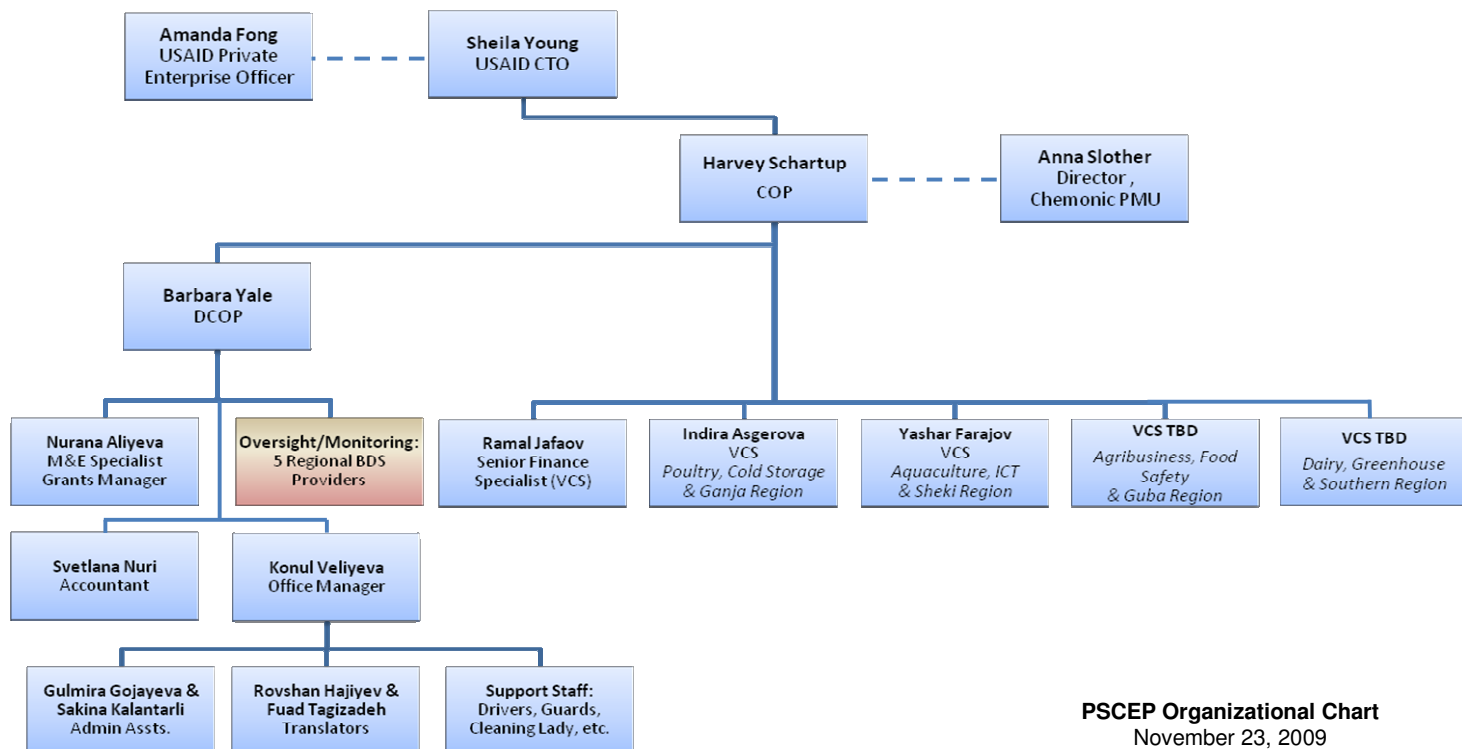
- PSECEP will build on existing support structures, like AIM, to expand services to targeted sectors and subsectors.
- PSCEP will rationalize the use of costly expatriate STTA:
  - Weigh the costs of expatriate STTA assignments against progress toward meeting contract indicator targets.
  - Shorten in-country expatriate STTA assignments by including limited home-country time for email and telephone follow-ups directly with targeted beneficiaries or through PSCEP technical staff.
  - Lodge expatriate STTA consultants in the project rented apartments to stretch budgets available for technical assignments.
  - Identify and contract local consultants to carryout suitable short-term assignments.
  - Develop a working relationship with local universities to contract staff as short-term consultants and initiate an intern (junior professional) program for selected graduates for less technically intensive but needed assignments.
  - All STTA assignments will include delivery of assistance, training, or workshops to relevant associations, stakeholder groups, and BDS providers to maximize technology transfer.
- PSCEP will renegotiate its contracts with the BDS providers to reduce the cost on our budget.
- PSCEP will require increased contributions from the private and public beneficiaries to cover the costs of technical interventions.
- PSCEP will lessen staff travel time and costs by seeking to fill vacant technical positions with staff located in targeted geographic regions.

### **C. Staffing for Results**

Early in Year 2, PSCEP will make changes in key personnel including the Chief of Party and Deputy Chief of Party. Chemonics will manage the smoothest transition possible to ensure that project momentum is not affected. Below is a revised organizational chart for the staff of PSCEP.

As a client-focused organization, our team will work under, and respond to, USAID guidance. Chief of Party, Harvey Schartup will provide overall program leadership. Specifically, he will manage and be responsible for the key institutional relationships. This primarily includes USAID, but also the MOED (under USAID direction), AIC, CIIC, and the partner banks. He will also directly manage financial and value chain specialists.

**Figure 1. PSCEP Revised Organizational Chart**



Deputy Chief of Party Matthew Weber will be returning to Chemonics Home Office in December and will be replaced by Senior Advisor, Barbara Yale who will oversee the monitoring and evaluation and reporting and communications for the project. She will also be responsible for the administrative and operational management of the office. Furthermore, she will manage the relationships and capacity building of the regional BDS providers.

The transition in project management and new USAID leadership offers a unique opportunity to re-align the project, focus actions to best use the remaining budget allocation to achieve the project targets by the end of year 2.

**D. Communicating Results**

In accordance with contract deliverables, PSCEP regularly provides quarterly and monthly reports to USAID which describe ongoing and planned activities. PSCEP has a branding and marketing strategy to disseminate information beyond USAID to key local stakeholders in a more effective manner. PSCEP will use local media, with USAID’s

approval, to disseminate information to broader audiences on the PSCEP program activities, including sectoral transformation, and short- and long-term technical assistance.. PSCEP will follow a policy of non-disclosure keeping client company information confidential and focusing on the broader sectoral transformation occurring in Azerbaijan.

## **E. Collaboration and Cooperation**

Since the beginning of the project, PSCEP has collaborated with other USAID programs, various international donor organizations, local counterparts and GOAJ institutions to better leverage funds and promote synergies across economic development projects across the country and to enhance competitiveness of the private sector in Azerbaijan.

Cooperation with Partner USAID Programs: In Year 1, there were three additional economic development programs in the USAID portfolio – Bearing Point’s Public Sector Financing Project, Bank World’s Financial Sector Support Program (FSSP), and Chemonics’ sister program Trade and Investment Reform Support Program (TIRSP), from which PSCEP gained knowledge and equipment at start-up.

- **FSSP:** In developing the financial sector component, PSCEP worked closely with FSSP to ensure that activities did not overlap with ongoing FSSP programs, and at the request of USAID, a number of the FSSP partner banks were also included in PSCEP’s pilot trade finance program. PSCEP, FSSP and USAID will meet at least monthly to share information on financial institutions and project activities in the financial sector.
- **TIRSP:** Additionally, TIRSP’s work on the economic enabling environment in Azerbaijan and WTO accession discussions is highly relevant to the technical and sector level work targeted by PSCEP. In Year 2, PSCEP will also expand cooperation, especially under Component 3 of the TIRSP project, in areas of cost/benefit analysis modeling, documentary lending and leasing.
- **USAID D&G Group:** PSCEP has also provided the ground work for a GDA grant with the Ministry of Education, which will be implemented in year 2 by the Democracy and Governance Group of USAID.
- **USDA:** PSCEP will investigate opportunities to work with USDA in areas of technical, training, and grant assistance to the Azerbaijan Agro Information Center (AIM) in development of a feed testing lab and training of lab technicians and agriculture extension agents to mitigate a key constraint (nutrition) for livestock enterprises—including PSCEP work in the dairy, poultry and aquaculture sectors—across Azerbaijan.

International Donor Organizations: There are a number of international donor organizations in Azerbaijan working in the areas of economic sector reform and business development environment. The OSCE currently chairs the group of donors active in SME/Business Development programs, to which both PSCEP and TIRSP belong.

- **EU TACIS:** PSCEP has a close working relationship with the EU TACIS “Support for the Improvement of the Investment and Export Climate in Azerbaijan” program in building investment capacity in Azerbaijan through coordination of technical assistance to AIC and CIIC. In Year 2, PSCEP and EU TACIS will expand this relationship to co-host a workshop to introduce the tools and tenets of subordinated debt, and then work with AIC and interested banks to develop subordinated debt into a financial product, by developing templates, pro-forma contract documents, etc.
- **International Financial Institutions:** PSCEP also coordinates with the **EBRD and the IFC** – specifically with their Corporate Governance Project and the Azerbaijan Business Enabling Environment Project. In Year 2, cooperation with the IFC will expand to include an introduction and an expansion of leasing mechanisms in Azerbaijan. PSCEP will also look for greater collaboration with the EBRD BAS program and other resources to leverage greater financing for PSCEP’s selected sectors and BDS providers.
- **GTZ:** PSCEP has also coordinated efforts with the German Technical Cooperation (GTZ) group, specifically regarding efforts in the southern region of Lankaran, where the group has been working in conjunction with LBC in certain sectors – specifically tea and furniture. PSCEP contracts a BDS provider from a joint LBC/Azerbaijan Agribusiness Center (AAC) team and benefits from using joint office space and pre-established contacts in the region.

#### Azerbaijani Governmental Institutions:

- **Key Ministries:** As mentioned above, the **Ministry of Economic Development (MOED)** is a key stakeholder in the PSCEP program. While this relationship is managed by USAID, PSCEP meets with Zaur Gasimov, the head of **Entrepreneurship Development Policy Department**, on a regular basis to keep them informed of program activities. As a large portion of the PSCEP program is agribusiness based, the **Ministry of Agriculture (MOAG)** is also a key counterpart. Additionally, the **Ministry of Education (MOE)** and the **Ministry of Information Communication Technology (MICT)** will both be involved in ICT GDA alliances in 2010. Given PSCEP activities in five regions of Azerbaijan, the team also meets with representatives of local **Executive Committees** on an ongoing basis.
- **Local Investment Companies:** On a more programmatic basis, PSCEP has signed MOUs and is providing technical assistance to **AIC and CIIC**, which are state-funded investment companies under the direction of the MOED. The project also has a working relationship with **AZPROMO**, the Azerbaijan Export & Investment Promotion Foundation, a joint public-private initiative of the Government of Azerbaijan. In 2009, PSCEP co-hosted two investment promotion workshops (roadshows) with AIC and AZPROMO to increase the awareness of equity investment opportunities in Azerbaijan.

- ***International Business Promotion Organizations:*** In addition to collaboration with **AZPROMO**, PSCEP cooperates with the **Azerbaijan-American Chamber of Commerce (AMCHAM)**, the **US-Azerbaijani Chamber of Commerce (USACC)**, and the **German-Azerbaijan Economic Forum (DAWF)**, by exchanging study results and providing company contacts for visiting delegations.

Azerbaijan Non-Governmental Counterparts: PSCEP will soon sign an MOU with Ganja State Agrarian University. In Guba, PSCEP will investigate opportunities to work with the Guba Scientific Research Center to develop fruit testing capabilities so they can assist regional producers and cold storage facilities. Similarly, PSCEP will investigate opportunities to assist the Azerbaijan Information Center (AIM) in the central regions of Azerbaijan to develop a feed-testing lab to improve the quality and reduce the cost of feed sources for the poultry, dairy, and aquaculture sectors. Further, PSCEP has been working with UMID a local NGO, which has been awarded a \$500,000 USAID-funded Development Grant, to improve the dairy sector – using the experience gained by PSCEP during the first year of implementation.

### III. SECTORAL WORK PLANS

PSCEP will work in six sectors and at least eight subsectors. “Sectors” will be broad categories, with most project resources focused at the subsector level. The sector selection process was described in Chemonics’ proposal and originally based on existing reports and data from USAID projects, other donors, and government statistics, as well as market intelligence gathered during two visits to Azerbaijan. During implementation the sector selection was moderately revised based on discussions with USAID, information gained from action plan development, DRC results, and ongoing analysis in the field. For Year 2, as outlined in the table below, PSCEP proposes a more logical and efficient organization to show the interlinking between the sectors and subsectors and to better capture the project’s full scope of work.

**Table 1. Sector and Subsectors Selection**

<b>FY2009 – WP</b>	<b>Current – Allocation</b>
<b>Finance</b>	<b>Finance</b> <ul style="list-style-type: none"> <li>• Commercial Bank Lending</li> <li>• Equity Investment</li> <li>• Subordinated Debt</li> </ul>
<b>Oil-sector Manufacturing Support Services</b> <ul style="list-style-type: none"> <li>• Catering &amp; food service</li> <li>• Maintenance, Repair and Operations (MRO)</li> </ul>	<b>Poultry</b> <ul style="list-style-type: none"> <li>• Broilers</li> <li>• Eggs</li> </ul>
<b>Logistics and Business Support</b> <ul style="list-style-type: none"> <li>• Food Retail</li> <li>• Warehousing/Logistics/ Cold Chain</li> <li>• Free / Industrial Zone development</li> </ul>	<b>Dairy</b> (including collaboration with UMID)
<b>Light Manufacturing</b> <ul style="list-style-type: none"> <li>• Packaging materials</li> <li>• Furniture</li> <li>• Construction finishes</li> <li>• Textiles &amp; carpets</li> </ul>	<b>Aquaculture</b> (including breeding activities for trout and carp)
<b>Agribusiness</b> <ul style="list-style-type: none"> <li>• Fruit &amp; Vegetables: <ul style="list-style-type: none"> <li>- fresh</li> <li>- processed</li> </ul> </li> <li>• Animal Products: <ul style="list-style-type: none"> <li>- dairy</li> <li>- poultry</li> <li>- processed meat</li> </ul> </li> </ul>	<b>Fruits and Vegetables</b> <ul style="list-style-type: none"> <li>• Greenhouse</li> <li>• Cold Storage</li> <li>• Processed Fruits &amp; Nuts (including food safety and packaging activities for fruits and vegetables)</li> </ul>
<b>ICT</b> <ul style="list-style-type: none"> <li>• Software development</li> <li>• IPS and other internet</li> </ul>	<b>ICT</b> (focusing on increased access and anti-piracy activities)
<b>6 Sectors / 13 Subsectors</b>	<b>6 Sectors / 8 Subsectors</b>

This section provides an operational roadmap for the PSCEP proposed Year 2 programmatic activities by sector and subsector.

## **A. Access to Finance**

### **Overview**

In Year 2, PSCEP will work to transform access to finance for SMEs in Azerbaijan by enhancing short-, medium-, and long-term financing options; introducing new financial tools; and expanding non-bank financial opportunities for client companies. Throughout the first year, PSCEP has been working with six local banks to enhance access to short-term working capital finance and to introduce a pilot trade finance program. In Year 2, these efforts will look to expand these advances to additional banks, as well as to introduce leasing as a medium-term financial product, institutionalize short-term working capital financing (STWCF) offices in partner banks, and develop letters of credit and trade documentation if the project budget allows. PSCEP's provision of assistance to AIC and CIIC to promote the use of long-term investments will also continue.

### **Transformation**

In Year 2 of operations PSCEP will continue to transform the finance and investment sector by:

- **Introduction and Dissemination of Management and Technical Practices or Technologies**
  - Introduction of trade finance program and SME working capital loans
  - Introduction of documentary lending practices
  - Continued assistance in Equity Investment
  - Training of BDS in newly developed products and application procedures as a new fee-for service consulting product
- **Life of Business Appropriate Finance and Investment Instruments**
  - Equity promotion via AIC and CIIC
  - Commercial Bank Lending
  - Subordinated/Mezzanine Financing
  - BDS level finance promotion
- **Promotion of Sectoral Cohesiveness**
  - Institutionalizing working capital loan products across participant banks
  - Presentations to clusters of SME clients on above listed products
  - Implementation of credit grading and scoring system
- **Promotion of Demand-Pull over Supply-Push Strategies**
  - Technology transfer in technical due diligence methodologies
- **Improved Business Environment**
  - Increased access to finance for SMEs

#### **A1. Commercial Bank Lending in Year 2**

Commercial Bank lending activities for year two are divided into two sub-categories: Access to Short-Term Working Capital and Leasing as detailed below:

#### **Access to SME/Short-Term Working Capital**

In Year 2, PSCEP project activities for “Access to Short-Term Working Capital” will focus on:

1. Enhancing Access to Finance through Trade Finance and SME-Lending. *Timing: October 2009 - December 2010*

- a) The PSCEP financial team will continue to provide individualized on-the-job credit training with credit officers on actual loan proposals.
- b) PSCEP financial team will introduce new TF and other SME Working Capital loan products at the recent request of the partner banks.

2. Development of Marketing Plans. *Timing: December 2009 – February 2010.*

PSCEP will assist in developing Marketing Plans for new short-term working capital finance products in the context of a bank’s existing corporate strategic planning and marketing efforts to institutionalize these product offers.

3. Introduction of Trade Finance (TF) and SME Working Capital Products to SME customers. *Timing: December 2009 – May 2010.*

4. Additional Technical Assistance: Leasing and Letters of Credit (L/C), Letters of Guarantee (L/G) and Documentary Collections.

*Timing: Leasing—December 2009 – December 2010 (see below); L/C and L/C—TBD.*

5. Donor-Funded SME Lending Facilities. *Timing: December 2009 – September 2010.*

PSCEP will work with participating banks to help increase their SME lending facilities through access to existing IFI credit lines and loan guarantee sources, such as development credit authority.

6. Credit Grading and Scoring System. *Timing: December 2009 – February 2010.*

PSCEP financial team will incorporate the recently drafted Credit Grading and Scoring System into the partner bank’s current credit procedures

## **Year 2 Leasing Activities**

1. Development of Leasing Action Plan. *Timing: October – November 2009.*

- a) Strategic-level workshops held for each of the six PSCEP partner banks and Unileasing;
- b) Tailored TA and Training, to develop and/or refine leasing policies and procedures for partner banks and Unileasing.

2. Strategic Planning Workshops and Follow-Up. *Timing: December, 2009; January – February 2010.*

PSCEP will collaborate with legal advisors from the USAID/Trade and Investment Project, the IFC Leasing and Corporate Governance teams, and EBRD leasing experts to introduce the concepts behind leasing, lead to discussions on what is needed to develop quality leasing portfolios, and provide the understanding and tools required to enable the participating institutions to implement viable leasing initiatives.



3. Tailored Leasing Technical Assistance. *Timing: December 2009 – March 2010.*  
PSCEP's leasing expert will work with management and staff, selected banks and leasing companies to establish a solid knowledge base and skill set required to develop a strong portfolio of quality lease contracts.

## **A2. Equity Investment**

### **Overview**

In addition to access to debt financing and leasing arrangement, another critical channel through which PSCEP will promote growth, improve competitiveness and aggregate economic performance will be through the mobilization of equity financing to dynamic economic sectors and SMEs.

### **Year 2 Equity Investment Activities**

1. Technical Due-Diligence. *Timing: October 2009 – September 2010.*

In year 2, PSCEP will support CIIC and AIC with technical expertise provided by our international consultants to enhance the sector knowledge needed to accurately assess their investment opportunities.

2. Monitoring and Investment Management. *Timing: April – June 2010.*

PSCEP, in collaboration with EU TACIS will support AIC and CIIC in developing Monitoring and Investment Management Units, which allow them to better manage their current portfolio of investment and substantially add value to the portfolio of investments by ensuring that that funds were allocated to best achieve the forecasted results.

## **A3. Subordinated Debt / Mezzanine Financing Activities**

Like equity financing in Year 1, PSCEP will first introduce this new financing tool to AIC and other financial institutions, to gauge the interest of the market in this type of financing. In conjunction with the EU TACIS team, PSCEP proposes to first hold a workshop to introduce the tools and tenets of subordinated debt. The team will then engage interested partners and gain Advisory Board approval to introduce this source of financing. Then, by working with AIC or the bank, the team will develop the concept of subordinated debt into a financial product; including templates, pro-forma contract documents, etc. PSCEP will also provide training to staff on practical application of mezzanine financing; working with them on actual financing requests.

*Timing: March – April 2010.*

## **A4. Development Credit Authority**

Development Credit Authority (DCA) is a proven and effective tool that permits USAID to issue partial loan guarantees to private lenders to achieve economic development objectives. These guarantees, which cover up to 50% of defaults on loans made by private financial institutions, use the wealth that already exists in developing countries – money held in local financial institutions – to stimulate broad-based development that is truly sustainable. DCA is not a separate program but rather a financing tool to be used in

addition to or in lieu of grant funding where appropriate. In Year 2, PSCEP will look into leveraging additional financial resources for client companies and with partner banks through the use of DCA facilities in selected sectors where possible. *Timing: March – December 2010.*

### **Associative Development**

In year 2, PSCEP will continue to work with the group of six partner banks to institutionalize short-term working capital finance units in bank branches, as well as to expand year 1 successes to additional banks. Furthermore, PSCEP will work with the Azerbaijan leasing association to coordinate a strategic-level workshop to expand leasing beyond the agricultural sector by introducing financial leasing where it is not yet offered and operational leasing to target banks and leasing companies, in cooperation with TIRSP, IFC and EBRD.

### **Proposed STTA in Year 2**

In Year 2, PSCEP expects to field finance specialists:

- PSCEP SME-lending expert Richard Currie is currently scheduled for five fieldings, of approximately 2 weeks each, every two to three months to work with the partner banks to continually advance the institutionalization of short-term working capital finance and trade finance pilot program throughout year 2.
- PSCEP leasing expert John Bengel will arrive in Baku in mid-October to design the leasing component. He is scheduled to return to Azerbaijan for 2 weeks in December to begin implementation and introduction of leasing products to banks and leasing companies. In February and March, it is expected that he will return for a longer assignment to work through actual leasing deals with partner organizations.
- Should financial resources be available, PSCEP would also recruit and field two experts in Quarter three to introduce L/C, L/G and Documentary Collection programs, as well as Investment Monitoring for AIC/CIIC.
- Should financial resources be available, PSCEP will recruit an expert in DCA implementation to leverage additional loan guarantee resources.

PSCEP Year Two Sectoral Activities															
Activity/Tasks	2009			2010											
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>Sector 1: Finance</b>															
<b>A. Commercial Bank Lending</b>															
<b>A1. Short-Term Working Capital Finance</b>															
Enhancing Access to Finance	x	x	x		x			x			x		x		
Development of Marketing Plans for Trade Finance Products					x	x									
Introduction of Trade Finance and SME Working Capital Products to SME					x	x									
Additional TA: Letters of Credit, Letters of Guarantee								x	x						
Donor-Funded SME Lending Facility extension															
Credit Grading and Scoring Systems					x	x									
<b>A2. Leasing</b>															
Development of Leasing Action Plans	x	x	x		x	x	x								
Strategic Planning Workshops for leasing			x		x	x	x								
Tailored Leasing Technical Assistance			x		x	x	x								
<b>B. Equity Investment</b>															
Technical Due Diligence Training															
Monitoring and Investment Management															
<b>C. Subordinated Debt/Mezzanine Financing</b>								x	x						
<b>D. Development Credit Authority</b>								x	x						

X - STTA assignment

## B. Poultry

### Overview

In February 2009, PSCEP finalized the Poultry Action Plan which focused on five components through which to enhance the competitiveness of the poultry subsector in Azerbaijan. The components include: enhancing the Azerbaijan Poultry Society; building customized poultry business models; developing strategic plans; increasing productivity, and accessing finance. The project initially identified 13 poultry companies across Azerbaijan with which collaboration was possible. This was later narrowed, with the help of poultry expert Dr. Tom Fattori, to first target seven companies where technical assistance would provide the greatest impact: Davachi Broiler, OZ-AK, Samukh Broiler, Ganja Meat-Milk, ASR Goy-Gol, Imishli Broiler, ASENA Co. An additional two companies- Jalilabad Broiler and Garagashli Broiler - may be added to the client list in early 2010.

### Transformation

In Year 2 of operations PSCEP will continue to transform the poultry industry in Azerbaijan by:

- **Introduction and Dissemination of Management and Technical Practices or Technologies**
  - Feed testing and guidance on feed formulation

- **Life of Business Appropriate Finance and Investment Instruments**
  - Financial Modeling and risk assessment tools
- **Promotion of Sectoral Cohesiveness:**
  - Development of Poultry Association

## **Year 2 Poultry Activities**

In Year 2, PSCEP project activities for transforming the poultry sector will focus on:

a) Improving Quality of Feed Formulation. *Timing: January – April 2010*

PSCEP will investigate opportunities to assist the Azerbaijan Information Center (AIM) in the central regions of Azerbaijan to develop a feed-testing lab to improve the quality and reduce the cost of feed sources for the poultry, dairy, and aquaculture sectors.

Actions would include:

- a) Identification of most applicable assistance mechanism: USDA, grant, and/or possible collaboration with other donors;
- b) Identification and purchase of needed lab equipment;
- c) Training for AIM lab staff on feed formulation and analysis; and
- d) Training the AIM lab staff how to use the new lab equipment.

2. Access to Feed and Processing Equipment. *Timing: October - December 2009*

3. Strengthening Associative Relationships. *Timing: January – December 2010*

4. Enhancing Broiler-Breeder Production. *Timing: October 2009 – December 2010*  
(in accordance with the Ownership Transition Plan developed with the partners)

5. Access to Finance. *Timing: October 2009 – December 2010.*

- a) Large scale equity finance and assistance to investment companies:
  - AIC finance for Shamkir broiler ~ \$35-40 million
  - CIIC finance for Imishili broiler ~ \$5-6 million
  - OZ-AK/Davachi finance ~ \$2.5 to 3.5 million
- b) Accessing finance – small and medium scale debt finance.
  - Facilitating access to finance jointly with BDS
  - Business modeling and financial planning
  - Provision of loan officer technical advisory services.

## **Associative Development**

The Azerbaijan Poultry Society is a formal association which unites 29 companies for the purpose of lobbying the government on behalf of both the table egg and chicken meat producers in Azerbaijan. However, at present the association does not receive enough support to maintain an active presence or provide results to the members. By enhancing the capacity of this association to meet the strategic needs of the sector and its members, with access to consumer preferences information, regulatory information, and manuals/risk models for technical production and sanitary standards, PSCEP will help develop a sustainable associative entity.

## Proposed STTA in Year 2

PSCEP expects to field 2 poultry experts in year 2 to advance implementation of the poultry action plan:

- Dr. Tom Fattori will be fielded for a period of 4 weeks in October/November 2009 and again in January/February 2010 to work with AIC and CIIC on investment deals, with OZ-AK and Davachi on the transition plan, with additional poultry firms on business modeling, and to develop the poultry feed grant proposal with AIM.
- An additional technical specialist in the design and construction of slaughtering line equipment is also being recruited for a possible June assignment.

PSCEP Year Two Sectoral Activities															
Activity/Tasks	2009			2010											
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>Sector 2: Poultry (Tom Fattori, Access to Finance)</b>															
Improving Quality of Feed Formulation				x	x	x									
Feed Lab Development				x					x						
Strengthening Associative Relationships				x	x	x									
Enhancing Broiler-Breeder Production				x											
Access to Finance				x	x	x									

X - STTA assignment

## C. Dairy

### Overview

Based in the Southern region of Azerbaijan during Year One and moving into the Central and Western region in Year Two, PSCEP's Dairy sector strategy is regional in emphasis and hinges upon close partnership with large scale dairy processors through which PSCEP is able to aggregate producers (112 at present) in order to enhance feed regimens and milking hygiene techniques. A forthcoming US\$ 500,000 USAID grants project, to be implemented by Ümid Humanitarian and Social Support Center (UMID), will initiate activities at the BDS level in the central region in collaboration with PSCEP's Ganja BDS, the Young Agrarians.

### Transformation

- **Introduction and Dissemination of Management and Technical Practices or Technologies**
  - Introduction of new milking practices
  - Introduction of new feed regimens
- **Promotion of Sectoral Cohesiveness**
  - Increased associative activity via lead processor collection centers
- **Promotion of Demand-Pull over Supply-Push Strategies**
  - Increase raw milk purchase by lead processors rather than sold door to door in rural villages

## Year 2 Dairy Activities

Year 2 Dairy sector activities will include:

1. Collaboration and transfer of activities to UMID. *Timing: October 2009-August 2010*
  - a) Meet with UMID to improve collaboration, identify shared program goals; transfer knowledge gained from PSCEP assistance in the south;
  - b) Identify and engage producers in the central region of Azerbaijan in collaboration with UMID; and
  - c) Transfer existing research and training modules to UMID.
2. Improving quality of feed formulation. *Timing: Ongoing*
3. Improving milking hygiene. *Timing: Ongoing*

## Associative Development

The principle association development mechanism for the dairy sector has been PSCEP's work through the Pal Sud collection centers to aggregate over 100 producers in order to disseminate best practices on enhanced feed regimens and hygienic milking practices. In year two these activities will be expanded to the central regions of Azerbaijan under the USAID UMID grant, and will continue in the south in so far as resources allow.

## Proposed STTA in Year 2

PSCEP will not be fielding any additional STTA in Year 2 of operations but will provide consultation and assistance to UMID to locate STTA or in identifying local consultants.

PSCEP Year Two Sectoral Activities															
Activity/Tasks	2009			2010											
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>Sector 3: Dairy</b>															
Identify and Engage producers in the Central Region of Azerbaijan in collaboration with Umid	X	X	X	X	X	X	X	X	X	X	X	X			
Transfer existing research and training modules to Umid															
Improving quality of feed formulation	X	X	X	X	X	X	X	X	X	X	X	X			
Improving milking hygiene				X	X	X	X	X	X	X	X	X			

X - Indicates STTA

## D. Aquaculture

PSCEP's aquaculture strategy consists of a four pronged approach to enhance sector competitiveness:

1. Selected demonstration farms, focused on addressing key constraints to increasing sales, increasing investment, creating jobs, and enhancing productivity;

2. Regionally and nationally focused sector level assistance, especially select multi stakeholder training opportunities that address sector-wide issues and constraints;
3. Access to investment and finance, including sustainable commercial bank lending and equity investments;
4. Firm level assistance, especially of key “anchor” enterprises;
5. Development of associative relationships.

### **Transformation**

The three primary activities of aquaculture activities for PSCEP relate to a new carp hatchery and a fish feed business that are in direct promotion of larger associative efforts, and the cooperative purchase of fish eyed eggs. These three activities have the following transformative impacts:

- **Promotion of Value Chain Concept**
  - Creation of new fish feed facility in partnership with Girkbulag in Sheki
  - Development of a carp hatchery near Zagatala
  - Explore opportunities to share information and expand aquaculture successes in regions of Ganja, Guba, and the South
- **Introduction and Dissemination of Management and Technical Practices or Technologies**
  - Fish feed facility
  - Carp hatchery
  - Trout eyed-eggs order
- **Life of Business Appropriate Finance and Investment Instruments**
  - BDS promotion of investment opportunities for aquaculture
- **Promotion of Sectoral Cohesiveness**
  - Fish Feed Facility
  - Carp Hatchery
  - Consolidated trout eyed-eggs order facilitated by BDS provider

### **Year 2 Proposed Aquaculture Activities**

1. Eyed-Trout-Egg Order. *Timing: November 2009 - December 2009.*
2. Enhancement of Fish Feed Formulation. *Timing: March 2010-May 2010.*
3. Development of Carp Hatchery. *Timing: October 2009 – June 2010.*

### **Associative Development**

PSCEP will actively continue to promote the formulation of associative bodies in the aquaculture sector in year 2 by assisting collections of fish farmers on breeding practices, hatchery operations to source local fingerlings, and enhanced nutrition and feed operations. During year 2, PSCEP will explore further opportunities to share information and expand aquaculture successes from year 1 in Sheki/Zagatala regions to fish farmers in Guba, Ganja and the South – including development of more formal regional and

national organizations, when possible, and pursuing expanded commercial ties across the regional network of fish farms.

### Proposed STTA in Year 2

PSCEP is currently recruiting a new aquaculture specialist to continue delivery of technical assistance—including assistance with trout rearing and development of a carp hatchery—as well as assisting in the further development of the budding aquaculture associative entities. An initial fielding to assist with the trout-egg delivery is currently planned for December 2009 / January 2010, with additional fieldings in March and June.

PSCEP Year Two Sectoral Activities															
Activity/Tasks	2009			2010											
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>Sector 4: Aquaculture</b>															
Eyed-Trout-Egg Order		x	x	x											
Enhancement of Fish Feed Formulation															
Development of Carp Hatchery															
Association Development															

X - Indicates STTA

## E. Fruits and Vegetables

### Overview

PSCEP’s fruit and vegetable (FV) sector strategy is to target key constraints across a variety of particular fruit and vegetable product segments and provide technical assistance to mitigate those constraints. In so doing, PSCEP will have a transformative effect on the sector as a whole. With this in mind, discrete value chain mapping studies and subsector engagement strategies were created not only in Greenhouse operations and cold storage, but also in the cross cutting sectors of packaging, and food safety. The work in these subsectors, inclusive of fresh fruit and vegetables and fruit and juice processing, forms PSCEP’s major avenues of technical assistance in this sector.

The strategy adhered to in the fruit and vegetable sector activities; across the subsectors of both fresh and processed fruits and vegetables, as well as greenhouse production is comprised of the following four pillars:

1. Regionally and nationally focused sector level assistance
2. Access to investment and finance
3. Firm level assistance to key “anchor” level enterprises
4. Development of associative relationships



## Transformation

- **Promotion of Value Chain Concept**
  - Integration of packaging and packaging standards for storage, marketing, transportation, and better product identification
- **Introduction and Dissemination of Management and Technical Practices or Technologies**
  - Cold storage management and post harvest handling techniques, and guidelines for storage of delicate products
  - Introduction of fruit drying equipment for cold storage facilities
- **Life of Business Appropriate Finance and Investment Instruments**
  - Promotion of loan applications and equity investment opportunities
- **Promotion of Sectoral Cohesiveness**
  - Creation of growers' groups, a Cold Storage association, and outgrower agreements and other buyer supplier agreements

Year 2 Fruit and Vegetable (FV) activities are comprised of programs spanning the three approved subsectors of Greenhouse, Cold Storage, Processed Fruits and Vegetables as well as the cross cutting sectors of Packaging and Food Safety. Key activities in year 2 are as follows:

### E1. Greenhouse

#### Year 2 Greenhouse Activities

Year 2 Greenhouse subsector activities include:

1. Sectoral training and technical assistance in greenhouse heating systems. *Timeline: December 2009 -February 2010.*
2. Association development. *Timeline: Ongoing.*

#### Year 2 Cross-Cutting Activities for the Greenhouse Sector

Year 2 Cross-cutting activities include:

1. Guidance on packaging, grades and standards, product storage and transport logistics. *Timeline: Ongoing.*
2. Food safety and certification sectoral training. *Timeline: November 2010-August 2010.* This activity will be implemented in conjunction with TIRSP SPS activities.
3. Enhancing access to finance and investment. *Timeline: Ongoing.*
4. Greenhouse consulting product training for BDS. *Timeline: December 2009-February 2010.*

## **E2. Cold Chain and Warehousing**

Present Anticipated Technical Assistance in the Cold Storage subsector involves five primary tasks:

1. Association development
2. Storage specifications for delicate products
3. Lab testing for cold storage fruits and vegetables
4. Preventative maintenance scheduling protocols
5. Good management practices
6. Outgrower agreements and information dissemination for producer suppliers

### **Year 2 Cold Chain Activities**

#### **1. Guidance on storage of delicate fruits.**

*Timeline: December 2009, February, July, and September 2010*

PSCEP will provide technical consultancy to provide guidance not only with relation to temperature and humidity parameters but also air-circulation, racking systems, packaging, and post harvest handling for cold storage for apples, persimmons, and grapes to extend market window, increase sales revenues, and reduce losses.

#### **2. Fruit testing equipment consultation. *Timeline: June 2010-September 2010***

This assistance goes hand in hand with grades and standards and guidance on how to identify poor harvest or packaging techniques to preserve freshness, simple tests with refractometers, fruit firmness testers, and sulfide dioxide dosimeters can have substantial impact by measuring and assuring the quality of fruit to be stored or exported.

#### **3. Leveraged Finance and Investment. *Timeline: ongoing***

In year 2, GDA specialist, Dan O'Brien will also investigate possibilities for GDA opportunities in cold storage. In addition, the development of warehouse receipts program under the finance component will play an important role in this sector, as will buyer-supplier agreements between producer, storage facilities, and/or wholesalers.

#### **4. Developing Associations. *Timeline: ongoing***

With the assistance of the Guba BDS provider, steps are being taken to establish a cold storage association among three regional cold storage firms including UN Agro, Bakuba, Rasif Mammadov, as well as a number of fruit producers.

## **E3. Processed Fruit and Vegetable**

In Year 2, outgrower agreements, fruit drying systems, and food safety certification assistance will be the primary activities of PSCEP in the processed fruit and vegetable subsector with the goal of promoting access to foreign markets and increasing domestic market sales. Market promotion will play a part in these activities and, where applicable, access to finance.

### **Year 2 Processed Fruit and Vegetable Activities**

1. Promotion of Fruit and Vegetable Outgrower Agreements. *Timeline April-Dec 2010*
2. Introduction of Fruit Drying methodologies and equipment. *Timeline: November 2009 – December 2010*
3. Identification of buyer supplier agreements. *Timeline: Ongoing*
4. Association Development. *Timeline: Ongoing*
5. Food Safety and Packaging Support. *Timeline: Ongoing as driven by given demand of lead processors*

### **Associative Development**

Across the fruit and vegetable sector associative activities are occurring. In Shemkir, west of Ganja, a nascent greenhouse growers association is forming with help from the local BDS provider. In cold storage, the Guba Marketing Center, has laid the ground work for an association of cold storage companies in partnership with the Guba Scientific Center. In Sheki and Guba, as well as southern regions like Lankaran, outgrower agreements and forward purchase contracts are bringing fruit and vegetable growers together and providing a base for their broader understanding of the market.

Through the development of best practices manuals and group trainings on cold storage management and maintenance techniques, alternative greenhouse heating systems, food safety practices and international certification regulations; as well as assistance in market identification and outgrower agreement PSCEP and PSCEP's BDS providers can expand assistance enterprise-level to the associative-level in year 2, thereby reaching a greater number of producers across Azerbaijan.

### **Short-Term Technical Assistance – Year 2**

During the second year of PSCEP assistance will transition from firm-level to associative-based assistance, emphasizing and technical interventions that can be leveraged to bring lead industry players closer together and foster a more integrated, self aware and self supporting sector will take center stage. A new consultant to provide hands-on assistance in area of cold storage management and post harvest handling is currently being recruited. Fielding dates would correspond to needs based on harvest/storage calendars for major agricultural products. In addition, a consultant to provide assistance to leading greenhouse producers on alternative heating systems will be recruited for a possible assignment in January/February.

- Greenhouse
  - Heating system consultation
  - Grower association development
- Cold Storage
  - Storage and Testing of Delicate Fruits
  - Preventative Maintenance and Good Management Practices

- Association Development
- Processed Fruit and Vegetable
  - Food safety Programs
  - Outgrower Agreements
  - Marketing Assistance

PSCEP Year Two Sectoral Activities															
Activity/Tasks	2009			2010											
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>Sector 5: Fruits and Vegetables</b>															
<b>A. Greenhouse (TA for Association and Heating Systems)</b>															
Sectoral training and technical assistance in greenhouse range heating systems					x	x									
Association development					x	x									
Guidance on packaging, grades and standards, product storage and transport															
Food safety and certification sectoral training															
Enhanced Access to Finance and Investment					x	x									
Greenhouse Consultant Product Training for BDS providers					x	x									
<b>B. Cold Storage (TA for association and storage of delicate fruits)</b>															
Association Development			x	x		x	x			x					
Storage specifications for delicate products			x	x		x	x			x					
Lab testing for cold storage fruits and vegetables										x					
Preventative maintenance scheduling protocols			x	x		x	x								
Good management practices			x	x		x	x								
Leveraged Finance and Investment			x	x		x	x								
Explore possible GDAs in Cold Storage						x	x			x	x				
<b>C. Processed Fruits and Vegetables</b>															
Outgrower agreements on behalf of Processors															
Association development for producers and processors															
Introduction of Fruit Drying methodologies and equipment															
Identification of buyer/supplier agreements															
Guidance on packaging, grades and standards, product storage and transport															
Food safety and certification sectoral training															
Explore possible GDAs in other processed fruits and vegetables							x	x		x	x				

X - STTA assignment

## **F. Cross-Cutting Sectoral Activities**

### **F1. Food Safety**

#### **Overview**

If Azerbaijan is to have competitive agricultural and processed food industries then food safety is crucial. Azerbaijani companies are well capable of penetrating value added domestic and international markets, but only if they have safety and quality procedures that meet international standards. By simply implementing a successful food safety management program, net revenues increase by roughly 10% for small to medium sized enterprises (FAO 2009), and employment increases by at least two professionals per firm.

With this in mind PSCEP activities in Food Safety are premised on improving sector capacity in food safety by:

- Investigating targeted laboratory assistance
- Collaboration with local food safety certification preparation companies
- Cooperation with the Ganja Agri-Business University
- Promote market demand for standards
- Enterprise-level assistance to lead firms needing international certification

#### **Year Two Key Food Safety Activities**

PSCEP will collaborate with TIRSP to promote food safety standards, in so far as they are demand driven and relate directly to the accomplishment of investment and export indicators. Year two activities will include:

1. Investigating development of feed-testing laboratory in Agjebbedi and/or Ganja (see poultry sector). *Timing: October 2009 – March 2010.*

2. Training and public awareness for phytosanitary and food safety standards and international certification. *Timing: December 2009 – March 2010.*

In collaboration with TIRSP.

3. International Certification and Food Safety Standards for Export Promotion. *Timing Ongoing.* PSCEP will continue collaboration with lead processing and production enterprises to address certification and food safety issues relating to CIS Certification, SSOPs, GMPs, GAP, HACCP, ISO, and various ISO standards as driven by market demand.

4. Programmatic collaboration with the Ganja Agribusiness University. *Timing: October 2009 – February 2010*

5. Development of food safety plans in the context of outgrower agreements with processors and cold storage providers in the PSCEP portfolio. *Timing: Ongoing*

## **Short-Term Technical Assistance – Year 2**

PSCEP activities in the Food Safety sector are integral to our overall impact in agribusiness as a whole. PSCEP STTA will continue to provide technical consultancy in selected sectors as required in order to achieve the maximum amount of leveraged investment and export trade possible. In addition, PSCEP will make use of experts fielded by the TIRSP program to consult on standards and certifications needed for WTO accession, to ensure that efforts are consistent across programs. Our research, our plan, and our basic toolkit of services have been created. Our future activities will leverage our Year 1 efforts at the local level.

### **F2. Packaging**

#### **Overview**

The Action Plan developed in May 2009 aims to enhance the packaging industry value chain by delivering assistance to key producers and improving their overall productivity, especially in accessing financing to expand and improve operations. The Action Plan emphasized the development of internationally accepted grades and standards, especially in helping to create a nationwide packaging industry body to set and oversee these standards.

In Year 2 PSCEP strategy will alter from the path suggested in this action plan document. Rather than engage key producers, PSCEP will work through producers and processors in other selected sectors to promote the packaging sector in a strictly demand driven fashion. Because while it is clear that a greater capacity and heightened sophistication in packaging is necessary for Azerbaijan to free itself from over dependency on Russian export markets, it is also clear that this present over dependence has led Azerbaijan to become largely obtuse to market realities such as packaging standards, that are readily evident throughout the world in non-CIS countries. PSCEP is altering its strategy in this subsector for year 2 because Azerbaijan does not yet perceive the value (in increased profit and product durability) that allows our previous strategy to be effective.

1. Equipment and technical assistance for in-house pack houses for PSCEP clients driven by perceived demand
2. Broad based information dissemination for grades and standards

#### **Year 2 Activities in Packaging**

Year two key activities in packaging will focus on:

1. Packaging and handling assistance in the greenhouse sector and Cold Storage subsectors
2. Promotion and development of packaging standards

PSCEP Year Two Sectoral Activities															
Activity/Tasks	2009			2010											
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>Cross Sectoral Activities</b>															
Feed Lab Development															
Collaboration with Ganja Agribusiness University															
Guidance on packaging, grades and standards, product storage and transport															
Food safety and certification sectoral training															
Enhanced Access to Finance and Investment															
Association development for producers and processors															

X - STTA assignment

## G. Information Communication Technology (ICT)

### Overview

PSCEP's formal sectoral research and activity planning took place in March of 2009 and though the strategy evolved as the year progressed to exploit opportunities as they arose, the initial ICT sector suggested the following three strategic activities:

- Promote Increased Access
- Champion Anti-Piracy Activities
- Stimulate ICT Innovation and Investment

It is from these three strategic priorities that our activities in the first year of our program have sprung and our activities in the second year of our activities will continue.

### Transformation

- **Promotion of Value Chain Concept**
  - Azercell Innovation Center Alliance and MoE IT Innovation Center Alliance
- **Promotion of Sectoral Cohesiveness**
  - Azercell Innovation Center Alliance and MoE IT Innovation Center Alliance
  - Cisco Networking Academy Alliance
- **Improving the Business Environment**
  - PC Software Piracy Alliance

### Year Two ICT Activities

Year Two activities in the ICT sector involve the following activities:

#### 1. ICT Global Development Alliances. *Timing: October 2009 – March 2010*

- a) *Cisco Networking Academy Alliance*: The Cisco Networking Academy Alliance, including Cisco, USAID represented by PSCEP, the MOE, AzEduNet, and a

small group of Cisco partners. The alliance will address critical sector-wide constraints, the dearth of qualified ICT professionals, and limited access by providing CCNA certification to 1,200 ICT professionals and graduating 2,100 students from the Cisco IT Essentials curriculum.

- b) *The Azercell Innovation Center Alliance*: An incubation center that will also promote increased access by assisting young innovators to bring their ICT ideas to market and start businesses, fostering the growth of entrepreneurial, visionary small companies that can increase innovation across the economic landscape, which PSCEP expects these new businesses to foster approximately \$1 million in new investment; generate \$3 to 5 million in new sales; and create 50-100 jobs by 2011.
- c) *PC Software Piracy Alliance*: The PC Software Piracy Alliance, including Microsoft, Oracle, Adobe, USAID/PSCEP, and Softline will help local companies involved in the distribution and sales of software become more profitable by decreasing the use of pirated software. A 10 percent decrease in pirated software is estimated to increase the sales of licensed software by \$10 million and stimulate nearly \$20 million of economic turnover, generate \$3.6 million in additional tax revenue, and create at least 900 new jobs (30% increase).
- d) *MOE IT Innovation Center Alliance*. This alliance will foster innovation and access within the education sector, promote technologies to other ministries, and convince the government to establish its Regional Innovation Zones (RIZ). This GDA program has been transferred to USAID's Democracy and Governance group for implementation.

## 2. Financing and Investment. *Timing: October – December 2009*

The *People's PC Project*, is an alliance between Bestcomp, the Ministry of Education, the Ministry of Information and Communication Technology, Hewlett Packard, and Microsoft to provide PCs and software initially to thousands of rural teachers, with the aim to expand the project to reach thousands of other professionals outside Baku. PSCEP is working diligently with the program's stakeholders and partner banks to leverage an initial \$600,000 in financing through factoring of accounts receivable to permit the program's continued expansion.

## 3. ICT Grant Proposals: *Timing: October 2009 – January 2010*

In April 2009, PSCEP launched an RFP for innovative ICT-related grant proposals. From the received proposals, a short-list of seven possible grants focused on development of portals and SME MIS systems were selected for review by the Grants Evaluation Committee. In November, the Grants Evaluation Committee convened to review the proposals, however it was determined that based on level of leveraging and limited strategic priority that no grants from this RFP would be funded – instead grant funding would be directed toward the GDAs listed above, which better aligned with the projects strategic focus.

## **Associative Development**



PSCEP, by working with the 200 member ICT club, as well as the two above-mentioned GDA innovation center, through which PSCEP will help to develop associative platforms to promote technological innovation and public access to enhanced information communication technology.

**Short-Term Technical Assistance – Year 2**

PSCEP will field GDA expert, Dan O’Brien to continue the implementation and launch of the ICT GDAs in March and June 2010.

PSCEP Year Two Sectoral Activities															
Activity/Tasks	2009			2010											
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>Sector 6: ICT (STTA via Dan O'Brien)</b>															
ICT GDAs:															
Cisco Networking Academy Alliance															
Azercell Innovation Center Alliance															
PC Software Piracy Alliance															

X - Indicates STTA

## **IV. COMPETITIVENESS INNOVATION FUND (CIF)**

Under the PSCEP program, \$300,000 has been allocated for a Competitiveness Innovation Fund to support innovation in PSCEP selected sectors. While originally only a grants program envisioned, it became clear during the development of the Global Development Alliance (GDA) strategy that certain sectors would be better served when linked to broader alliances that could leverage more funding than an individual grant. Therefore, PSCEP decided in consultation with USAID, that to achieve the maximum results, CIF funding would be allocated between the Grants Program and development of GDAs.

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

#### **Overview of PSCEP Grant's Program**

Grants may be provided to for-profit firms and non-profit non-governmental organizations whose proposed activities meet PSCEP's eligibility and evaluation criteria as outlined in the approved grants manual, and contribute systematically, strategically, and effectively to promote project objectives. All grants will be performance-based in nature to maximize capacity building, sustainability, and verifiable results. A key objective of the grants program will also be to maximize the impact of and leverage investments.

#### **2010 Grant Activities**

The Grants Evaluation Committee intends meet again in January 2010 to evaluate additional grant requests.

### **B. Global Development Alliances (GDA)**

#### **GDA Overview**

The Global Development Alliance (GDA) is USAID's business model to implement development assistance in new and innovative ways. It aims to mobilize the ideas, efforts and resources of governments, businesses, and civil society by forging public-private alliances to stimulate economic growth, develop businesses and workforces, address health and environmental issues, and expand access to education and technology. One of the chief characteristics of the GDA is the resources it leverages from the private sector—both cash and in-kind resources such as technologies, patents, infrastructure, logistic capabilities, and access to markets.

The primary role of GDAs for PSCEP is to support selected sectors and subsectors by leveraging new and significant resources from the private sector that increases the impact of the project and strengthens the competitiveness of those targeted sectors and subsectors. The focus of GDA activities in year 1 was on the ICT sector as described above. In the second year of the project, PSCEP will finish establishing and launching the ICT GDAs and then turn attention to identify and build alliances in other sectors such as cold storage, and fruits and vegetables.

## **GDA Planned Activities for FY 2010**

The GDA activities planned for FY 2010 will focus on finalizing and monitoring the ICT GDAs (MOUs, implementation plans and budgets, and tracking) and identifying and developing GDAs that support other sectors as described below.

### **ICT GDAs**

- a. Finalize and sign MOUs for proposed GDAs. *November 2009-January 2010.*
- b. Develop implementation plans and budgets for GDAs. *January-February, 2010.*
- c. Allocate small grants funds to alliance implementing partners. *January, 2010.*
- d. Monitor alliance implementation and results. *February-September, 2010.*

### **Potential GDAs to Support Other Sectors**

- a. Identify and research high potential GDAs to other PSCEP sectors including: *November 2009-January 2010.*
  - *Cold Storage* - PSCEP will investigate the possibility of an alliance involving an international refrigerated warehouse organization to leverage pro bono assistance to help local associations and companies develop cold storage facilities.
  - *Pomegranate* – Azerbaijan produces a high quality pomegranates; a product which has become popular for their medicinal qualities (anti-oxidants that have cardiovascular and prostate benefits). Preliminary research to identify potential partners that may be interested in sourcing pomegranate concentrate from Azerbaijan is ongoing.
- b. Develop GDA concepts and strategies to approach alliance partners. *February-March, 2010.*
- c. Negotiate alliances and develop implementation plans, budgets, and proposals with the implementing partners. *Timing: April-May, 2010.*
- d. Sign MOUs with alliance partners. *Timing: May, 2010.*
- e. Allocate small grants funds to alliance implementing partners. *Timing: June, 2010.*
- f. Monitor GDA implementation and results. *Timing: August-December, 2010.*

## V. BUSINESS DEVELOPMENT SERVICE PROVISION

### BDS Strategy

In order to liaise with client firms in rural areas and to carry forward activities dictated by sectoral action plans and expert STTA, the PSCEP project needs partners in the region through which to conduct our activities. Though this task has proven to be onerous in its own right and occasionally beyond the capacity of our partnered business development service providers, PSCEP's ambition is not simply to have an implementing agent for program activities, but to elevate the technical capacity and commercial potential of each selected BDS partner and in so doing, to strengthen the business development service sector within Azerbaijan. This approach is pivotal not only to help PSCEP in meeting contracted deliverables such as firm level metrics but also in terms of promoting the sustainability of each BDS organization and the cohesiveness of the overall sector.

PSCEP's strategy with regard to the development of BDS providers in Azerbaijan is as follows:

1. Find implementing partners regionally
2. Bolster the sustainability and commercial opportunity of those partners
3. Develop disengagement plans to prepare BDS providers to successfully continue operations after the end of the PSCEP project.

### Year 2 BDS Activities

The BDS providers play a central role in the PSCEP program both in terms of providing assistance to client companies in the regions, and in terms of developing a viable business development service provision system in Azerbaijan. For these reasons, year 2 activities regarding BDS are centered around the promotion of business development service providers as sustainable consulting entities in addition to their role of aiding PSCEP in programmatic objectives at a sectoral level.

Technical Assistance to Enhance BDS Performance and Sustainability conducted in year 2 will include:

1. Completion of BDS sustainability plans<sup>1</sup>. *Timing: December 1- December 25<sup>th</sup> 2009.* PSCEP will work with supported BDS providers to develop business plans for these organizations to effectively plan for disengagement whereby they would be fully operational, self-sustaining and profit oriented at the end of the project.

2. Formal BDS sustainability conference. *Timing: January 15<sup>th</sup>-16<sup>th</sup> 2010* During this conference the 5 PSCEP supported BDS providers, as well as other associative-based BDS groups with which PSCEP works would be invited to a workshop to discuss the competitiveness and sustainability of their own consulting activities. This

---

<sup>1</sup> For a template of the BDS sustainability plan please see Annex A.

conference will provide intensive training on the promotion and planning of the BDS businesses to successfully continue operations at the end of the project.

3. Localized Consulting Sustainability Expert TA for BDS.

*Timeline: January-March 2010*

A local consultant will work directly with PSCEP BDS providers building upon BDS sustainability plans, the January sustainability conference, and the sustainability trends of each BDS provider in Year 1 in order to develop the most impactful value proposition for each PSCEP-engaged BDS organization

4. Financial Products for BDS Providers' conference. *Timing: May 27-28, 2010*

5. Localized Consulting Sustainability Expert TA and follow-up for BDS.

*Timing: June-August, 2010*

In this second three month period PSCEP's localized consulting sustainability expert will evaluate progress and ensure that each BDS provider is prepared to source relevant local technical consultants, procure equipment, provide in-house consultancy -including interface with financial institutions and self-marketing- that will ensure their sustainability beyond the life of PSCEP.

6. Technical Training by STTA Experts.

In addition to the above outline of activities designed to ensure the success and sustainability of PSCEP-engaged BDS providers, any STTA fielded by the program will also spend time training BDS providers or selected BDS representatives in target sectors: e.g. the financial sector experts will train the BDS to improve financial assessment skills, filling out credit applications for their clients, and leasing opportunities; the cold storage expert will train the BDS provider in Guba and Jalilabad on relevant techniques and management skills; the aquaculture expert will train BDS providers on aspects of cold water fish production.

In Year 2, PSCEP BDS providers will continue to provide hands-on assistance to client companies in the field in by assisting in procuring equipment, sourcing local technical assistance and accessing buyers and markets. This will also involve the establishment and promotion of associative entities, general business advisory services, and helping clients to locate financing and leasing opportunities or to maximize internal financial management processes to best identify the appropriate sources of financing.

## **VI. PERFORMANCE MONITORING**

### **A. Monitoring, Evaluation, Analysis, and Communication Overview**

This section presents the PSCEP monitoring and evaluation (M&E) system that was designed in Year 1 to provide the foundation for tracking the project's delivery of expected outputs, determining qualitative and quantitative impacts to measure progress, and supporting USAID/Azerbaijan's M&E needs.

The M&E system is a management tool for systematically reviewing project progress, troubleshooting problems and issues during project implementation, and assessing areas where project activities may need to be refocused to ensure that plans, schedules, and assignments remain current. The overall goal of this system is to establish a means of providing critical information for decision-makers to help them guide the implementation of project activities toward attainment of project objectives, and which may require adjustment to respond to evolving conditions.

PSCEP will continue to collect performance and impact data, as well as add value to the raw data by performing appropriate analysis, and providing context for data interpretation, thereby transforming data into information. This enables PSCEP to provide USAID with an accurate overview of both the success and results of the project, as well as to identify issues that may arise in implementation.

The overall M&E system is based on an impact design, linking program implementation to desired outcomes and impacts indicators. A draft M&E Manual details the way in which PSCEP collects and analyses the data.

### **B. PSCEP M&E Objectives**

The PSCEP M&E system is intended to be a planning, communications, and management tool that conveys the development hypothesis implicit in project goals and objectives and the cause-effect relationships between project objectives and primary (impact) and secondary (performance) indicators.

To advance the goal of increased competitiveness of the private sector shared by USAID and the GOAJ, PSCEP will work through four project objectives:

- Enhanced Access to Finance
- Increased Employment in Azerbaijan's Private Sector
- Increased Sales for Azerbaijan's Private Sector
- Increased Social Capital

Based on the primary impact indicators, PSCEP has identified a list of secondary performance indicators designed to:

- Capture major project impacts;
- Supply information concerning activities undertaken through PSCEP technical assistance, GDAs, and CIGF;

- Provide a picture of implementation progress; and
- Contribute to USAID/Azerbaijan’s own M&E data needs.

PSCEP has designed an M&E system that targets data collection for activities and impacts of activities directly implemented by PSCEP and its partners. We took care to eliminate correlated indicators and focus on three primary measures that best indicate project performance: sales, jobs, and investment. PSCEP will also capture secondary impacts through field visits, special studies, and rapid appraisals where appropriate. A complete list of indicators and targets is presented in section H below.

Based on the PMP from Year 1, PSCEP designed and installed a database to collect indicators on job, sales and investment for client companies. PSCEP BDS providers and VCS began baseline and monthly collection in May and June. PSCEP’s M&E specialist and senior advisor are in the process of verifying baselines for newly signed companies and quarter four results from ongoing clients. PSCEP is working with Mr. Yedulla Hasanli, an economist with the Institute of Economic Reforms, who created the Natural Growth Coefficients (NGCs) for the ABAD project to update trendline data corresponding to PSCEP selected sectors..

### **C. Types of Indicators**

To provide the comprehensive coverage needed for project progress review, troubleshooting, and other management tasks, PSCEP’s M&E system will continue to track two main types of indicators: impact (primary) indicators and performance (secondary) indicators. The following table outlines the contract indicators, sector allocations (where applicable), Milestones and comments for PSCEP activities.

## PSCEP Contract Indicators

Specific Indicators	Quantitative Measurement <i>(LOP if not indicated)</i>	Allocation	Year 2 Milestones / Targets	Comments
<b>1. Sector Identification and Transformation:</b> Identify sectors and sub-sectors for support	Work in at least 6 sectors and 8 sub-sectors	<b>Finance:</b> Debt, Equity, Subordinated Debt <b>Poultry:</b> Broiler, Egg <b>Aquaculture</b> <b>Dairy</b> <b>Fruits and Vegetables:</b> Cold Storage, Greenhouse and Processed F/V <b>ICT</b>	Continuation of work in selected 6 sectors and 8 sub-sectors.	PSCEP selected and is working in six sectors and eight sub-sectors. <b>LOP target met.</b>
<b>2. Comparative advantage for employment, export potential and growth.</b>	30 sectors/ Sub-sectors analyzed, of which 12 must be agricultural		N/A	DRC analysis conducted for approximately 38 subsectors, as well as analysis of petrochemical sector. <b>LOP target met.</b>
<b>3. BDS Service Providers</b>	Identify and train at least 10 local BDS firms: <ul style="list-style-type: none"> <li>• 5 by December 2008</li> <li>• 5 by May 2009</li> </ul>	Regional Allocation: Business Innovation Center, Sheki Guba Marketing Center Young Agrarians, Ganja Lankaran Business Center Jalilabad Agrobusiness Center	Continue work with selected 5 BDS providers.	PSCEP is working with 5 BDS providers in different 5 regions of the country.  We have engaged at least five other BDS providers as support in different areas (DRC, agricultural assessments, finance).
<b>4. BDS Sustainability</b>	BDS client firms covering a percentage of their operational cost on a fee-basis or through alternative non-USAID sources. <ul style="list-style-type: none"> <li>• 5 BDS covering 50% by June 2009</li> <li>• Another 5 BDS covering 50% by June 2010</li> <li>• 5 BDS covering 75% by end of project by December 2010.</li> </ul>	N/A	Work with BDS to create sustainability plans and enhance opportunities for non-USAID.  All 5 BDS covering 50% of operational costs by Quarter 3.	2 of 5 BDS providers are currently covering 50% of their Operational Costs (Sheki and Ganja)  PSCEP will work with supported BDS providers to develop sustainability plans



Specific Indicators	Quantitative Measurement (LOP if not indicated)	Allocation	Year 2 Milestones / Targets	Comments
<b>5. Association Development:</b> Develop associative relationships, provide ongoing training and support for selected organizations	Identify and develop strategy market plans with at least 8 associate entities.	Poultry Aquaculture: Trout & Carp Cold Storage Greenhouse ICT Club Dairy (collection centers)	Continue work with 6 active associations. Look for opportunities to promote associative relationships in additional sub-sectors.	Strategy in year one includes specific activities in most sectors to create social capital and trust among firms, to enable to build on these efforts in more formal relationships in year two.
5.1 / 5.2 Develop strategic market development/sector transformation plans with associative entities	Eight plans developed and presented to USAID <ul style="list-style-type: none"> <li>• 4 by December 2008</li> <li>• 4 by April 2009</li> </ul>	Access to Finance ICT Aquaculture Poultry Dairy Cold Storage Greenhouse Food Safety Packaging	N/A	PSCEP has prepared nine sector Action Plans (strategic market development/sector transformation plans). However, not in conjunction with associations since the associations often do not yet exist. <b>LOP target met.</b>
<b>6. Firm-level Support:</b> Provide detailed and best practices-consistent technology transfer/cost-control/productivity enhancement/ quality management/HR development/market linkage support for firms in selected subsectors.	Provide support for: <ul style="list-style-type: none"> <li>• 100 firms by June 2009;</li> <li>• <u>additional</u> 200 by June 2010;</li> <li>• <u>additional</u> 100 by December 2010.</li> </ul>	Primary Clients: <ul style="list-style-type: none"> <li>• BDS &amp; Banks</li> <li>• Client Companies</li> <li>• Grant Recipients</li> </ul> Secondary Clients: <ul style="list-style-type: none"> <li>• Buyers/Suppliers of client companies</li> <li>• Companies receiving financing through PSCEP assistance</li> <li>• Companies receiving training/assistance through PSCEP associations</li> </ul> Tertiary Benefactors: <ul style="list-style-type: none"> <li>• Companies benefiting from innovation/transformation funded by CIGF grants or GDAs</li> </ul>	Primary Clients ~ 20% Secondary Clients ~ 60% Tertiary Clients ~ 20%	We are currently working directly with approximately 70 firms. Including indirect support (e.g., PalSud is one client but we are working with 100 other small enterprises in supporting their milk quality program), the number exceeds 170.

Specific Indicators	Quantitative Measurement <i>(LOP if not indicated)</i>	Allocation	Year 2 Milestones / Targets	Comments
<b>7. Sales Growth:</b> Achieve increase in sales revenue in firms supported	Achieve no less than 50% revenue growth above industry trend line for all firms: <ul style="list-style-type: none"> <li>• Minimum 75 firms by August 2009;</li> <li>• Minimum of 300 firms by August 2010;</li> <li>• Minimum of 400 firms by December 2010.</li> </ul>	All Sectors  Primary Clients: <ul style="list-style-type: none"> <li>• Client Companies in 6 sectors/8 sub-sectors</li> <li>• Grant Recipients</li> </ul>	All supported client firms recording sales growth of >50% above the industry trendline.	PSCEP trendline data will be available in late December against which to measure year 1 sales results. The project expects to surpass the 50% above trendline target for the companies with which PSCEP works.
<b>8. Employment Creation:</b>	Achieve no less than 30% employment growth above industry trend line for all firms: <ul style="list-style-type: none"> <li>• Minimum 75 firms by August 2009;</li> <li>• Minimum of 300 firms by August 2010;</li> <li>• Minimum of 400 firms by December 2010.</li> </ul>	All Sectors  Primary Clients: <ul style="list-style-type: none"> <li>• Client Companies in 6 sectors/8 sub-sectors</li> <li>• Grant Recipients</li> </ul>	All supported client firms recording annual employment increases of >30% above the industry trendline.	As with sales, PSCEP currently establishing quantifiable “trend lines.” We expect to surpass the 30% above trend line target.

Specific Indicators	Quantitative Measurement <i>(LOP if not indicated)</i>	Allocation	Year 2 Milestones / Targets	Comments
<b>9. Investment Resources Leveraged:</b>	Investment resources leveraged from lending institutions, equity investors, and/or from own-resources. <ul style="list-style-type: none"> <li>• Minimum US\$25 mm by August 2009;</li> <li>• Additional \$50 mm by February 2010;</li> <li>• Additional \$50 mm by August 2010;</li> <li>• Additional \$25 mm by December 2010;</li> </ul>	All Sectors	Financial Sector ~ 70%  Enterprise-level (internal) investment ~ 10%  Non-Bank Financing ~ 20%  Pipeline with AIC, CIIC, and banks of approximately \$40-50 million that are likely to close by March, 2010.	PSCEP leveraged approximately \$23 million in investments by October 2009 – an impressive 1:7.5 leveraging ratio against the project budget.
<b>10. Export Sales Increase:</b>	Minimum 50% increase in annual export sales revenue: <ul style="list-style-type: none"> <li>• Minimum 50% in at least 2 identified subsectors by August 2009;</li> <li>• Minimum 50% in at least 4 identified subsectors by August 2010;</li> </ul>	Fruit and Vegetable: <ul style="list-style-type: none"> <li>• Greenhouse</li> <li>• Cold Storage</li> <li>• Processed Fruit and Vegetables</li> </ul>	50% increase in export revenues for companies that export.  Identification of new/non-Russian export markets for clients.	Nearly all PSCEP firms target the domestic markets and import substitution (financial sub-sectors, poultry sub-sectors, aquaculture, packaging, processing, ICT, dairy).  Greenhouse and cold chain sectors tend to be both domestic and export oriented, almost exclusively to the Russian market. Recent 50% devaluation the ruble and worsening of economic conditions meant that many Azerbaijan firms exporting to Russian markets saw their exports drop considerably.

Specific Indicators	Quantitative Measurement <i>(LOP if not indicated)</i>	Allocation	Year 2 Milestones / Targets	Comments
<b>11. International Grades and Standards Certification:</b>	Client companies receive relevant international grades/standards certification: <ul style="list-style-type: none"> <li>• 30 client companies receive certification by August 2009;</li> <li>• 50 additional clients by August 2010;</li> <li>• 25 additional clients by December 2010.</li> </ul>	All Sectors	Certifications for firms willing to pay for this certification.	International grades/standards certification is relevant (and likely to be paid for by the firm) if the market demands it. Fruit and Vegetable sector – processing and fresh fruits and vegetables to be exported – may be among the only sectors and subsectors where demand can be generated for certification.  PSCEP will work with TIRSP to promote the use of certification and standards, as well as to provide training.
<b>12. Market Reports:</b> Comprehensive reports on market trends, articulation of practical strategy for delivery marketing information.	Prepare reports on: <ul style="list-style-type: none"> <li>• 3 sectors by April 2009;</li> <li>• 3 additional by September 2009.</li> </ul>		From information gathered in Action Plan and DRC development create market reports on 6 sectors.	Market analysis incorporated in DRC and 9 Action Plans. Sector-supported market associations, once functional, will be local entities trained in the creation and use of market information.
<b>13. Market Information Training:</b>	Effectively training local entities or firms in the creation and utilization of market information: <ul style="list-style-type: none"> <li>• 5 local entities trained by July 2009;</li> <li>• 5 additional entities trained by July 2010.</li> </ul>		Train 5 BDS and associations on use of market information and marketing techniques.	Sector-supported market associations, once functional, will be local entities trained in the creation and use of market information.

Specific Indicators	Quantitative Measurement (LOP if not indicated)	Allocation	Year 2 Milestones / Targets	Comments
<b>14. Website Development:</b> Develop a website about selected Azerbaijani sectors to share market information, including information on production, processing, and market trends.	Website developed August 2009.		Provide web content for BDS provider websites.  Possible PSCEP grant allocation for Azerbaijani market web portal development.	A number of ICT Grant applications received propose web portal development. Website would be developed in 2010 with CIF grant.
<b>15. Agriculture Technology Transfer:</b> Develop strategy for critical agricultural-related technology transfer, including extension services, including enhancing capacity of public sector to deliver these services.	Provide targeted technical support to facilitate effective 1 <sup>st</sup> stage implementation of this strategy by 2/10.	All Sectors	Continue STTA and TA delivery to BDS, Associative entities, and client firms.  Collaborate with USDA to train AIM extension agents in conjunction with PSCEP small grant for feed lab development.	To date, technical assistance and STTA being provided through BDS and training to associative entities.
<b>16. Roundtables/Meetings:</b> to strengthen the relationship among local input providers, processors and producers.	Conduct minimum of 6 roundtables, workshops or meetings.  Conduct minimum of 4 business-to-business conferences at regional and international level.	All Sectors	Ongoing – workshops and trainings will be held in sectors to promote development of selected sectors.	Six events undertaken in Year One in poultry, finance, cold storage, and aquaculture. Future use of short-term technical consultant trips to hold workshops and roundtables will increase indicator results. <b>LOP Targets achieved.</b>
<b>17. Outreach Seminars:</b> Promote awareness of critical “enabling environment” reform issues through seminars.	Events: <ul style="list-style-type: none"> <li>• 2 by April 2009</li> <li>• 2 by December 2009</li> <li>• 2 by December 2010</li> </ul>	All Sectors	Ongoing – Seminars, in conjunction with TIRSP, EU TACIS, and other donors are planned to address issues on Leasing, Subordinated Debt, and Phyto-sanitary standards are already planned for early 2010.	Three seminars held on agricultural subsidies addressed through DRC. Two Roadshows to promote Access to finance –equity investment held. Future use of short-term technical consultant trips to hold workshops and roundtables will increase indicator results.

## ANNEX A: BDS SUSTAINABILITY PLAN TEMPLATE

# BDS Sustainability Plan [Name of BDS provider]

The Private Sector Competitiveness Enhancement Program (PSCEP) is a USAID-funded project. Its mission is to promote the competitiveness of select sectors of the Azerbaijani economy to create jobs, increase exports, and generate investment.

[Name of BDS provider] provides business development services to client firms to help them increase their sales and expand employment. [Name of BDS provider] removes binding constraints to client sales growth through tailored, focused, cost-effective support.

## Background

The organization was founded in **year** as [Name of BDS provider]. [Concise history of startup, support, services offered over time, locations and facilities, etc.].

We are [type of legal entity]. Our management consists of [type of management, for example board of directors and officers, or senior management and qualifications]. The current management structure also includes [other management staff with qualifications and reporting hierarchy].

### Services:

[Name of BDS provider] provides a variety of services to [types of local business] including the [describe types of services offered and benefit of each service to businesses].

Among the services planned in the future are: [description of future services with target market].

### The Market:

Experience shows that [target industries] are prevalent in [area of service] and have been growing for the past [number] years. This includes [describe market and value chain, as well as any other facts and figures about clientele]. This creates a market with opportunities for small, local business if they can get the right tools to take advantage of the possibilities. Our potential clientele is made up of very small businesses with limited resources for [mention again types of services offered such as training and marketing]. We will help them improve their earning and increase the value of their investments with [types of services offering, example: sales and management training as well as market information and creating linkages within the value chain].

There are more than [x] businesses in [region] involved with [target market/industries]. In addition, there are potential clients outside of [region], such as manufactures, distributors, and others who service, sell to, and buy from our clients. Since [Name of BDS provider]'s goal is to bring together all interested parties in [target market/industries], the organization plans to have a broad target market with focus on [value chains].

### **Financial Considerations:**

Our main strategy for growth and sustainability is [...]. Although most of our clients are very small businesses, the large, potential clientele base will provide sufficient revenues from fees and will position [Name of BDS provider] as a leader in business development services for [name of region].

Our past performance [...].

It is our goal to finance our future growth through cash flow. We recognize that this means we will have to [...]

The demand for our services is expected to increase from [... to ...].

## **Organization Summary**

### **1.1 Objective**

1. Goal of organization in timeframe
2. Growth of organization in terms of sales and employment
3. Growth of businesses in the region by

### **1.2 Mission**

[Name of BDS provider] is a business service provider for [market/industries] and other interested parties in [region]. [Name of BDS provider] works to enhance and improve the business climate in [region]. It is a recognized and respected representative, proponent, and consultant of the [market/industry].

### **1.3 Keys to success**

1. [Name recognition]
2. [Previous success/reputation]
3. [Etc.]

## **Services**

### **2.1 Activities and events:**

1. [Describe current services]
2. And events]

### **2.2 Service descriptions:**

1. Training: We conduct seminars and workshops to improve our clients' businesses.
2. Marketing: We distribute market information and promote [the region]'s industries throughout Azerbaijan and organize events to share information with and among our clients.
3. Etc.

### **2.3 Alternative providers**

While there are no direct competitors for business development services in [region], there are other organizations that may solicit our clients and prospects.

1. Other organizations
2. And BDS type offers

### **2.4 Promotions**

The management team will [develop an organization brochure to explain the benefits of our services to prospective clients, etc].

### **2.5 Fulfillment**

1. The full-time executive director will [personally visit every prospective business in the region to promote the benefits of our services. In addition, s/he will contact businesses outside the region that provide goods and services to our clients to build relationships and our reputation within the market/industry, etc].
2. The staff will coordinate and produce events, activities, and services for our clients that will produce the revenue to operate the organization. [etc]

### **2.6 Technology**

The manager and the staff will maintain technical capabilities including:

1. Complete email facilities on the Internet for working with clients directly through email and website delivery of information.
2. Complete desktop publishing facilities for delivery of reports, announcements, news, and information
3. Telephone and fax facilities

### **2.7 Future Services**

Among the services planned for the future are:

1. Further specialization in...
2. Providing fee-based consulting on...
3. Bringing clients onto the Internet for sales and inter-client product distribution.
4. Permanent education facility for business courses, etc.

## **Principal constraints to growth and proposed solutions**



### 3.1 Overarching strategy

The principal constraint(s) to [Name of BDS provider]’s sustainability that this Sustainability Plan will resolve is (are) [.....]

[Principal constraint(s) (no more than three) to increasing sales; proposed solution(s); how solution(s) will remove constraint(s) and increase sales]

Principal Constraint list			
Constraint	Proposed Solution	Causal Assumption/ Market trends	Quantifiable Result/ Market growth
1. [...]	[...]	[...]	[...Sales/Jobs/Timeline]
2. [...]	[...]	[...]	[...Sales/Jobs/Timeline]
3. [...]	[...]	[...]	[...Sales/Jobs/Timeline]

*\*In the above table, please describe in detail the “Constraint”, “Proposed Solution” the “Causal Assumption” and the quantifiable results. By “Causal Assumption” we mean, the logic regarding why the proposed solution will alleviate the listed constraint. By “Quantifiable Result” we mean the sales and jobs that are estimated as an end result of alleviating the listed constraint and the timeline utilizing the 3 month action plan -on page 5 of this document- within which that result will be achieved.*

### 3.2 Competitive Edge

Dealing with small-business owners requires an aggressive presentation of the value of our services to encourage prospective clients to spend their time and money with the organization.

Direct on-site presentations by the executive director and other staff, accompanied by presentation materials that clearly demonstrate value of our services, will be used to reach our objectives increased outreach and sales.

Our office is multifunctional including training space and computer access. This allows us direct in-house access to potential clients. We will use this opportunity to listen to our clients about the services that they desire. Our marketing materials will be available as well, raising the awareness of the benefits of our service.

Additionally, we maintain a database of industry and market participants. This information is of high value to our organization as we can sell this information to our clients in order to create market linkages.

### 3.3 Management Strategy

The following table summarizes our personnel expenditures for the [executive director and other staff] for the first three years, with compensation increasing from about [X manat] the first year to about [X manat] in the third. We believe this plan is a good compromise between fairness and expedience, and meets the commitment of our mission statement.

	FY 2010	FY 2011	FY 2012
Executive Director			
Other Staff Member (s)			
Total People			
Total Payroll			

### 3.4 Marketing Strategy

We will approach marketing strategy on our current and potential sources of sales:

1. Business consulting: We will market our consultancy services through....
2. Market linkages: We will maintain a database....
3. Training: Our training will be targeted towards...
4. Computer access: etc.

### 3.5 Financial Plan

We want to finance growth solely through cash flow. The most important factor in our case is attention to details and to the plan. Therefore, we need to develop a permanent system of communication and accountability between [the executive director and the board of directors and officers]. We are also assuming beginning cash reserves on [this date] of [manat] according to our [financial statements]. Other important assumptions include:

#### Sources of Revenue

- Fee-based services: We will implement fee-based services for our clientele. Our fees will be relative .... When supporting the procurement of goods/services or when assisting with market access for our clients, we will...
- Trainings:
- Computer access and other IT support:

#### Costs

- Incurred (For providing services)
- Implied (For keeping business open)

[BDS Provider] Sustainability Plan

1 Year Action Plan

1	<b>Proposed Solution #1</b>
1a.	Sub action 1
1b.	Sub action 1
1c.	Sub action 1
1d.	Sub action 1
1e.	Sub action 1
2	<b>Proposed Solution #2</b>
2a.	Sub action 2
2b.	Sub action 2
2c.	Sub action 2
2d.	Sub action 2
2e.	Sub action 2
3	<b>Proposed Solution #3</b>
3a	Sub action 3
3b	Sub action 3
3c	Sub action 3
3d	Sub action 3
3e	Sub action 3

M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
<b>Proposed Solution #1</b>											
<b>Proposed Solution #2</b>											
<b>Proposed Solution #3</b>											