

Data Sheet

USAID Mission:	Azerbaijan
Program Title:	Development of Small and Medium Enterprises
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	112-0130
Proposed FY 2004 Obligation:	\$11,082,000 FSA
Prior Year Unobligated:	\$3,270,000 FSA
Proposed FY 2005 Obligation:	\$13,350,000 FSA
Year of Initial Obligation:	FY 1997
Year of Final Obligation:	FY 2009

Summary: USAID's program to accelerate small and medium enterprises (SMEs) development, particularly in the agricultural sector, focuses on: expanding access to micro and SME credit; improving business and technical skills; increasing rural sector competitiveness; and improving the use of production inputs. Implementation of a targeted economic reform program focuses on strengthening the banking sector, improving financial management practices, and promoting energy sector reform.

Inputs, Outputs, Activities:

FY 2004 Program:

SME development (\$1,000,000 FSA). The Enterprise Development and Training Program will enhance the competitiveness of local SMEs through the provision of training and consulting services and will include a variety of production and service businesses. Principal grantee: Citizens Development Corps.

Agribusiness/Rural Development (\$2,950,000 FSA, \$2,000,000 FSA carryover). USAID will provide technical assistance and training to the agricultural sector to identify products that can be competitive in domestic and international markets. Developing a business infrastructure that supports business development, including distribution, marketing, and information exchange systems will be emphasized. Business Development Resource Centers in rural areas of Azerbaijan will provide business development and training services, information and marketing delivery and technical assistance services, and mobilize communities to identify and prioritize interventions. Principal grantees: Pragma Corp., others to be determined.

Policy support/financial services development (\$4,332,000 FSA, \$580,000 FSA carryover). Activities in these areas will provide technical assistance and training to a policy and analytical unit within the State Program on Poverty Reduction and Economic Development Secretariat and support development of credit culture through public awareness campaigns. Technical assistance to the Ministry of Finance and Treasury will also be provided to help automate and integrate the public-sector financial system. Principal contractors/grantees: Carana Corp., others to be determined.

Energy and environment (\$1,495,958 FSA, \$250,000 FSA carryover). A regulatory framework for a commercially viable energy sector will be developed by emphasizing reforms that enable Azerbaijan to meet World Bank and IMF requirements. Program elements include introducing modern tariff, licensing, and market oversight methodologies and instruments, creating an efficient market structure for the domestic electricity and gas sub-sectors, and designing a viable energy assistance program for low-income and vulnerable populations. Other ongoing activity is designed to provide support for meteorological stations and training as part of the South Caucasus Regional Water Management Program. It fosters increased cooperation among South Caucasus countries of Armenia, Azerbaijan, and Georgia in support of improved water management in the region. Principal Contractors: PA Government Services, Inc., Development Alternatives International (DAI).

Program Development and Support (\$1,304,042 FSA, \$439,766 FSA carryover). This section is to provide funding for program-funded personnel, as well as assessments/evaluations, procurement instruments and other administrative actions.

FY 2005 Program:

Cluster enterprise development (\$1,500,000 FSA). USAID will provide business skills training and technical assistance to the business community to develop bankable projects for credit from the formal banking system. A project will be designed to capture SME development opportunities in agribusiness and the service industries that support business clusters operating in the non-oil sector. Principal grantee: to be determined.

Micro credit (\$600,000 FSA). Funds will be used to capitalize the microfinance program. Principal grantees: Shorebank, FINCA, ACDI VOCA.

Increase the competitiveness of rural enterprises (\$2,750,000 FSA). USAID will focus on increased technical training to engage public and private sector leadership with resources to be directed at supporting marketing and technical linkages between producers, processors, and the market. Principal contractor: Pragma Corp.

The Rural Azerbaijan Business Development Program (\$1,600,000 FSA). Business support resource centers will link community-based enterprises to the market. Nine centers will provide technical and market information, technical assistance, training, and leasing services to clusters of businesses that support agro-based activities in rural communities. Principal grantee: to be determined.

Food Quality Program (\$1,500,000 FSA). This activity will address ISO 9000 (quality standards) requirements for the European Union and regional markets, and will be directed at domestic and export quality products produced in Azerbaijan. Principal contractors/grantees: to be determined.

Policy support (\$2,000,000 FSA). USAID will continue support to the State Program on Poverty Reduction and Economic Development Secretariat. Principal contractors/grantees: to be determined.

Financial services sector support (\$1,400,000 FSA). USAID may develop an activity in the financial and banking sectors that responds to the needs of business, foreign direct investment, and domestic investment and will help to build an environment so that oil revenues will be safeguarded and directed to the country's development. Principal contractors/grantees: to be determined.

Program Development and Support (\$1,999,793). This section is to provide funding for program-funded personnel, as well as assessments/evaluations, procurement instruments and other administrative actions.

Performance and Results: Access to agricultural production inputs increased through the establishment of an agri-input association, training, equipment provision, and information dissemination which led to new products (inputs), new markets for inputs, increased crop yields, and increased fertilizer usage. New businesses and 4,000 jobs were created. Entrepreneurs increased sales by more than 200%. ISO training and certification led to businesses becoming competitive and winning service contracts with foreign oil companies. With USAID's support, the new Commercial Bank Law has been drafted and implemented, bringing international standards to the commercial banking system, including new corporate governance standards. Progress was made in the implementation of International Accounting and Auditing Standards for commercial banks and in the complete development of an internal audit structure. Human resource assistance continues for the National Bank in reevaluating and improving staff quality by developing new job descriptions and determining actual staffing requirements and needs. Continued progress will provide more jobs in the agricultural and agribusiness sectors, deepen the market orientation in the private sector, and improve the regulatory environment.