EVALUATION OF THE AGRO-INPUT MARKET DEVELOPMENT (AMDA) PROGRAM IN AZERBAIJAN

Prepared for
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Regional Mission for the Caucasus

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Executive Summary

The report focuses on the evaluation of the IFDC AMDA $3,111,370 Program Project No. 112 -A-00-02-00005-00 in USAID/Caucasus – Azerbaijan. The principal concentration is to examine the AMDA activities in accomplishing the terms and objectives of their Cooperative Agreement in achieving the Mission's Strategic Objective (SO) 1.3. The goal of this exercise is to describe the methodology of implementation in order to identify areas of improvements and possible mid-course corrections. The work looks at the status of the current activities, their successes and weakness and provides insight for possible improvements and adjustment that will enhance the project and the mission objectives. Additionally, the report attempts to provide a better understanding of the current overall environment for the development of the agricultural sector in Azerbaijan, and provides suggestions for future intervention in the agricultural sector. The format approach (which is to be commended) was to answer a set of questions in the hope that this would open up the examination process of all the activities from many different angles to further the reader's understanding of the situation. Although the project activities were delayed due to a legal registration issue, it has been effectively in operation for 13 of its 15-month life. It appears to the reviewer that a slow start to project activities does have a detrimental effect in the long run on completing the project mission. Therefore, a justification examination of the impediments to start-up of activity for any project should be generally implemented.

The report finds that the IFDC project has accomplished one of its main objectives, which was to establish a National Input-Dealer Association with representation for the five regions under project purview. One core purpose of this AMDA project is to facilitate the transfer of technological improvements to the farmers of the Azerbaijan agricultural sector. The strategy is to organize the input-dealers (potentially 450-600 in Azerbaijan) who have certain attributes that the farmer may not possess, such as being a more sophisticated entrepreneur, having better liquidity, usually having income from more than one source and considered to be a leader in his community. Building a market-oriented solution using the input-dealers to develop and implement the transfer of technology to the farmer is similar to establishing a private extension service as opposed to promoting the development of an inefficient government-operated service. The input-dealer is the central element in the puzzle to improve the condition of the Azerbaijani agricultural sector. The quality and quantity of the outputs are only as good as quality and quantity of inputs provided. The dealer's role as the transfer-of-information link to the farmer is crucial to achieving the Strategic Objective 1.3 mission. The project has developed an array of technological publications (22 leaflets, 7 brochures, and 7 posters) that are used by the input-dealer to help the farmer improve his output, thus selling him more inputs. This in essence is demand creation as opposed to the project just adding to supply. The project is not planning mass distribution of the publications but rather plans to promote them as a point-of-sale tool for the input-dealer when selling to his customer, the farmer. The cost of this service is built into the input-dealer's final selling price. This offers the input dealers an opportunity to develop a franchise wherein the farmer goes to the input dealer for service, thereby improving the financial status of both the dealer and, indirectly, the farmer. Another major tool for transfer is the establishment of demonstration plots and farm trials. This approach is taught to dealers as an efficient way to evaluate the consequences of the new technologies and distribute the results to farmer-customers. The project must be aware that its efforts should expand influence of input dealers in the Azerbaijan agricultural sector, and not just reshuffle the market shares of the ones that now exist.

Another of the core accomplishments of the new association is to increase the knowledge and effectiveness of obtaining credit to lubricate the growth of production in the Azerbaijan agricultural sector. What has been accomplished is that more than 100 dealers have been indoctrinated and convinced that credit is not a gift and must be repaid. Information has been widely disseminated on credit sources, availability of credit funds, prevailing interest rates, terms and conditions, collateral requirements and/or registration, the ethics and methodology of business plan principals, and, finally, how to fill-out credit

applications. The author points out that a major problem is that the medium and larger entrepreneurs have no program to help receive credits for capital expenditures related to managing (storage and/or collection points) any major increases in production caused by the ultimate success of project intention to increase productivity. The project is 243% ahead of projections on the number of dealers receiving credits. One indicator that can be interpreted as a confidence gauge is the amount of self-investment of the dealers. This result ($92,130 vs. $250,000) is slightly behind expectations, but COP suggests that the slow start of project activities has been a factor.

The association goal of increasing the benefits of networking has also shown great promise. From the advocacy topic, a strong feeling has developed by members that in numbers they can affect the environment around them—that being either government and/or market power issues. Advocacy has had some success in Azerbaijan in the recent past. Although not directly attributed to the association, the current president was a major influence in the implementation of wheat support prices being installed. The PAPA activity most likely was a major influence in the unlicensing (registration-only required) of ice cream sales on the streets of Baku, and there has been a dramatic reduction on government license requirements from 280 down to 30. Of course, only about 10% were of an agricultural nature. In general, the project has brought together individual entrepreneurs living near each other but never meeting in an atmosphere where they could discuss common problems and develop collective solutions. It is suggested that in the near future, a lobbyist skilled ST consultant be retained to add this training to the association curriculum.

The reviewer has made certain suggestions that a macro strategic plan for the sector is needed to include a program on marketing training for agricultural outputs as a companion to the IFDC project of increasing input consumption by productivity increases. The suggested approach from the IFDC project standpoint is to develop an exporting regime only on the most competitive homogenous agricultural commodity products (e.g., apples, potatoes, tomatoes, cucumbers, etc.) and then in a second stage move into more complicated differentiated value-added production (meat and livestock, dairy, processed foods, etc.). The systematic details are provided in the report. This strategy assumes that increased export marketing skills will spill over into the domestic marketing skills for a double benefit of development dollars. All that being said, several Azeri meat and dairy processors currently have experience in exporting to former Soviet republics. USAID might consider that both horticultural and animal product sectors are ready to focus on exporting. This consideration for immediate moving into the second stage scenario would be reasonable.

In the opinion of the reviewer, the ME issues reveal several shortcomings. First, the concept of measuring success by monitoring the dealers' activity and well-being is not transparent enough since most of the true benefits of the dollars invested by USAID pass through to the farmers. Regardless of the quality of the measurements, there is very little setting of goals by which to measure levels of success. It is fruitless to set indicators unless there are projected qualitative and/or quantitative goals at inception to measure against. Finally, the reviewer suggests that the project budget item of OTHER, usually referred to as miscellaneous, is a lighting rod for concern. Why not just report the five sub-elements of this category separately as delineated in Appendix J, Table 3.

Methodology

This report is part of a set of evaluations which investigates the performance of the IFDC AMDA Project in Azerbaijan. The evaluation was prepared over a 26-day period between 5 June and 5 July 2003. The IFDC evaluation report is a mid-term review intended to be used by project managers to enact mid-course corrections in project operations so it can more efficiently achieve its target objectives under USAID Azerbaijan SO 1.3.

The evaluation processes included a full review of all relevant project documents, including, but not limited to, the original project grant agreements, project quarterly reports ,and training materials prepared by the project. Additionally the evaluator reviewed the applicable USAID Strategic Objectives and Intermediate Results indicators and examined if and how the projects under review were contributing to these targets. The evaluator, Mr. William Albanos, conducted interviews with project managers and staff as well as 18 association members, farmers, and marketers.

The organization and questions addressed in the evaluation report directly follow by the questions, order, and organization of the Scope of Work prepared by USAID Baku. In some cases, the wording of the questions has been modified for reasons of language efficiency. Additionally, several of the questions raised in the SOW have been collapsed into a single sector heading in an effort to minimize text redundancy.

Acknowledgments

The preparation of this report would not be possible without the generous assistance of the staff of the entire Agro-Input Market Development in Azerbaijan (AMDA). Specific thanks go to Chief of Party Manfred Smotzok and Deputy COP Ylli Bicoku for their assistance through the entire process of the evaluation. Also, special thanks go to Peter Duffy and Jeff Lee of USAID-Baku for their work in organizing the evaluation team's field work and providing insight into the unique nature of the Azerbaijan operating environment and local communities.

Map of Azerbaijan

Acronyms

ADRA	Adventist Development and Relief Agency
AMDA	Agro-Input Market Development in Azerbaijan
AMOA	Azerbaijan Ministry of Agriculture
ATC	Average Total Costs
AZ	Azerbaijan
CHF	Community Habitat Finance
COP	Chief of Party
CPP	Crop Protection Products
EMA	Azerbaijan Private CPP Trader
EU	European Union
FSU	Former Soviet Union
IFDC	International Center for Soil Fertility and Agricultural Development
IR	Intermediate Results – USAID
IRC	International Rescue Committee
IFRC	International Federation of Red Cross
MT	Metric Tons
MY	Market Year
PAPA	Participatory Agricultural Project in Azerbaijan
SO	Strategic Objectives – USAID
SOW	Scope of Work
ST	Short Term Consultants
TSP	Triple Super Phosphate
USA	United States of America
USAID	United States Agency for International Development
WVI	World Vision International

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Mid-Term Review of the AMDA Program—Azerbaijan

1.0 General

1.1 Introduction

The IFDC AMDA $3,111,370 Project No 112-A-00-02-00005-00 has been in operation since January 30, 2002 and the term will run until January 30, 2005. However, due to the delay of legal registration under Azerbaijani law, it effectively exists only since December 31, 2002. With the usual set-up curve of finding office space and searching and employing qualified local expertise, two months had elapsed and the effective operations have been only slightly over one year. The goals and objectives have been planned and put in writing (See Appendix F). The purpose of this endeavor is to determine if these goals have been attained. Some suggestions for mid-course corrections to better accomplish the objectives will also be included in this work.

This project has been compartmentalized into four sections: 1) BUSINESS DEVELOPMENT AND TRAINING; 2) ACCESS TO CREDIT AND FINANCE; 3) ASSOCIATION BUILDING; AND 4) TECHNICAL TRAINING, TRANSFER, AND EXTENSION SERVICES. The major program intention of AMDA is to increase production and productivity by advancing the development of private small and medium enterprises within the five regions of THE REPUBLIC OF AZERBAIJAN, namely, MASALLI, GUBA, GANJA, ISMAILLI AND SHEKI; additionally some work is being done in the ZAGATALA region. The project influence is limited to only 11 of the 64 districts, or 17.2% of the whole country. The AMDA application is to increase the creation of demand and facilitate the supply of inputs (fertilizer, pesticides, seed, and animal feeds). This is to be accomplished by undertaking a built-in program of dealer training, improving and expanding credit access, institutional competence building, and technology transfer. Based on a notation from the first Annual Report, animal feed was taken off the input list in the AMDA project.

1.2 Interventions Most Effective in Achieving SOs and IRs

BUSINESS DEVELOPMENT AND TRAINING (23.3% of budget allocation)

The unique approach used by this project staff was to assemble dealers (more sophisticated entrepreneurs with liquidity, business acumen, and, usually, outside income, rather than just farmers) and not subject them to the usual alliance-building explanation, but rather initiate and expose them to the benefits of a networking regimen. The result was that this led to a natural self-conclusion that the group should evolve into a cohesive organization—basically, that an association-type relationship between them was an improvement to themselves. The IFDC strategy was to seek out and make contact with dealers in the regions. The goal was to find in the forefront dealers who would identify and target their progressive customers (the farmers). After exhaustive searching, 150 potential participants were identified, wherein 80 to 90 were finally selected. In general during the first year, March - December 2002, ten different activities were activated with participation of 570 farmers, with 471 also being input dealers (see Appendix L). During the next period under observation, January - May 2003 (42% of the year's activity), 12 different activities are reported with 663 farmers, with 507 also input dealers. Extended out to projected full-year numbers including a projected 10% increase results in 1,736 farmers, with 1,328 being our targeted input dealers. This demonstrates a probable increase from the first year of 162%.

The IFDC project has contributed to the Land O Lakes (LOL) market information newsletter. This is published monthly, and more than 500 copies are distributed monthly. Market information about input prices and commodity pricing will make up the major emphasis of the publication. The IFDC is in negotiation with the closed LOL project to take over this operation. They will be adding to the IFDC staff starting 1 July 2003 the individual responsible at LOL.

TECHNICAL TRAINING, TRANSFER, AND EXTENSION SERVICES (30.0% of budget allocation)

The project has intervened to implement project objectives and improve the situation by developing an effective information network chain to the dealer and his farmer clients. Then these dealers were asked to each identify and bring in ten progressive type farmers[1] to participate in farm trials[2], using TSP fertilizer supplied by the project. Project specialists were onsite with the dealer at the point that they help the dealer launch this new methodology to the farmers. Official results of the wheat trials will be available after harvest, around September 2003. An indication of a huge success has already been seen, as dealers were so impressed with the early results that they themselves purchased and sold 260 mt of TSP to additional neighbor farmers. At this time, there are 230 wheat farm trials under observation.

An identical tactic to create a similar network for other commodities was needed; however, in this case the goal was to have demonstration plots[3]. The strategy of using plots shows a (7x4) matrix of results of several input techniques such as a mixture of fertilizer, pesticide use, differing variety of plants, drip irrigation techniques and other up-to-date methodologies[4] available for transfer. The dealers will eventually pass this information on to their clients—the farmers. Four dealers were selected for potatoes, yielding four demonstration plots; three dealers generated three demonstration plots for vegetables, including the use of new Israeli drip irrigation technology (see Appendix G). Four dealers were identified for apples, who provided four plots; for maize and alfalfa, two dealers provided four demonstration plots and four wheat dealers provided four wheat plots. Many plots, strategically placed (near their neighbors' farm and/or near highways), can do the job (by word of mouth) of introducing to the neighborhood the new methodologies by the undeniable example of increased yields and healthy looking plants or trees.

[1] The project's skill in identifying the most receptive farmers (progressive farmers) is useful in targeting the resources effectively. The project's criterion for selecting these farmers is most intriguing. Items such as 1) early crop planting requires growing plants inside to seedlings before season starts—this signals an entrepreneur spirit; 2) observing the quality of seeds purchased—denotes risk taking; 3) noting ownership of farm equipment, and/or developing sharing programs with neighbor farmers—signals cooperative behavior; and finally, 4) identifying the size of the plot under cultivation: 2 hectares for vegetable and fruit type outputs, 20 to 40 hectares for wheat type production.

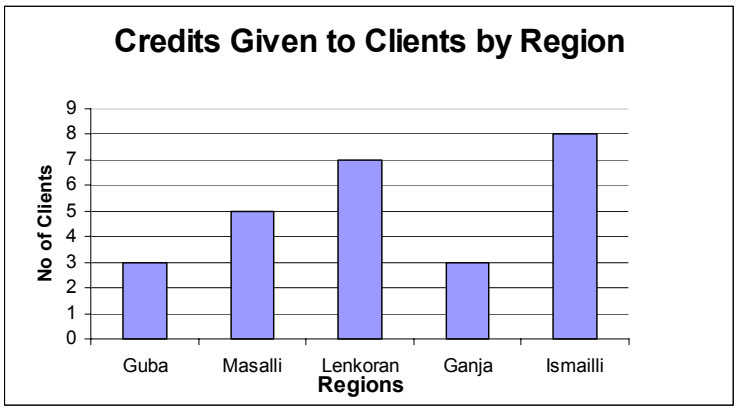
[2] Farm trials are a process in which the farmer is given the input and the farmer himself manages the use of the input as per instructions.

[3] The project personnel, not the farmer, design and control demonstration plots. The amounts of inputs are varied and monitored by project personnel during the growing season.

[4] The project has designed and published many professionally produced color information leaflets, brochures and posters for selected crops and fertilizer products. These are used by the dealers to support the linkage between the dealer and his customer—the farmer. There are 22 different leaflets, 7 different brochures and 7 different posters used to this end. Over 31,000 have been published and distributed to the dealers. See Appendix E for project supplied details of the information provided.

ACCESS TO CREDIT AND FINANCE (26.7% of budget allocation)

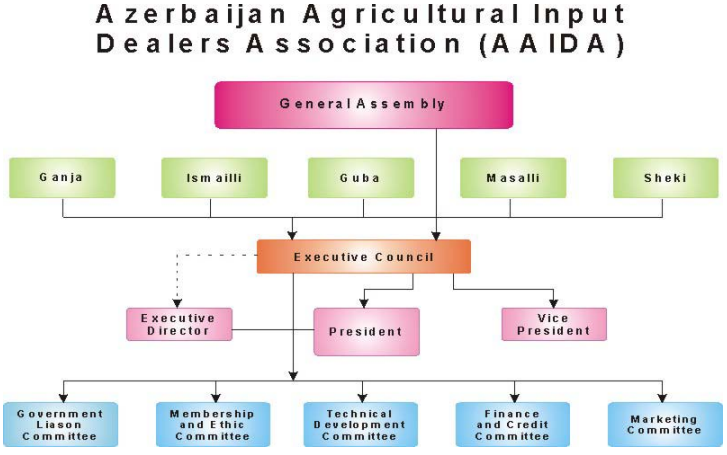
Chart 1



Interventions for the financial aspects of the project clients (input dealers) have been far-reaching. Project staff met with 36 commercial banks and only 6 expressed any interest in issuing agricultural loans. Other credit sources contacted are the KFW fund, the Rural Investment Fund (EU/TASIC supported), Finca, NHE, World Bank Project, and CREDAGRO (ACDI/VOCA supported). The intermediate results up to this point are as follows: 1) over 100 dealers have been indoctrinated and convinced that credit is not a gift and must be repaid; 2) information has been disseminated on credit sources, availability of credit funds, interest rates, terms and conditions, collateral requirements and/or registration, and business plans principles; and 3) the self-investment by local entrepreneurs (a confidence level indicator) has fallen short of project expectations. The forecast calls for a total investments by the end of three years to be US$250,000 and at this time is less then the 50% target for one half of time that project exists, at US$92,130, or 88.4% of target (this can be attributed to the late starting of project activities and all indications suggest that it may progress faster within the second year of operations); and finally, the reverse is true as for total credits received, as the projected amounts is US$90, 000 with 4 to 5 dealer firms borrowing to this point. Actually up to May 31, 2003, more than 26 dealers in 5 regions (see Chart 1) received credits for US$218,500[5]—this is 243% of projections.

ASSOCIATION BUILDING (20.0% of budget allocation)

Chart 2



The next step in the intervention process was to organize and strengthen the input dealers. A first step in this process has been accomplished by the project namely to organize the dealers into an agricultural association. Major progress to this goal has been completed with the efforts of project specialists with both in-country staff and short-term consultants. Dealers in the five regions under the purview of the project have organized into differing regional presence, under a national umbrella organization (See Chart 2 for Organization Plan), the Azerbaijan Agricultural Input Dealers Association (AAIDA). The association President, Vice-President and Executive Council members have prepared and signed on June 2, 2003 the necessary official legal documents to become an official Azerbaijan Organization (See Appendix H for copy of news article in June issue of NGO News, published in Baku). The tentative regional membership is as follows: 22-25 for

[5] Actual amount reported is US$338,500, but a $40K and $80K credit has some identification problems and has been deducted by AMDA staff.

Ganja region; 16 for Ismailli region; 16 for Guba region; 22-25 for Masalli region; and 10 for Sheki region (86-92 total). A problem however, is that no official recognition can be claimed until final government approval is received. This means the association can not apply for any grants and that all financial activity will be handled by the AMDA project administration until the official organization can open a checking account. All elections of regional officers have been completed and the local Azerbaijani participants enjoyed the transparent process of democratic elections. The unofficial dues amount of $30 per member has been voted and approved by local members and local officers are collecting the funds starting July 1, 2003.

1.3 Recommended Changes in Implementation Resulting in Enhanced Results

An important enhancement to the final success of this project will be the development of marketing improvements for agricultural product outputs of the REPUBLIC OF AZERBAIJAN. A new project can be initiated as a companion to the IFDC goals that would be needed to sustain the demand of inputs. The association of dealers can be transformed and can be elevated into effective marketing groups introducing a new coordination element. Expertise in increasing marketing in both the domestic and global marketplace by instituting grades and standards, developing collection points, quality control procedures[6], improved packaging, and brand-name selling have all been well documented as major modification of low-priced commodity-type products to high-value, differentiated branded output. For example, marketing for export *"APPLES FROM THE GUBA REGION"* would be a likely first step approach to increasing the value of the Guba region products. Equivalent consequences can be investigated for the vegetable, fruit, and potato producing regions as well. New technology transfer is being implemented and can be improved by introducing greenhouse and drip irrigation procedure for fruits, tomatoes, and cucumber production. For wheat production, the improvement of forward linkages can address the problem of linking coordinating information between the producer and the grain miller. Problems of steady supply of quality grain to produce bread flour and fair pricing can be addressed through a marketing association relationship

1.4 Opportunities for Integrating Program Components Resulting in Greater Impact

The legal registration of new association entities seems to present an inconvenience, and the use of "political capital" to alleviate the problem by "the players" is limited on agricultural issues. The problem is complex and not easily addressed. It takes four separate approvals for a donor organization to be approved (Ministry of National Security; Ministry of Justice; Ministry of Foreign Affairs; and the Cabinet); however, local association-type organizations need the Ministry of Justice only. Under Azerbaijani law, organizations fall into two distinct groups. Either an organization is considered a Non-Government Organization (NGO) or, under economic law, an organization for profit making. Approval from three of the entities appears reasonable; however, the Ministry of Justice approval seems many times unachievable. For political reasons, the Ministry retains a tight hold on authorizing new NGOs, and since agricultural organizations are not-for-profit, no recognized niche in the system exists. In the near future, high-level intervention from an agricultural development project with a policy element should address this problem.

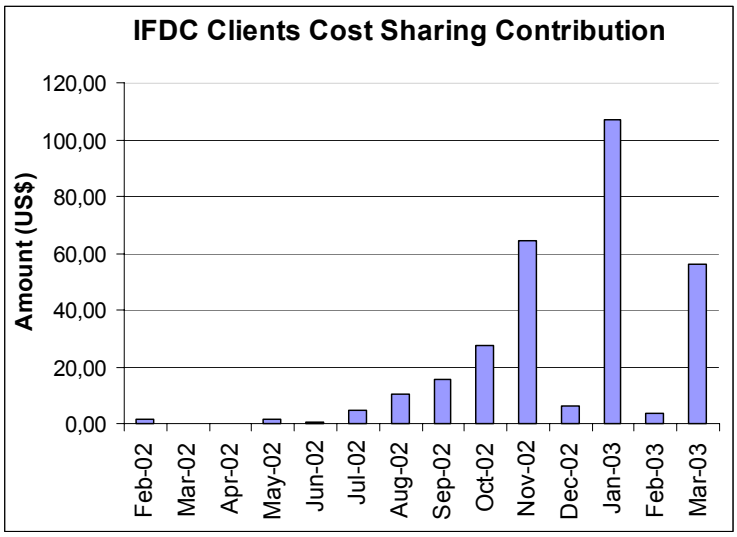
The encouragement of expanding production of the project's clients leads to the problem of inadequate and/or underdeveloped credit availability to lubricate this growth. Low competition among banks generates high interest rates. There are more than 30 banks in Azerbaijan, but most of then are in poor condition with low cash resources and cannot provide credits. Most of the cheap credit providers (World Bank and EU TACIS projects) have had severe problems and have limited their involvement. Those few banks that operate in regions accept as collateral only jewelry, vehicles, and real estate in major cities. No

[6] A/K/A Seal of Quality Programs.

bank accepts land or real estate in regions. Only the CREDAGRO, an ACDI/VOCA program has been successful.

1.5 Unexpected Benefits and Impacts as a result of Project Activities

Chart 3



Months	Amount, US$
Feb-02	400
Mar-02	0
Apr-02	0
May-02	502
Jun-02	198
Jul-02	1 692
Aug-02	10 527
Sep-02	15 735
Oct-02	27 555
Nov-02	64 550
Dec-02	3 050
Jan-03	107 092
Feb-03	1 080
Mar-03	56 085

Donor funded activities like the AMDA project are designed to give an interim shot in the arm to the local agricultural entrepreneurs which is designed to be ongoing. Many times a significant long-term improvement can be documented. The major policy tenet extended during the project activity is that the donor is temporarily giving 80% support while the recipients is matching something—usually up to 20% of the activity costs (cost sharing contribution requirement). When the donor "folds the tent" and leaves, many project activities should be able to have developed a reverse ratio—an 80% contribution from the local entrepreneurs with some minor continuing cost contribution, say 20% from the donor. This is usually a problem as local entrepreneurs in the past have not been successfully trained in developing sustainability in their project activity or the project is prematurely withdrawn before stability has been accomplished. However, facts indicate sustainability seems to be an important ingredient to the AMDA project. All IFDC training is directed to an improvement in information transfer and cohesive organization building, but underlying is the major point that self-sustainability after the program has ended is a critical element to success. Another major side effect is the exposure of the dealers to the democratic system—not just the political exercise of electing association management, but to business democracy—how free business with only minor government interference can thrive and that the role of government to provide a legal system which will help protect them from each other so they can do business without interference from bullies and monopolists.

1.6 Unexpected Negative Impacts the Program Needs to Address

As the project succeeds and both productivity and quality of output is improved, a serious shortcoming will become evident after a year or so of full operation. Agricultural production exhibits an inelastic demand curve wherein small increases in quantity might trigger large declines in product prices. Some of this phenomenon will be offset by the reduction of average total costs (which is a major goal of the exercise) but the risk is that a portion of the price reduction will directly reduce agricultural incomes. A companion marketing initiative should be developed as the productivity increases are affected. Identifying and preparing Azerbaijan small and medium agricultural entrepreneurs for new markets could be part of a development project in the future. The effect of agricultural exports as a tool of market expansion for agricultural producers is persuasive as increased exports generally have the positive effect of raising product (output) prices.

The problem of inadequate financing to lubricate the potential growth envisioned by the project goals seems overwhelming. Most banks are concentrated in the capital. Banks have no branches in regions. It is inconvenient for them to monitor remote credits. Specifically, a number of regions (Sheki, Ganja, Shamkir) are not covered by credit institutions. The reason given by institutions is that there is a lack of tax reports on which they must rely for information. Additionally, dealers are reluctant to release information about their financial condition and prior credit received due to tax authority implications. Innovative project development of this financing issue would address an important constraint to agricultural sector growth.

1.7 Appropriateness of Activities for Improving Agribusiness Development in Targeted Area

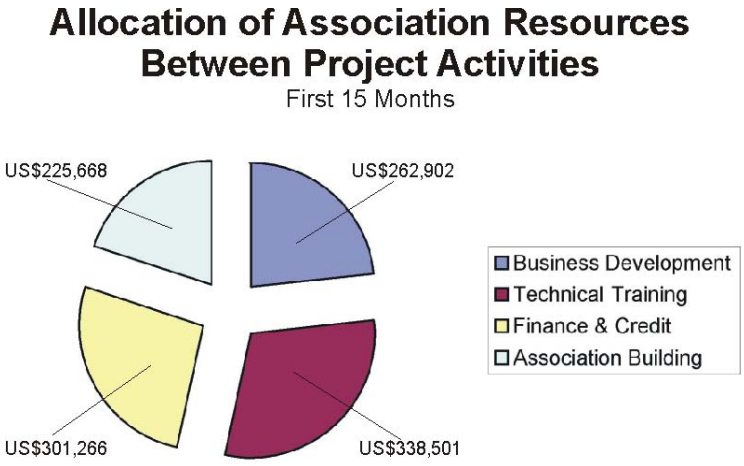
Touring the targeted areas reveals the need for information transfer of new technology and improved operating performance for agricultural production. Under the old socialist system, trained agronomists worked on the collective and passed instructions to the untrained working teams. These team members knew little about what the proper techniques of production were. When land reform arrived, these team members became small plot farmers who had no knowledge or training. The results are seen all over the countryside, where farmers are trying to scratch out subsistence living. Our project goal of transferring technology to the dealer, who passes this to his customer the farmer, is a direct approach to addressing this major shortcoming in Azerbaijan countryside activities. In the opinion of the COP, there seems little doubt that an increase in productivity, which will generate increased production, can be absorbed by the current market conditions.

1.8 Appropriateness of Assumptions and Activities Relative to Operating Environment

This technique of transferring technology through the dealer community seems appropriate to the conditions. Farmers are in touch within their dealer community more effectively than any other communication source. Each dealer acts as a center of information in their neighborhood. This means that the project is funneling the new technologies through the dealer, whose self-interest is well served when he passes this to his potential customers—the input buying individual farmer. The project management has stated that dealing directly with farmers is not an efficient way to reach project goals. Many other donor humanitarian projects (IRC, CHF, ADRA, WVI and IFRC) have dealt and continue to deal directly with farmers, especially the subsistence type. The project management is convinced that only through building up the dealer in the community will they attain the sustainability desired in the end.

1.9 Intervention Cost-Effectiveness

Chart 4



The matrix below is designed to exhibit the results of an analysis of the spending allocations from the four interrelated activities of the IFDC project. Each of the four is shown along with the designations of separate activities for each. These activities match the results indicators found in the original proposals plus the addition ones reported in the first year report (see Tables No 1 and 2, Appendix J for full nomenclature of activities)**.** As can be seen, the largest allocation is for technical training and the smallest is for association building. The projected versus actual is a calculation measuring the allocation of dollars with the units, reported in the results indicators. When viewing the results below, several comments must be considered. First, no feedback from the farmer (gain is at the farm level) is incorporated into the values presented, and secondly, no measure of the quality of the service is documented. Limited comments about the results are caused by the fact that no preset values have been supplied, so that an evaluation of actual versus projected on many of the items can be completed. There is no indication of what would be considered a prudent expenditure for each of the activities reported.

Costs per incident of each activity[7]

Business Development (I)

	Projected	Actual
(1) Growth of Nu Firm Assets ($15775)	$210.33	$175.28
(2) Sales of Inputs		
Fertilizer ($6134)	$0.15	$0.12
Seeds ($6134)	$0.003	$0.004
CPP ($6134)	$0.001	$0.003
(3) Farms Purchasing Inputs ($18403)	$7.36	$4.60
(4) Number of Advocacy Tran ($18403)	$920.15	$920.15
(5) Identify Clients ($18403)	$184.03	$184.03
(6) Prest of Proj Support ($18403)	$1,533.58	$1,533.58
(7) Tran Client Meetings ($36807)	$575.11	$575.11
(8) Develop Business Plans ($26290)	$2,921.11	$2,921.11
(9) Distr Storage Containers ($10516)	$178.24	$178.24
(10) Coll/Public Market Info ($18403)	$36.81	$36.81
(11) Trade/Info Mission Ga. ($18403)	$2,629.00	$2,629.00
(12) Arrange Input Imports		
Fertilizer ($6,134)	$51.12	$51.12
Vegetable seed ($6,134)	$102.23	$102.23
Potato seed ($6,134)	$81.79	$81.79
(13) Survey Dealer/Farmers ($26290)	$105.16	$105.16
(14) Trade/Info Mission USA ($0)	$0.00	$0.00
Total: $262902		

Technical/Training(II)

	Projected	Actual
(1) Sales of Inputs		
Fertilizer ($11283)	$0.28	$0.23
Seeds ($11283)	$0.003	$0.006
CPP ($11283)	$0.005	$0,006
(2) Farms Purch. Inputs	$13.54	$8.46
(3) Product Differentiation	$886.55	$372.35
(4) New Agro-Input Prod.	$7,447.00	$1,489.40
(5) Indiv. Apply Skills ($37235)	$54.20	$41.93
(6) Prod Dev Grades/Std	$5,416.00	$601.78
(7) Field Days Dealers ($33850)	$112.83	$112.83
(8) Field Days Farmers ($20311)	$101.56	$101.56
(9) Written Media ($47390)	$1,528.71	$1,528.71
(10) Television & Radio	$1,269.38	$1,269.38
Total: $338501		

[7] Total budget allocation for the 15 months IFDC project operations were US$1,128,337

Costs per incident of each activity.

Access to Credit (III)	Projected	Actual
(1) Total Value Loans ($48204)	$0.54	$0.22
(2) Nu of Borrowers ($42177)	$8,435.40	$1,622.19
(3) Self-Investment ($42177)	$0.40	$0.46
(4) Conduct Workshops ($42177) *Groups*	$5,272.13	$5,272.13
(5) Conduct Workshops ($42177) *Individuals*	$1,757.38	$1,757.38
(6) Conduct Mkting ($42177) *General Principals*	$10,544.25	$10,544.25
(7) Conduct Mkting ($42177) *Fertilizer*	$8,435.40	$8,435.40
Total: $301266		

Association Building (IV)	Projected	Actual
(1) Rev. Covering OE ($27080)	$27,080.67	$4,062
(2) Know 1 Issue/Yr ($27080)	$27,080.00	$27,080.00
(3) Conduct 5+ Adv Issues ($22567)	$7,522.33	$22,567.00
(4) Nu of Training in Ad/OM ($33850)	$4,231.25	$1,692.50
(5) Ass Organizing Meeting ($33850)	$2,820.83	$2,820.83
(6) Signed Ltr of Interest ($22567)	$352.61	$352.61
(7) Assoc Council Training ($33850) *National*	$2,820.83	$2,820.83
(8) Assoc Council Training ($24824) *Regional*	$4,964.80	$4,964.80
Total: $225668		

Source: Consultations with COP & DCOP

1.10 Follow-on Activities that Should be Considered to Maintain Momentum

The momentum of this IFDC project seems high at this point. From the tone of the interviewees in the regions, a big success is anticipated in both the farm trial and demonstration plot experiments. The level of satisfaction with the results of networking using the association model also exhibits a very positive atmosphere. The dealer-clients have high expectations about the results of the trade/information mission just completed and they anticipate the next ones planned. They are hoping that they will be able to visit more advanced economies like in the EU and USA because they feel they gain an enormous increase in their level of comprehension of the new technologies and processes that they are being exposed to at this time. They expect little government help in the future, as the Ministry of Agriculture has limited resources and the major focus of the Azerbaijan government is fixated on the oil industry. With this in mind, they are excited about the prospect that the project is helping them develop a private extension service to help them transfer the new technology and new seed to the farmer customers. They recognize if farmers are doing well their business will be positively affected. They are satisfied with the advocacy training they are receiving at this time. I would suggest that lobbyist specialists be brought to deepen the scope of the advocacy agenda. The final marketing of the increased farmer output is not a direct issue for the project dealer-client, but in my opinion, many of these individual would become an integral part of any process that would expand the marketing of their customers' output. Because of the derived demand and connection between final output and dealer selling of the inputs, a connection will be ensured. Therefore, the only follow-on activities that are needed are "more-of-the-same," plus a focus on how to overcome the problems with sending missions to the more developed economies in the future. The companion farmer-marketing question might be addressed in the new RECP project or under some other project.

2.0 Agriculture and Agribusiness

2.1 Opportunities for Improving the Agribusiness Sector's Marketing, Volume, Product Quality and Business Skills

The major opportunity for the agricultural sector of Azerbaijan lies with its ability to upgrade the quality of the agricultural production as it relates to consumer-level acceptance. In other parts of this work, the domestic consumer market has been characterized as fragile and imperfect. At first blush, it would be prudent to expand efforts to address this issue directly. However, it is this author's opinion that a faster,

more efficient route exists. A bold approach might be to develop and establish a program to first identify (could research prior in-country competitive analysis and/or comparative advantage studies) the agricultural products that are now well accepted and/or competitive (e.g., apples, potatoes, tomatoes, cucumbers, etc.). Then initiate the process of applying grade standards, quality control (seal of quality program), better packaging, and better marketing skills (brand name selling) to bring the products up to world standards. If a product can meet world accepted consumer standards, it should simultaneously spill over and improve the arena for domestic marketing. We also will be able to penetrate world markets with a double score for our development investment. This approach should be considered, as the world markets are usually available if you have the right products.

Trade allows creation of an integrated market for consumers benefit. Greater variety of products

Increased trade also influences the volume, variety, and price of the food supply for Azerbaijan consumers. Money earned from food exports by agribusiness employees can be used to purchase other goods desired by the down-line, non-farmer consumer. International trade allows creation of an integrated market that is larger than any one country's market and thus makes it possible simultaneously to offer consumers a greater variety of products at lower prices. It is also observed that trade plays a role in international diplomacy and foreign relations. It is often true that "two nations trading bushels and boxes are less likely to trade insults and/or bullets" (see Appendix I for more detailed explanation).

2.2 Project Effectiveness in Capturing Opportunities to Improve the Agribusiness Sector

The steps to executing the above recommendation (an export training regime) have two tracks, one short-term and one long-term. The short-term track is to expand the current activity, mostly selling commodity-type product (apples and vegetables). However, because of the fact that the Russian, Turkish, etc. buyers are at the level of major distribution in their respective country (they are so-called barrier buyers, it is not in their best interests to buy value-added products; therefore the sale of value-added agricultural products must be developed in a second stage.

The second track is to change the situation—Azerbaijan entrepreneurs must be helped to penetrate past these barrier buyers. After Azerbaijan entrepreneurs have developed their own value-added agricultural products, they can sell directly to the large foreign importers' distribution systems, thereby, transferring the economic benefits of value-added sales to the Azerbaijan economy and not into the pockets of the large foreign monopsonist (single buyer). Improving the well-being of the dealer enterprises will have a large impact on the entire sector. If the project can increase productivity [8] of the farmer, this will transfer not only to the dealers, but to other members of agricultural business sector. The concept of the "higher tide will lift all ships" holds true for this activity.

2.3 Market Access for Products and Services Produced by Client Entrepreneurs

The seasonality of farmer output has not yet been a major factor in the Azerbaijan agricultural sector, as abundant supplies have not created any major problem. However, market access by the farmer clients and thereby the dealer clients will depend on several factors: the suddenness of the harvests, the time until the next harvest, and the ability and cost of storage of the harvest. A dealer service might be to supply storage facilities to the region to address this possible constraint to market access.

When we talk of products and services produced by client entrepreneurs, we are also speaking of the dealers supplying information (technology) transfer to the farmer client and the direct supplying of seed,

[8] Productivity is simply the ratio between the amount of inputs used to generate an amount of output.

fertilizer, and pesticides. After interviewing many dealers in the countryside, I am convinced that the relationship between farmer and dealer is very strong. We have seen the IFDC posters and brochures in all the dealer offices visited. Under the old socialist system, the local agronomist was the farmer's link to knowledge, but since the collapse in the 1990s, this link is currently with the dealer. Since the project objective is to train dealers to transfer these skills to farmers, the plan is on target.

2.4 The Nature and Effectiveness of Assistance Provided to Entrepreneurs and Associations

A major point that the IFDC project did not try to sell association building at the onset has already been mentioned. What was discussed was networking benefits and information technology transfer. After clients recognized the benefits, they were taught how to make this a coercive operation by forming an association (a natural self-evident conclusion). Many services are supplied to the dealers from the IFDC project. A review of Appendix F, which outlines the goals of the project, clearly outlines these services. Arranging and supervising trade missions and other information gathering activity and introducing credit sources are some core objectives. Executive training for council members has exposed the leadership to "Roberts Rules of Order" in order to teach them to operate a meeting without chaos. Other business skills such as marketing of inputs and accounting (gross margin calculations, balance sheets, income statements, and cash flow statements) need to be explained in terms of western-type approaches and not the way it was practiced under the socialist system. Additionally, other types of training would also have long-term benefits. Many services could be sponsored by the association for a fee. For example, the association might develop a system of transportation coordination (trucks and rail) for its members shipments; it can also develop a regional storage facility to serve the members' storage and or warehousing requirements; however, this must be organized as a separate, for-profit entity which the association may partially own; and finally it might develop a quality control laboratory in order to certify a local "seal of quality" program for the "regional brand name" production.

2.5 Constraints to Reaching Association Members

Past association building activities have been frought with problems. Early in the decade, donor organizations provided grants to help organize associations. A father could be president, a son vice president; employees would be the other members and then would apply for a grant. Experience with socialist-time organizations (state owned or politically driven) has left the sophisticated entrepreneur wary (history is not conducive of success) of association building activities of the past. Once our members see that this is their association and that it can deliver what it is preaching, that old mentality will fade away. Under a democratic election regime, flexibility of members to vote out officers with unsatisfactory performance is implied. Success will be built on success as word of mouth about the activity of the association spreads throughout the region. This will be the best advertising that the association can use to recruit more members.

2.6 Expanding Activities to More Fully Incorporate Association Member *(Especially AMDA)*

The projected staff (see Appendix K) of the project will be expanded to take into account the perceived successes. The original staffing was for ten employees, namely, four specialists: Business Development; Association Development; Technical Training; and Credit Finance. Then six junior specialists, namely Media Public Relations; Administrative Assistant; Secretary; Events Manager; Secretary to Credit Specialist; and Driver. However, several adjustments were made to the plan. No driver was hired as no automobiles were purchased (only part-time drivers have been used). To address the demand, the project hired an additional technical training specialist, bringing the total to two. No event manager was hired, but instead the project hired one full-time coordinator located in Ganja region and a part-time coordinator in the Masalli and Ismailli regions to better serve the association members. On July 1, 2003, they will

hire an additional media specialist to handle television and newspaper public relations. A plan to acquire the LOL vehicle and driver will soon be executed.

2.7 Effectiveness of Associations in Delivering Improvements in Agri-production, Productivity, Product Quality, Financial, and other Services

This question cannot be adequately addressed until the results from the demonstration plots and/or the farm trials has been documented and analyzed. Early returns strongly indicate a great success is in the making. However, assessment of results (see Appendix M) caused by technology change or influenced by environment (weather) can create a variability problem from one crop result to another. There is no doubt that the IFDC project has and will continue to be a major driving force in improving productivity and product quality in the Azerbaijan agricultural sector. Financial services have met expectations but major problems exist for the medium-sized entrepreneur dealers and farmers. Storage is needed to smooth out the variations in the increased production generated by the new technologies under discussion. No consideration for this result is part of the IFDC project. Additionally, within several years of increased productivity, a surplus of production might appear that has the potential to drive output prices lower since a program of marketing agricultural output is not the focus of the IFDC project.

2.8 The Role Business Associations Play in Agribusiness Development

There are three major categories of activities in the operation of an association that the project has designed into its modus operandi: the networking function, the group advocacy function, and the education function. These functions all work together in an organization that will advance the level of efficiency of the small and medium sized agricultural entrepreneurs. A major point revealed to me during my interviews in the countryside was that after the collapse of the socialist system, all contact between individual businessmen was lost. Now, however, they have met each other and in number there is strength they have not experienced before. This new association will introduce a new ability for small and medium dealers, that being the ability to influence market outcomes in their advantage, also known as gaining market power. An important aspect of the association, not fully discussed at this stage of development, will be the possibility to control the flow of farm output product to market, which will be crucial to the short-term success of marketing. The association might develop the tools needed for controlling flow, e.g., storage facilities, transportation coordination, and grade and standard enforcement.

> **"In numbers there is strength they have not experienced before."**
>
> *Association member*

2.9 The Main Areas on Which Business Associations Need to Focus

The association, being member owned, must focus on its self-interests. In other words, it should act only in the interests of the group and not in any individual or group of individuals' behalf. It can play a role in developing sources of input farm supplies, variation of input supplies, and, most important, competitive pricing of these input supplies. The fundamental focus of the association emphasis is skill building in the following subjects: advocacy, technology transfer, business training, bookkeeping, breakeven analysis, margin analysis, output bargaining and marketing, and enterprise management—all with a goal of improving the financial performance of the members' own enterprises. It is important for the association to be flexible and be able to adapt to any changing needs of the membership to maintain their status as a representative of their alliance. Gaining and maintaining the confidence of the membership is an important role of the association leadership. The financial condition of the association will always spark conversation and possible controversy among members hence; another major focus must then be the frequent and timely publication of financial information, including the balance sheet.

2.10 Political and Economic Representation of Project Assisted Associations

The basic role of the association at this stage is to be the pacesetter (for new products and market services) and power balancer (advocacy activity and development of price bargaining units). The association must identify and have contact with the individuals at the Ministry of Agriculture and Economic Development and with the standing agricultural commission of Parliament. The association should invite these individuals to their meetings in order to impress upon them the size and effectiveness of the organization to flex any political muscle. As the Azerbaijan economy matures, the role of the association might be altered as it relates to advocacy. From just an advocacy role to solving common operating problems of the membership, a maturing role as an advocate for gaining economic market advantage over the potential larger buyers of the small farmer's undifferentiated commodity output will evolve. In other words, the association might become a market bargaining unit so that farmers might receive the full potential of their value invested in the output, which reflexes in the pricing they receive. This activity can take on some special legislative requirements; thereby the association must rely on its strength and lobbying ability. Some simple steps on this path might be the development and sponsoring of market-intelligence activity, all the way to the more sophisticated and less free-market oriented collective bargaining and price negotiations. Many of these activities need action by legislative enactment.

2.11 Overall Impact of Program-Assisted Associations/Enterprises on Agribusiness Development

There is little doubt that the impact of AMDA project sponsored networking aspects of the association model has made giant steps forward in the dealers meeting and learning to work together. The level of exchange has been observed to increase because instead of all groups sitting together in small clusters as they originally did, they now mix together in seating and in conversing during the breaks. Additionally, the trade missions have been and will continue to be an important tool in increasing the combined knowledge of each region. Activity to increase production through productivity increases is the underlying target of the AMDA operation. However, the impact of not simultaneously targeting training and information of the essential points of marketing of agricultural output products, either domestically and/or globally, will create a decrease in the derived demand for the inputs.

The overall impact of not addressing the marketing of farm output can negatively affect the success of increasing the use of farm inputs in Azerbaijan agricultural sector. The anecdote goes like this: The demand for most agricultural products, particularly farm inputs, is a *derived demand*. Derived demand is not based directly on general consumer demand, but rather on the need for a product that indirectly relates to consumer demand. For example, the farmers' demand for (farm inputs) fertilizer, pesticides, seeds, technical knowledge, etc. is derived from the consumers' demand for the end products (farm outputs). Anything that significantly affects consumer demand for agricultural products (outputs) is bound to have an impact on the demand for farm supplies of the rural entrepreneurs. Therefore, it is reasonable to assume that the "macroeconomic state of marketing" of agricultural products in Azerbaijani is directly related to the success of the project to increase the demand for farm inputs. Since the agricultural domestic market and/or global market for Azerbaijan outputs are characterized as fragile and imperfect, this will continue to act as a constraint on progress and effectiveness of the IFDC project.

2.12 Business Development Activities' Contribution to Improved Productivity and Access to Credit

The development of business skills is critical for the success of any entrepreneurial activity. A problem faced by many small businesses is that they do not have the array of skills needed for success. For example, they are good at production and bookkeeping but poor in sales skills, or they are good at selling but poor at bookkeeping, or any combination you want to consider. The effectiveness of the association skill building is designed to offset this shortcoming and thereby improve the odds for success in the endeavor. To get credits, all three skills must be demonstrated as a prerequisite to receiving approval from financial institutions. One major shortcoming of the local business people is the lack of good record keeping. The problem is based in the fact that the tax authorities are ruthless and abrasive in their tax collecting activities. The result is that little record keeping is practiced by entrepreneurs. No job costing or other cost accounting is practiced and this hinders the application for credit activity. An array of business record-keeping skills improvement should be included in the training module.

Additionally, other cost accounting analytic tools must be taught to better prepare our entrepreneurs for decision making. Training and volume-cost analysis and time value of money will help convince lenders of the competence of the business persons ability to control the results of their activity.

2.13 Enhancing Business Development and Training to Improve Productivity and Access to Finance

One major tool used by a financial analyst when reviewing an agricultural enterprise is the tool of break-even analysis. If the evaluator can determine this break-even data, he will have the ability to assess the risk and probability of the enterprise paying back and/or servicing its financial obligations. This tool should be encompassed and emphasized (highlighted) in the module of "business plan writing" in any management training seminar provided to the Azerbaijan entrepreneurs.

Additionally, ethics in business dealings should be included. The exposure to democratic business dealings to Azerbaijan entrepreneurs of business practices requires that a certain level of ethic training be provided. Adam Smith, the father of capitalism, preached that participants in a free market should do only what is in their own best interests; however, he also meant under good moral ethic standards. He recognized the need for government to manage a legal system to provide this protection. The legal protection (contract-law and anti-trust law) provided to market participants in the current environment is not sufficient and hence we are obligated to teach business ethic principals to our new entrepreneur clients.

2.14 Effectiveness in Tracking The Progress of Client Entrepreneurs

The activity of tracking the progress of the project clients seems to have some problems. In the Azerbaijani prior socialist environment, accurate voluntary reporting was limited. Entrepreneurs are so frighten by the possible tax authorities finding out about any successes -- so they can extort more taxes or worst extort unauthorized payment. Many entrepreneurs do not allow their names to be associated with any TV stories for this same fear. The project personnel solicit voluntary sales information, but detailed financial results about the businesses would be more difficult to extract. However, we have a macro-type result indicator that measures the confidence of our client-dealers, namely the self-investment number. If it rises, we have a suggestion that things are going well and the future look bright. The stated results indicators do have the ability to assist in tracking progress, however very little has been done to create goals for which these indicator are supposed to measure progress. Is this the IFDC project fault or might it be a project design mechanism flaw? The approach to measure progress is flawed without the creation of benchmarks when assigning the result indicator to a project.

2.15 Effectiveness in Facilitating Client Entrepreneurs Access to Finance

A major impediment to obtaining credit has been and continues to be the unwillingness of entrepreneurs to fully disclose their financial state on credit applications. Harsh collateral requirements are also a constraint. A 200% collateral is needed, along with a second business/source of income, and finally only short-term financing is provided, which must be paid back after harvest and never exceeds 1.5 years (18 months). The project has addressed this liquidity problem with the smaller players through association with CREDAGRO the ACDI/VOCA activity; however, larger clients of the project are unable to finance the storage and/or processing capital spending aspects of their increased production and the flexibility needs that are associated with enhanced production. Some special loans have been available from state banks at an attractive interest rate (7%); however, biased interests have limited the availability to a slim group.

2.16 Effectiveness of Assisting Entrepreneurs in Applying Newly Acquired Management, Marketing and Business Skills

The only marketing training being provided to the dealer association member is the general principals of marketing and the specifics of marketing the inputs. The author's understanding is that the IFDC program has no mandate and therefore does not directly address any marketing of farmer outputs. This issue has been discussed elsewhere in the work and needs to be addressed in a strategic plan for the whole Azerbaijan agricultural sector. In the author's opinion, an advancing of skills in marketing of farmer outputs will be the most important key to the long-term success in the improvement of the medium and small entrepreneur the mission is committed to support.

The management and business skills training have been more then useful, but less dramatic to the entrepreneurs then the trials and demonstration plot results. It is easy to see the plot and farm trial physical changes but much more difficult and less dramatic to visualize an update in accounting or management techniques. The modus operandi of the project is to direct its efforts to the dealers only. This strategy is based on the idea that the dealer is a more sophisticated entrepreneur than his farmer counterpart. The ability to absorb and implement the new technologies offered seems to have a higher probability of success through the dealer to the farmer than does going directly to the farmers. The efficiency of using the dealers to funnel the information about new technology in production of farmer outputs seems to be significant based on interviewee comments.

2.17 Field Demonstration Project's Relevance to Real World Farmer Problems (AMDA only*)*

This, in the author's opinion, is the root for the success of the IFDC project. The transfer of technology in the case of drip irrigation, greenhouse growing, fertilizer use, pesticide use, and proper seed selection can show near immediate physical results. Farmers can quickly see the plants growing strong and healthy, the fruit abundant. They can quickly determine there is no doubt about the success of the results. This also holds true for the farm trials as well. I suspect the results will be less dramatic, as the nature of farm trials is that farmers are in control of operations (see Appendix M for questionnaire to be completed by participants). This image of physical changes is the foundation for the level of excitement being expressed about the IFDC project. These field demonstration techniques directly address the core principles of the project premise, namely knowledge transfer, productivity increases, improving gross margins, providing choice-making information, and finally teaching that farming is a business and not an art form. The upcoming field day (held at each plot at harvest) activity will be the culmination of all these ideals. Farmers will come from all over the region to see and share the results and then be convinced that the techniques and use of the inputs would be in their own best interests. This information will be taken home and possibly shared with their neighbors who did not travel to the demonstration plots or see any farm trial results. Word-of-mouth advertising has been known to be a very powerful tool in information distribution.

3.0 Adoption of New Practices

3.1 Beneficiaries' Adoptions of Recommended Practices

There was such excitement about the tentative results from the farm trials in wheat (using TSP) that dealers found TSP and purchased and sold to farmers on their own, so that we have 230 farm trials in wheat. A questionnaire was developed by the project (see Appendix M) and will be gathered from the farmers after harvest in August 2003. Additionally, results of limited apple trials from last season showed dramatic increase in yield and quality. An orchard grower was so excited he convinced his sons and other relatives to implement the new inputs. He appeared on local Television several times, including a 30-minute presentation in order to spread the word.

3.2 Types of Practices Adopted By Beneficiaries

An interviewee commented to me that he had a dream to install drip irrigation technology but that until now he was unable to do so. The IFDC project has allowed his dream to come true. New green house technology will also be introduced in this region during the second half of 2003. Many of the dealers and farmers were very excited, as they feel that greenhouses would give them a competitive advantage over the Iranian imports that are negatively affecting their markets. With this new technology, they can produce an early crop and take advantage of the good growing season from January until April.

3.3 Program Modification to Maximize New Practice Adoption Rates

The project has identified that the results of the trials and demonstration plots will be remarkable. It has decided that on July 1, 2003 it will add a specialist in television, radio and newspaper public relations to its Baku staff. This will definably add to the adoption rate of the new technologies being discussed. An ST Israeli consultant specializing in greenhouse and drip irrigation technology will be making more regular visits and will be staying for longer periods of time. Additionally, they plan to extend the open field day program to allow for additional viewing by the local farmers. Trade/information missions to surrounding countries will promote the exchange of information; however, a program that should be considered is one that would promote more exchange visits between districts to enhance the transfer of information within Azerbaijan. These inter-regional trips should be continued and expanded in scope.

3.4 Primary Source of Information Concerning Business Practices

The project has been supplied information from several sources. They include short-term consultants, local experts, and staff specialists. The records show that during the Soviet era, Azerbaijan agriculture was using 700,000 tons of fertilizer. Is the goal of the project to reach this tonnage? The answer is no, as much of the fertilizer was spread by inexperienced farm worker teams—information indicates that much of it was wasted in irrigation ditches. Therefore, that information source is inaccurate. We will be attempting to maximize the efficient use of fertilizer in Azerbaijan, which would be a number much smaller than 700,000 tons. Primary source of yield information will be coming from the farmers themselves; however, this also is suspect data. The project will rely only on data collected during the farm trials and plot demonstrations when analyzing any operational results. The financial record keeping for the enterprises we are assisting is also difficult to collect, even if it has been created. Hence, the use of this kind of data to compile results indicators could also generate inaccurate and unreliable measurements.

3.5 Other Key Channels of Business and Technical Information

The use of printed matter (see Charts 5a, 5b, 5c), as explained elsewhere, is the major source of data for technology transfer. The project has done an excellent job in preparing the documents. Many interviewees commented on the value of these take-home instructions on how to implement the new knowledge. The essence of the strategy is "NEED STRONG INFORMATION LINKS BETWEEN DEALERS AND FARMERS." The model in which the dealer is the main information link with the farmer will have strong benefits for the success of the project goals. This is a compelling approach to develop a private extension service where there is little chance for a public service to exist. The project staff has taken great pains to explain to the dealers that they will be the exclusive distributors of the printed matter. The project has no plans for any mass distribution directly to farmers. The project theorizes that if dealers affix the information transfer with the selling of the inputs (included in the price of input), this should build a strong private extension service for the farmers and reinforce the information link between farmer and dealer.

Need strong information links between dealers and farmers.

3.6 Client Satisfaction with the Quality of Technical Assistance Provided [9]

At this time the number of training sessions has been described as more than adequate. Based on the records, an average of 1.5 meetings per month has been accomplished in all the regions under IFDC project purview. It was explained to me by almost all interviewees that the project and Azerbaijan input dealers are in a "marriage" environment. Currently they are on their honeymoon and neither can find fault with the other. No dissatisfaction could be expressed—at this time we have 110% satisfaction. It was expressed that more training should be provided in the future for (value-added) manufactured finished products that use agricultural output as raw materials. Some products suggested were potato chips, French fries, and starch products.

4.0 Business Association Development and Capacity Strengthening

4.1 Overall Progress and Approach to Association Development

The association model employed by the project has been a well-tested approach in the developed world. It can be a powerful tool in the developing world as well. The model allows us to address gaps in market information and production technology, and it allows the development of skills that create linkages with markets. It creates an environment for strategy meetings and training and has the ability to build up the sector to critical mass in order to facilitate changes in the individual entrepreneur's behavior and activities. Concern has been raised about the relationship of the project goals to the association structures. The current experience is to lead the participants into organizing an association of their own. The project attempts to minimize the project input on such areas as the writing of by-laws. Effectually, the project has little interference on the election of leadership. The association members themselves have conducted the elections under democratic principals under by-laws that are self-generated. Several points have been discussed that suggest that prior government officials seem to generate themselves into the leadership of local associations (this may reflex their leadership skills developed during the Soviet era). In the project staff discussion of alternative choices in the development of by-laws, elections might be held every year, or every two years or even every three years. If dissatisfaction with leadership appears during the term of office and the election period is too long, loss of membership occurs faster than if elections are held every year and members knew they can vote out the unacceptable leadership. This is a subtle point, but when trying to develop sustainability in the structure of the association, the flexibility of changing leadership is an important element to consider.

[9] Question 3.6 & 3.7 were similar and answered as one.

4.2 Effectiveness in Developing Association Capacity to Effect Change in Agribusiness-Policy and the Regulatory Environment

The effectiveness of the association building is not materially affected by the lack of official recognition. The process of greater "grassroots" involvement is being enhanced because of AMDA activities to date. The process of teaching the agribusiness leaders the need, value, and importance of having an industry trade association has begun in earnest, and the concepts are well received. Advocacy, being a major advantage of organizing into an association, has already experienced some success in Azerbaijan. Three recent events, namely 1) the institution of price support for wheat; 2) the authorizing of ice cream sales on the streets of Baku; and 3) the reduction of state licensing from 280 activities down to 30 activities (about 10% represent agricultural activities) all indicate the power and potential success of advocacy in improving coordination of issues between Ministries and the private sector. Although acknowledgment is not credited to AAIDA directly, its new president spearheaded the wheat support legislation. The need for advocacy also will be important if a program for increasing exports of agricultural outputs is investigated and implemented. Additionally, environmental regulation is not a current problem, but given enough time, the agricultural sector will find itself at war (pesticide management) with the environmental lobby and will need strong advocacy relations with regulators.

4.3 Strengthening Associations' Advocacy Capacity

Experience has shown that the beginning technology transfers are well accepted, but once the local entrepreneurs have exhausted the ability to finance and/or implement additional technologies, they will lose interest and association sustainability will be jeopardized. At some time in the near future, the project should embark on a program to bring lobbying-type technique training to the association curriculum. This type of training will prove to be the most important sustainability issue for the association once the initial technology transfers have been completed. The issue concerning registration will hinder dramatic growth in new associations but should have limited negative impact on growth of AAIDA.

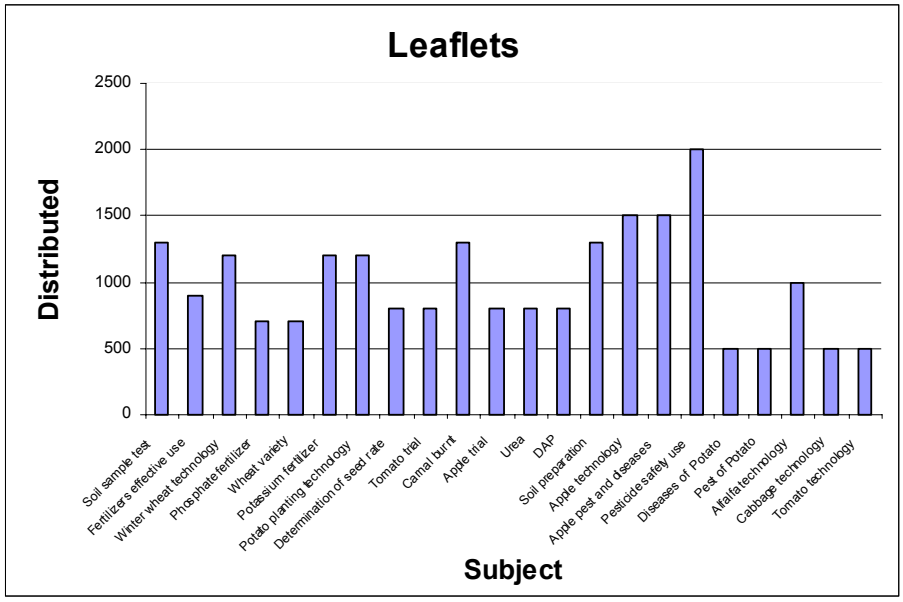
4.4 Appropriateness of Approach in Organizing Associations to Serve as a Forum for Agri-Policy Dialogue with the Government[10]

Dialogue with government authorities is a major element of advocacy training. The members of the association share their experiences and as a group will be more successful than just one individual. For example, many members have had severe problems at the border crossings with the customs agents. Individually, they have little hope of launching reforms. However, a study might be commissioned by the national association (AAIDA) to investigate, study, and document the number and length of time members' trucks have been delayed over a specific amount of time. A document that explains the problem and correctly certifies the number and length of each incident of the many members will be hard for regulators to ignore. Additionally, this study can be given to the national press as an exposé to any wrongdoing by official government personnel. This can also put pressure on elected officials to step in and correct the abuse. In other words, long-term results will add up to change.

[10] Question 4.4 & 4.5 are similar, therefore 4.5 was collapsed into 4.4.

4.5 Appropriateness of Training Materials and Marketing Information Supplied by the Implementer

Chart No 5a



Marketing training for general principals, and specifically for fertilizer, has been instituted. The LOL newsletter is being published as a step toward information gathering and dissemination. However, a more comprehensive publication, which includes the output pricing and volume data, would be needed for the ultimate success of IFDC's market information and dissemination goals. See Charts 5a, 5b and 5c, which display the array of publications and the amounts distributed in the project activity.

Chart No 5b

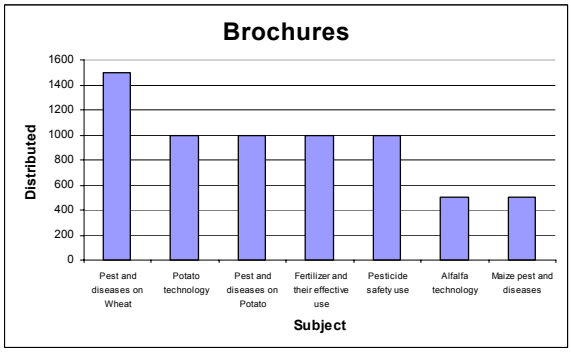
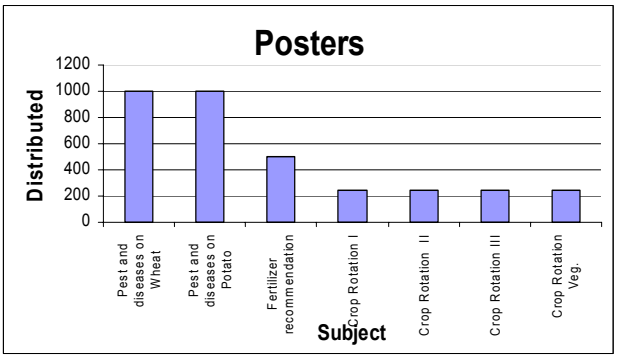


Chart No 5c



5.0 Sustainability Issues Relating to Recommended Practices

5.1 Sustainability of Project Outcomes

Most of the technology transfer information on the proper use of inputs is rather timely and can be readily absorbed**.** There should be a large response to the new input technology, as the current level of production is rather low. However, once the easily implemented technology is presented, we will find that resistance (the notion of diminishing marginal utility) to further, more advanced implementation will be encountered. Technologies that require extensive capital outlays will be impeded by the weak financing environment. Without a companion program for increasing markets, the oversupply of outputs might drive output prices lower, thereby reducing margin and negatively influencing agricultural sector income.

Lessons learned from the past indicate that if too short a time elapses before project support ends for association building, many advisories to farmers that are fee-based cannot be sustained. For example, the

farmer gets technical information for a fee, and he acts on it and improves the cash flow. Then the limits of the cash flow and or technical knowledge beyond his implementation level prevent him from seeking additional fee-based knowledge, and past program-supported information center cannot be sustained. This means that premature withdrawal of financial support could cause the association to disintegrate.

5.2 Most Likely to be Sustainable Adopted Practices

Several fertilizer combinations have been tested on the demonstration plots, and most likely the TSP will be the type most accepted in the Azerbaijan agricultural sector. This is because dealers and farmers have now been trained to the notion that quality in the input will affect the final yields in the output product—namely that the amount of active ingredient content per money spent/ton between alternative fertilizer can be compared and they can compute the truly most competitive purchase and not just compare the absolute prices. The basic practice of setting up demonstration plots as a selling tool should also be adapted by the dealers as a convenient and effective merchandizing tool for selling inputs. The new drip irrigation technology also has great promise (both as a moisture dispenser and as a fertilizer distributor). The newly introduced (latter second half 2003) greenhouse technology is highly anticipated by southern region dealers. Its adoption would generate an early crop which would be highly competitive with Iranian imports. After reviewing several demonstration plots for several different products, e.g., apples, cucumbers, and kiwi, it is obvious that this technology will be sustainable after the project is ended. A conversation about the new affordable greenhouse technology for tomatoes and cucumber production will be well accepted by the regional farmers visited. Finally, the introduction of various varieties of commodities has been accepted as a step for progress. Substantial variation in yields is projected for potatoes from Germany and the Netherlands, as compared to current varieties now used.

5.3 Least Likely to be Sustainable Adopted Practices

The use of the fertilizer sulfur potas, a/k/a K, will be a least likely to succeed candidate, as TSP seems to outperform. Not all the new varieties introduced will be accepted. An educated forecast by project personnel indicated that only 70% of the new seed introduced would be implemented.

5.4 Options to Increase Sustainability of Adopted Practices

An option to be considered is the time used in finding competent local expertise. It has been expressed to me that if excessive time is spent at the beginning of a project to staff the countryside operations, the project loses in the long run. If countryside activities are the backbone of the project's end goals, the time wasted in searching for local expertise is very valuable. The result of this conversation should be that COPs should be encouraged to fund and implement their countryside operations as quickly as practicable and the project will benefit in the long run. Another new option would be to contract local private research to develop viable market information (local/wholesale prices and quantities) to be broadcasted and/or published back to the project dealer clients. A current media organization could be solicited and trained to collect and publish this content as a private profit center. This would improve a sustainability option for market information dissemination after the project leaves.

If a new project would implement a program to develop and install grades and standards, quality control (seal of quality program), and marketing training, the sector would be able to sell the increased output at equitable prices (covering farmers' average total costs, ATC). The resultant effect would be to sustain the use of newly introduced technologies and inputs as farmers increase production.

5.5 Long-term Likelihood of Client Enterprises and Associations to be Sustainable

Client enterprise sustainability will be based on a simple fact, that being, "Will the operating margins cover the average total costs, ATC, and leave a profit?" If the farmer output is cleared away at prices that cover the farmers' ATC, sustainability of the dealers' marketing of inputs is assured. The author's opinion is that the IFDC project will be extremely successful. Without the companion marketing project for the farmers' increasing production, within a very few years a financial crisis for the Azerbaijan agricultural sector will be in the making.

Association sustainability is a major concern of the IFDC project staff. A major emphasis of the business training is the subject of association stability. It is easy to understand that an organization needs revenue to operate. Dues are usually the major source of revenue. A strategic manual is being prepared by the project staff to be used for the association local management. Part of the manual will outline and specify services-for-a-fee listing, which will add to revenues. The ST specialist from Iowa discussed a litany of ideas used by his organization in order to boost revenue. He explained such schemes as selling booth space at an association sponsored exposition type event or strategic collaborating with organizations (insurance, cell phones, etc.) that want to sell the membership and/or their relatives' products giving a special discount.

5.6 Current Number of Operating Client Enterprises and Associations

The best forecasts from the AMDA staff inform that there are, as of this writing, 75-90 dealers to be members in the National Association (Azerbaijan Agricultural Input Dealers Association, AAIDA), an umbrella organization with five separate Regional Chapter (15-25 members each). Project personnel estimate the number of farmer clients represented by this group at 8000 at this time. The Azerbaijan agricultural sector has three components of interest to the IFDC project: importers, wholesalers and retailers of input products. Part of marketing theory is a theoretical structure of the market that helps estimate the number of possible users of new ideas. In studying the market, it is useful to divide it into five groups: the innovators[11], the early adaptors[12], the early majority[13], the late majority[14] and the laggards[15]. Based on the official statistics published in the government yearbook for 2002, there are 814,000 farm families; using only innovators and early adaptors, 122,100 families are likely to accept the technology transfer promoted by the project. If these farmers were represented by one dealer for each 100 families, it would yield 1,221 dealers. Then let us assume that the dealers are more progressive individuals and that the innovators, the early adapters, and the early majority—a 49% of this market—would yield a potential market of dealers to be about 550-600 dealers in Azerbaijan who would eventually participate in the activities that the project is promoting. However, this figure must be tempered by the fact that the project is operational in only 11 of the 64 districts of Azerbaijan.

[11] The Innovators are venturesome people who like to try new ideas. They represent the first 2 ½ percentage of the marketplace to try a new idea, product, or service.

[12] The early adaptors are responsible producers or consumers who adapt to new ideas quickly, but with caution. They represent the next 13 ½% of the customers (after innovators) to try out a new idea. They are also opinion leaders in the community.

[13] The early majority are deliberate people who see themselves as progressive, but not generally as leaders. This group represents the next 34% (after the early adaptors) to try a new idea.

[14] The late majority are skeptical people who adapt ideas only after convincible evidence has been shown. This groups represent the next 34% (after the early majority) to accept a new idea.

[15] The laggards are tradition-bound people who take so long to adapt to new ideas that by the time the ideas are adopted, they no longer are new. This group makes up the final 16% to accept a new idea.

5.7 Client Leveraging of USAID Support Through Other Donors

A major collaborator with the IFDC project has been ACDI/VOCA, along with their affiliation of CREDAGRO. As previously reported, the project clients have acquired 26 loans totaling $218,500, a 243% increase over original projections. There has been discussion about loan possibilities using World Bank facilities, but no case has been documented. Additionally, the BP private organization has discussed some interest in funding projects that are within four kilometers of any pipeline. However, a discussion with their project coordinator by the LOL evaluator indicated that they are now mostly interested in oil type projects, not agricultural.

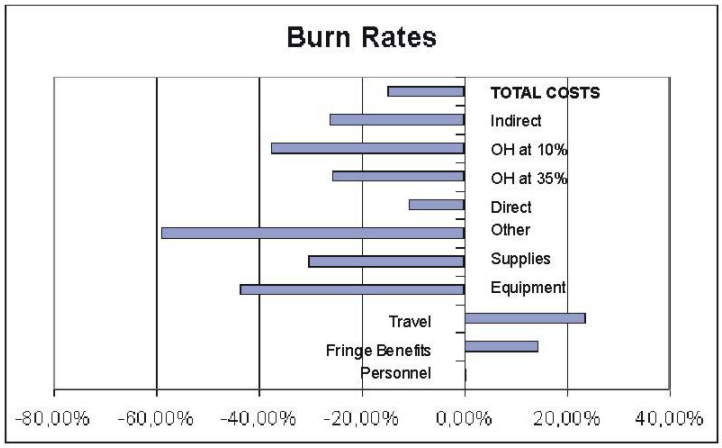
The market information newsletter produced in collaboration with the now closed down PAPA project is planned to be continued by IFDC. The individual that managed the operation at PAPA will be on the IFDC staff starting July 1, 2003. This individual will not only be the second media staff specialist (television and radio) to handle public relation issues, but could generate the newsletter if needed. Another opportunity for collaboration is with the new Peace Corp initiative. With many volunteers stationed directly in the villages, an opportunity to develop coordination with the IFDC project will exist. Consultations between Peace Corp and IFDC project staff and ACDI/VOCA could create these new synergies.

5.8 Association Membership Dues and Fees

As stated previously, the AAIDA dues have been voted and accepted to be $30 per year. Additionally, a fee schedule of services is being prepared for collecting supplementary revenue. Since the association is not federally registered, it cannot open a checking account, so project staff is administrating the funds. The current balance on hand is $2,300 collected from fees paid by members for trip to Georgia, storage container purchase, etc. The actual dues collection process has been decided to start July 1, 2003 and will be collected by the local leadership from each region. Many members told me that the value they are receiving has been well worth any dues they might be paying. The IFDC staff seems focused on not "spoiling the child" and makes a concerted effort to have the association operate on a "stand on your own feet" basis.

6. 0 Monitoring and Evaluation

Chart No 6



When analyzing the Burn Rate data in Chart 6, it is obvious that the most important number is the TOTAL COST sum for the 15 months. This number shows that it is negative 14.9% of the proposed budget expenditures. The COP explains that the project has gotten off to a late start due to the registration issues. Hence, the activities will be at a faster pace in the future than has been the case. The negative 43.7% under spending in equipment is also related to the registration issue. The delay in vehicle purchases (which is now progressing) will mitigate this issue. The 23.5% increase in travel, according to the COP, is simply an underestimation of the costs at the proposal level.

Chart No 6 continued

ITEMS	PROJECTED	ACTUALS	PERCENTAGE OVER/UNDER
Personnel	$347 896	$349 792	**0,54%**
Fringe Benefits	$117 542	$137 421	**14,47%**
Travel	$77 883	$101 802	**23,50%**
Equipment	$69 958	$48 673	**-43,73%**
Supplies	$18 542	$14 223	**-30,37%**
Other	$306 958	$192 908	**-59,12%**
Sub-Totals			
Direct	$936 780	$844 819	**-10,89%**
Sub-Total			
Indirect			
OH at 35%	$350 625	$278 651	**-25,83%**
OH at 10%	$6 700	$4 867	**-37,66%**
Sub-Total			
Indirect	$357 625	$283 518	**-26,14%**
TOTAL COSTS	$1 296 404	$1 128 337	**-14,90%**

As an individual with some auditing background, I find a category of OTHER as a lightning rod for problems. Over the life of project in this budget, this item is enormous—$736,700 (see Table 3, Appendix J). The COP explains that five important items encompass this category: 1) ST consultants; 2) Expatriate advisers; 3) Total training; 4) Headquarters support; and 5) In-country office operations. The group shows under-spending of 59.1%, mostly due to late starting according to COP.

In the opinion of this reviewer, a budget item of OTHER, or normally identified as miscellaneous, in the amount of $736,700 would not be well perceived by the American taxpayer. It would be prudent for the budget line item of OTHER to be replaced with the actual five categories.

6.1 Achieving of Project Targets

Three basic steps in the control process—setting standards, appraising results, and corrective actions when needed—cover the essence of monitoring and evaluation theory. When the project was conceived and designed, a list of evaluation indicators was incorporated in the proposal (see Listing in Appendix J, Table 1). In addition, most indicators were assigned a certain value to be attained each year of the project life. This is consistent with the methodology of the "setting of standards" portion of the theory. In other words, this provides some comprehensive controls that consolidate and summarize large blocks of detailed activities.

The next step of the theory is the "appraising results" portion and is usually considered the most important management control element. This control exercise is designed to have a system to measure the consistency and performance of the goals established in the early stages of the project cycle. Critical to this monitoring regime is the fact that the project reports its progress under the same terms as were laid out in the proposal; otherwise evaluation of apples verses oranges will result. This problem is not unique to the IFDC AMDA project as even the Department of Commerce has a difficult time trying the keep the CPI market basket consistent enough to measure across time and still be able to make adjustments to have it represent reality (which is a moving target).

In analyzing the documents as the evaluation progressed, the essence of consistency was compromised in the first year report. There were 16 result indicators outlined in the project proposal (see Table 1, Appendix J) but only the results of 9 were reported. However, an additional 26 other criteria were introduced and reported (see Table 2, Appendix J) with no reference to any preset earlier quantitative expectations. It is difficult to understand how oversight can be completed without a comparison between the preset targets and the project's reported result during the period under review. Another point was that quantitative tracking on a quarterly basis would improve management's ability to steer activity more productively. The evaluator finds a lack of qualitative and quantitative data a constraint to the evaluation of the mid-term analysis.

6.2 Quality and Reliability of Performance Indicators

Performance indicators are measuring the activities directed to the agri-input dealers in areas such as knowledge transfer (groups and individuals), economic growth, loans taken, and association established. All indicators are the four intervention areas: association building, access to credit and finances, technical training, transfer and private extension systems, and business development originate directly from project information. They are verified true and correct as could be experienced during the field trips.

Indicators measure the services delivered by the project as theoretically described in the project proposal. The direct target groups of the project are the individual input dealers and the agri-input dealers association. Although financial data are hard to come by (building trust relationships takes time), performance indicators express qualitative aspects of work delivered. The issue of indicators with no targets seems to degrade the whole process of looking at the indicator to measure performance of the project.

However, the project impact is far beyond the increased numbers of inputs sold by dealers. The larger and indirect target group is the farmers applying transferred knowledge thereby increasing productivity and quality of production. To empirically survey data from estimated 8,000 farmers affected is beyond the capacity and mandate of the project.

The same applies for selling of inputs in regions where the project is not active. Macro economic and aggregate data from customs office for imports or the annual statistical data from the Ministry of Agriculture are not reliable but rather describe the tendency. This includes regional spillover effects to either neighboring districts or information given to other donor and USAID projects working outside AMDA project area which are difficult to measure. The measure of assets of client organization by changes in the number of employees seems counter productive. We are in the business of promoting competitiveness through productivity increases. What if employment increases do not reflect added labor consistent with added output, but just excess labor. Then a labor measurement would be inconsistent with the productivity increase. Would it not be better to have an indicator which emphasizes competitiveness, such as marginal analysis on revenue per employee changes.

6.3 Use of M+E Data and Anecdotal Information by Project Management

Agriculture is a seasonal activity. After one year of project operation, the first monitoring and evaluation data are just being collected or are about to be collected, such as the fertilizer on farm trial with 230 farmers in August 2003. The seasonality of agricultural production can be influenced by so many factors, which do not allow, after one year, to provide sound and reliable data on M+E activities. What can be said is that responses by dealers and farmers focus on vegetables, fruit trees, potatoes, and wheat. Where data is already available, such as in 2002 apple production, a success story has been compiled and given for publication by both USAID Office Baku and IFDC headquarters. The apple demonstration has created so much attention that the local TV station not only broadcasted the field demonstration, but moreover invited the apple orchard owner to give a 30-minute presentation.

As soon as M+E data are available from field demonstrations and other project activities, these will be given attention by project management for publication.

6.4 Options to better utilize M+E Data and Anecdotes Information by Project Management

According to the conversation with the COP during project year two, more attention will be paid to documentation and publishing of successful activities. Until now this has been done through weekly and monthly articles in selected printed media. In project year two, preparations are under way to promote technical recommendations and project activities via radio and TV. In addition, a discussion with the new RECP project starting in the second half of 2003 is planned to collaborate and develop publications for agricultural commodities. Moreover, the production of an agriculture calendar for 2004 is in process, according to conversation with COP. The calendar will display technical information at monthly level, along with project activities.

The evaluator's overall concern still lies with the fact that very little "appraising results" can be accomplished if no credible qualitative goals are in place. It is difficult to assess a dimension of success without these markers, for project management, outside evaluators, and USAID itself.

Appendices

Appendix A Evaluation SOW

STATEMENT OF WORK

Evaluation of PAPA and AMDA Programs in USAID/Caucasus-Azerbaijan

This evaluation will examine two activities being implemented under USAID/Caucasus-Azerbaijan's Strategic Objective (SO) 1.3*, Accelerated Development of Small and Medium Enterprise. These activities are*: Participatory Agriculture Project in Azerbaijan (PAPA) and the Agro-Input Market Development in Azerbaijan (AMDA).

I. PURPOSE OF THE EVALUATION: The principal focus of the evaluation shall be the performance of PAPA and AMDA activities in accomplishing the terms and objectives of their respective Cooperative Agreements and their contributions in achieving the Mission's Strategic Objective 1.3. Evaluation of the AMDA program will help assess how the program is being implemented in order to identify areas of improvements and possible mid-course corrections, whereas evaluation of the PAPA program will help assess program impact on the well being of the targeted population.

The evaluators shall determine the status of the current activities, their successes and weaknesses, and provide recommendations for USAID regarding possible improvements and adjustments that might enhance the future performance of AMDA under the current Cooperative Agreement. The evaluators should also identify any unforeseen constraints and obstacles that may have affected PAPA and AMDA performances. The evaluation should assist USAID/Caucasus-Azerbaijan to formulate ideas regarding future support to agriculture and agribusiness development in Azerbaijan, including, but not limited to Rural Enterprise Competitiveness, Agriculture Marketing, Rural Community Business Development programs. In this regard, the evaluators should provide the Mission with a better understanding of the current overall environment for the development of agriculture sector in Azerbaijan, the sustainability of current efforts, and, may provide recommendations for future interventions in the agricultural sector.

Brief description of AMDA and PAPA programs is attached in Annex 1.

II. QUESTIONS AND ISSUES TO BE ADDRESSED:

The evaluation team should address the following questions and issues:

1. <u>General</u>:

   a) What interventions are most critical and/or have been effective in achieving program objectives and intermediate results? What improvements can be made in program implementation in order to enhance the results? Are there opportunities for integrating program components that could result in greater program impact?

   b) Are there any unexpected but important benefits or impacts that should be documented? Are there any negative impacts or unintended consequences of the program that need to be addressed, and how?

   c) Are planned activities appropriate for improving agribusiness development in the targeted areas? Do the assumptions and program design (activities) match the sector conditions and policy environment?

d) How cost-effective have the interventions in the two activities PAPA and AMDA been? Are the targets/results/impacts accomplished to date commensurate with resources invested? Are there follow-on activities that USAID should consider to maintain the momentum?

2. Agriculture and Agribusiness:

a) What are the major opportunities for improving the sector? Improving marketing, increasing sales volume, improving the quality of produce, building business skills etc.? Does the program take adequate advantage of these opportunities?

b) Is there a reasonable market access for products and/or services produced by the program-assisted rural entrepreneurs?

c) What was the nature of assistance that was provided to rural entrepreneurs and trade/business associations supported by the two activities and how effective such assistance has been? Are there specific constraints to reaching some business association members? How could the activity (especially AMDA) be broadened to more fully incorporate these business association members?

d) How effective the business associations have been in supporting their members in the following areas: improving agricultural production, improving productivity and product quality, and providing other services (e.g. access to finance etc.)? What role the business associations played in agribusiness development?
What are the main areas on which business associations need to focus? How representative are these business associations, both politically and economically?

e) Assess the overall impact of these program-assisted business associations/enterprises on agribusiness development in Azerbaijan?

f) Have business development activities and training tailored to individual rural entrepreneurs needs contributed directly to improved productivity and business skills, and/or improved access to finance. Are there ways to enhance the impact of business development and training activities in improving productivity and access to finance?

g) How effective have AMDA and PAPA been in tracking the progress of rural entrepreneurs, in facilitating their access to finance from various sources, and assisting the entrepreneurs in applying newly acquired enterprise management, marketing and business skills?

h) Are the field demonstration projects under the AMDA program based on the conditions and problems facing farmers?

3. Adoption of New Practices:

a) Are beneficiaries adopting recommended practices (technical, enterprise management and business practices)? Which practices have beneficiaries been more inclined to adopt, and why? How can the program be modified to address these constraints to adoption?

b) What is their primary source of information concerning business practices? What are other key channels of information?

c) Are the beneficiaries satisfied with the quality of technical assistance is provided? Is technical assistance to beneficiaries provided in a timely manner?

4. Business Association Development and Capacity Strengthening:

a) Assess the overall progress and approach to business association development followed by PAPA and AMDA.

b) Is the program effectively developing the capacity of business associations to support their member needs and advocate for a more agribusiness-friendly policy and regulatory environment on a regional and/or national basis? If not, how the business associations' advocacy capacity can be strengthened?

c) Is the current approach to organizing business associations satisfactory to serve as a forum for policy dialogue on agribusiness issues with the government?

d) Assess the impacts/benefits accrued to associate members.

e) Are the training materials and marketing information supplied by the implementer appropriate for the beneficiaries?

5. Sustainability issues relating to recommended practices and business associations:

a) Are the outcomes related to adoption of better practices sustainable, i.e. are the participants likely to continue after program ends? Which outcomes are likely/unlikely to be sustainable, and why? What can be done to increase sustainability?

b) Are these newly created and/or improved enterprises and business associations likely to remain in operation after the programs are terminated? If not, why and what can be done to enhance their sustainability?

c) How many program-assisted enterprises and associations are still operational? How could assistance be adjusted to ensure sustainability of the program-assisted entities?

d) Are the business associations/entrepreneurs seeking grants/credits and/or technical assistance from other donor programs to leverage USAID-provided support? Have they mobilized any resources internally (i.e., membership fees)? If yes, provide anecdotal evidence.

6. Monitoring and Evaluation (M&E):

a) Has the program achieved its targets to date? If not, assess reasons for shortfalls. Do the performance indicators provide useful and reliable data on program progress and impacts?

b) Are M&E data and anecdotal information used for management purposes? Does the technical staff use M&E data and anecdotal information to conduct their work and assess progress? Can M&E data and anecdotal information be better used for program management?

III. METHODOLOGY: Rapid Appraisal techniques (e.g. key informant interviews, site observations, mini-surveys) are recommended for conducting this evaluation. However, the team should develop an appropriate methodology to address the evaluation statement of work.

IV. DELIVERABLES: The team will submit a detailed work plan along with the schedule of field work specifying how the information will be collected, organized, and analyzed to meet the information needs specified in the scope of work not later than three days after the team arrives in the country.

Upon the completion of the evaluation, the team will brief the Mission staff, and will submit a draft evaluation report two working days before the team departs from Baku. The Mission will provide comments and suggestions within one week after receiving the draft. The Final Report (5 bound copies and an electronic version in PDF format) will be provided to the Mission within two weeks after completion of evaluation in Azerbaijan.

In addition, a copy of the final report should be submitted to:
United States Agency for International Development
PPC/CDIE/DI
Ronald Reagan Building
Washington, DC 20523

To ensure that the evaluation findings and recommendations are presented in a way that is useful for the Mission personnel and program implementers, the following outline is recommended:

- Executive summary not to exceed two pages in length composed of findings, a brief methodology statement, conclusions and key recommendations for each program evaluated;
- Introduction and background section for the overall evaluation.
- For each program:
  - Brief description of interventions;
  - Implementation progress, achievement of results and program impacts;
  - Discussion of SOW questions by applying the following format (findings, conclusions and recommendations).

Each section should not exceed 20 pages.

The report should also include a response regarding the cause(s), if any, of deficiencies or weaknesses. It will also include findings and recommendations on priorities for further assistance/activities in the area(s), improvements and possible synergies that can be achieved in USAID's programs supporting agriculture and agribusiness. A discussion of lessons learned and best practices that should be captured for consideration in the implementation of future activities.

V. TIME FRAME: The evaluation is scheduled to commence in early June 2003. Duration of the evaluation is estimated to be approximately four weeks – 24 working days (2 days in Washington D.C. to interview program managers and document review, 1 day in-country for in-briefing SO team on work plan, methodology, and clarification of SOW questions; 1 day in-country for out-briefing SO team; 15 days in country for collecting and analyzing data; 3 days for drafting report, and 2 day for revising the final report).

A six-day workweek is authorized for the team.

VI. TEAM MEMBER QUALIFICATIONS:

Team Leader

1. At least an M.S. degree in agriculture or agricultural economics.
2. Extensive experience in analyzing agricultural development activities, pertaining to dairy, livestock and inputs. Be familiar with recent agricultural development in the Caucasus and/or NIS regions.
3. Prior experience in leading evaluation and/or design teams.
4. Exceptional interpersonal, leadership and management skills.
5. Excellent writing skills.

Agribusiness Specialist

1. Advanced degree in agribusiness and/or agricultural marketing.
2. Experience in implementing, assessing and evaluating agri-business programs preferably in NIS regions.
3. Experience with a variety of data collection techniques.
4. Organizational, listening and analytical skills.
5. Excellent writing skills.

The Team Leader's principal responsibilities:

1. Maintain contact with the technical office at USAID/Caucasus-Azerbaijan.
2. Brief the Mission on findings and recommendations.
3. Prepare and submit a final report to USAID/Caucasus-Azerbaijan within 10 working days following the receipt of comments from the Mission on the draft report.

VII. LOGISTICAL ASSISTANCE: The Mission will make available reports and other background materials appropriate to the evaluation.

The team will be required to provide all other logistical arrangements such as international travel, accommodations in Baku, interpreting, secretarial and other services. The team will be responsible for arranging local transportation (hiring vehicle and driver). The team will travel within Baku and to selected regions in Azerbaijan to review programs, activities and interview beneficiaries. Detailed schedules for site visits and interviews should be developed by team members in consultation with USAID and it's implementing partners. Logistical issues to be resolved in advance including the number of sites to be visited, host partner institutions to be interviewed, timing of visits to regional offices, etc.

The USAID Mission and the implementing partners will assist the Evaluation Team in scheduling meetings and site visits, including the names and contact information for key individuals to be interviewed in Baku, other cities and regions of Azerbaijan. The team should conduct interviews at least with the following people:

- USAID/Caucasus-Azerbaijan senior staff members
- LOL and IFDC staff members in Baku: LOL-David Blood, Jeton Starova, Rauf Akhundov; IFDC-Manfred Smotzok, Ylli Bicoku, Farid Firidunov)
- Staff members of other USAID-assisted programs, such as: ACDI/VOCA-David Sulaberidze, Ismail Rafi, Matthew Weber; IRC-Pamela Husein, Jeanne Izard;
- CHF-Beverly Hoover.
- Representatives of major donor organizations: World Bank, EBRD, TACIS and GTZ;
- Beneficiaries and partners of AMDA and PAPA programs associations and enterprises established and/or supported by these programs. The name will be provided by implementing partners.

State-side contacts: Prior to departure from the U.S. the team leader should schedule interview with Mr. Jim Herne, Central Asia and Caucasus Coordinator of Land O'Lakes (telephone: 763- 785-0282, ext.: 4298, e-mail: jhern@landolakes.com) and Mr. Scott Wallace, IFDC Agro-Business Specialist in Market Development Division (telephone: 256-381-6600, e-mail: swallac@ifdc.org) to learn more about AMDA and PAPA activities in Azerbaijan.

USAID participation in fieldwork: USAID/Caucasus-Azerbaijan may choose to participate in the fieldwork, site visits as an observer.

VIII. REVIEW OF DOCUMENTS: Prior to arrival the assessment team should review the background materials listed below and brief the Mission in conclusions drawn from these materials:

- Cooperative Agreements between USAID and Land O'Lakes, and USAID and IFDC
- AMDA work plan (Year 2002)
- PAPA work plan (Year 2000, 2001 and 2002)
- AMDA quarterly reports
- PAPA quarterly reports

IX. DISSEMINATION CONSIDERATIONS: All documents prepared by the evaluation team and delivered to USAID/Caucasus-Azerbaijan, including the final report, are viewed as the sole property of the U.S. Government, and only with the concurrence of USAID/Caucasus-Azerbaijan they should be disseminated to third parties.

Annex 1: Participatory Agricultural Project in Azerbaijan (PAPA)

The Participatory Agricultural Project in Azerbaijan (PAPA) is a three-year project funded by a $2.4 million cooperative agreement with USAID in March 2000 and implemented by Land O'Lakes. USAID has recently awarded PAPA with a no-cost extension to run through June 2003. The objective of the project is to develop Azerbaijan's dairy, livestock and hazelnut industries, with an emphasis on the target regions of Baku, Guba, Ismailli and Zagatala. Strategic technical assistance and training is helping the beneficiaries of the program to increase profitability through the development of agri-business associations, the expansion and improvement of production and value-added processing, the forging of marketing links, and increased availability and access to market information. These goals directly contribute to USAID Strategic Objective 1.3 (Accelerated Growth of Private Small and Medium Enterprises in Targeted Areas) and its accompanying Intermediate Results.

A fundamental aspect of PAPA is its emphasis on agribusiness associations as engines for industry development. Land O'Lakes is utilizing associations as both a conduit for its assistance activities and as a means for supporting local capacity to support the agricultural sector. Therefore, PAPA's assistance is generally provided only to association members in order to encourage active participation. In addition, association members are required to contribute a share of overhead and variable costs for their activities, as well as to assist in their implementation. The overhead cost required of each association is expected to increase from 50% to 75% by the end of project. Since PAPA has helped to establish independent, democratic organizations, it does not dictate the activities and services that they should pursue, but rather, the project responds to their requests for assistance.

PAPA is currently in the third year of its activity, where association development is playing an important role. Assistance to the dairy industry is focused on strengthening the Azerbaijan Association of Dairy Processors and regional livestock farmers' association in Guba, Ismailli and Zagatala as well as on creating a new livestock farmers' association in Masalli or Lenkoran. Hazelnut industry assistance will be

targeted toward strengthening the National Association of Hazelnut Growers and National Association of Hazelnut Processors.

Agro-Input Market Development in Azerbaijan (AMDA)

USAID awarded IFDC a Cooperative Agreement in January 2002, to implement the Agro-Input Market Development in Azerbaijan (AMDA) project. The three-year $3.1 million project is designed to advance USAID Strategic Objective 1.3-Accelerated Growth and Development of Private Small and Medium Enterprises in the targeted areas. AMDA's geographical coverage includes the following four regions of Azerbaijan: Masalli, Guba, Ganja and Sheki. The AMDA directly contributes to the result indicators of SO 1.3 by increasing trade volumes of fertilizer, seed, CPC and animal feed; supporting agro-input dealer enterprises and assisting them to establish an effective and sustainable trade association, introducing new products, and facilitating increased access to credit and investments for clients. AMDA project concentrates on the following four major components: business development and training; access to credit and finance, association building and development; technical training, transfer and extension services.

Business development and training for targeted dealer clients in both, group and individual settings will be critical to facilitation of increased access to credit, forming effective trade associations and providing extension via agro-input enterprises. Emphasis is placed on practical business planning, market analysis as well as training in such areas as accounting, marketing, demand-oriented customer service and international business standards.

One of AMDA's main objectives is to establish a trade association that grows in size and influence and serves as a vector for technology transfer and policy change. AMDA is planning to form four regional sub-groups and work through them to demonstrate the value of a trade association through holding regular meetings and networking, business training, study missions and technical assistance in international procurement, group purchases of inputs, distribution of marketing information and collective advocacy efforts for policy reform.

AMDA's transfer of technical information and skills adds value to business of distribution and marketing of the agro-input products. AMDA conducts training of client dealers in technology and information transfer methodologies aimed at improving of services and increase in usage of economic and environmentally safe agricultural inputs. The technical training component includes field demonstrations under project supervision and is supported by classroom/workshop activities in private sector extension as a means of adding value to marketing inputs. The in-country training is supplemented by study missions to observe private sector extension programs and agro-input marketing in other countries.

Appendix B Relevant USAID Azerbaijan SOs and IRs

The following narrative includes excerpts from the Azerbaijan Strategic Plan, 2001 – 2003, prepared by USAID/CAUCASUS. The AMDA activity operates under SO 1.3 and IR1..3..3 and IR 1.3.4.

1. Statement of Strategic Objective

SO 1.3, Accelerated Development and Growth of Private Small and Medium Enterprises in Targeted Areas. Support for small and medium enterprises, to include micro enterprises, forms the core of this objective. Private SME development is an essential requisite for economic growth in Azerbaijan's transition from a Soviet-style economy. It is an area where progress can be made in the current political and economic climate, despite the absence of policies and laws that encourage private investment and business growth. Emphasis will be at the firm level, and or strengthening service providers, input supply and market systems that directly support these enterprises.

The largely neglected agricultural sector (including agri-business) will be the focus of this SO, although not exclusively. Not only does this SO address the imbalance of government resource allocation, development of the agricultural sector, which comprises a major portion of the GDP, is vital for a stable market-oriented economy that will create jobs and increase incomes among a currently disadvantaged part of the population.

To obtain the intermediate results envisioned in this strategy for SO 1.3, the SO focus is further limited to geographic "targeted areas." This approach increases the likelihood that the program can result in meaningful progress toward the SO, given the overall policy, legal and resource constraints. There is strong central government control of organized social and economic activity in local areas. Criteria for selecting targeted areas include progressive local authorities that support private sector development. Few districts meet that criterion. For the four areas targeted, and by the end of the three-year strategy, USAID expects to have created a critical mass of financially successful private enterprises and associations of those enterprises so that continued economic growth can be sustainable. The impact of achieving this result could multiply under the following possible scenarios: (a) the central government approves of the results and encourages other local authorities to replicate them; or (b) the policy, legal, and regulatory environment improves through donor and central government efforts at reform.

2. Problem Analysis

Azerbaijan has made little headway in dismantling the central planning system inherited from the Soviet Union. Privatization and economic restructuring are in their infancy. Industrial enterprises, including oil and gas, power generation and various types of manufacturing, remain overwhelmingly in state hands. Privatization has occurred in the agricultural sector and slightly more so in retail trade**.** Officially, the public sector supports 42-44 percent of employment and GDP, while the private sector is at 30–32 percent. In reality, private sector employment likely equals that of the public sector, and foreign and informal employment account for the remainder. Agriculture is the largest private sector contributor to GDP at 28 percent. With Section 907 precluding economic assistance to the government and a corresponding urgency to support nascent elements of private enterprise, USAID plans to focus its economic reform attention on the resource-starved but extremely promising agribusiness sector. Land privatization is occurring for small plot owners. The major crops produced are vegetables and fruit under

intensive land production. However, fiber and grain crops such as cotton and wheat, which are most economically produced in large contiguous plots, are still under state control.

A major constraint is heavy taxation and the corruption that it fosters. Rigorous enforcement of taxation would deplete between 64 percent and 78 percent of all gross earned income for registered businesses. The government is collecting only 42 percent of its projected revenue, and the difference either is not collected or pocketed at various levels of the bureaucracy. Corruption is built into the system by paying tax officials a wage below the poverty line, but selling the tax collector job at a price according to its potential earnings through corruption. For the taxpayer, the bribe typically is cheaper than the tax. For a business or an association of businesses out of political favor, tax compliance and other forms of enforcing state licensing requirements and standards are formidable tools for control. The government shut down the USAID credit program from June 1999 through May 2000 for non-compliance with licensing requirements. The court system does not provide recourse for business as it lacks transparency, and both the judge and the defense lawyer are accountable to the prosecutor appointed by the Ministry of Justice. Until such time as the policy, legal, and regulatory environment improves, it is important for USAID to operate in areas where the local authority is more likely to support initiatives taken by the business community, both alone and in association with other civil society organizations.

Credit finance is limited by high interest rates (currently 24 percent to 40 percent for 3 months to 1 year). There are 74 banks in Azerbaijan, four of which are State-owned and control 61 percent of all credit portfolios. Currently, a financial sector restructuring is underway, which is bringing consolidation to the banking industry. For the agricultural sector, only large-scale agribusiness has the collateral to enter the financial market or sell equity to the bank, as one State-owned Enterprise (SOE) to another. Donor-supported financial intermediaries are the only formal and viable source of credit for SMEs.

Technology and its knowledge base are both out of date and out of step with the requirements of a modern market economy, especially regarding production and marketing systems. Most of the Soviet-era equipment in SOEs needs rehabilitation or replacement by more recent technology. The formal education system is not equipped to bring market-oriented business skills, information, and contacts to rural areas. Product differentiation and packaging for customer satisfaction are foreign concepts to Azerbaijani managers trained in meeting low (but standard) quality, large volume production targets.

A. Causal Linkages

The Results Framework appears at the end of this section. Accomplishment of **SO 1.3 Accelerated Development and Growth of Private Small and Medium Enterprises in Targeted Areas** will result in the economic development of such enterprises through individual business growth. Change will be measured in terms of increased growth of assets and employment, disaggregated by gender. The scope is limited to targeted areas because the overall policy and legal environment contains far too many constraints for business. The targeted areas meet a number of criteria that make them optimal for economic results. The knowledge, skills, technology and support mechanisms developed to achieve the target level of growth can be applied to other regions of the country, given appropriate funding, if the policy, legal, and regulatory environment improves. While not identified as a specific target area, USAID will apply successful models developed under this SO to programs in the regions served by SO 3.1 Reduced Human Suffering in Conflict-Affected Areas, as opportunities permit genuine small enterprise development in these areas.

Five intermediate results and three sub-intermediate results are required to achieve Strategic Objective 1.3:

IR 1.3.1 Increased Access to Production Inputs

This IR focuses on the agricultural sector and recognizes improved seeds, fertilizers, livestock feed, improved equipment, replacement parts, fuel or other inputs must be supplied at reasonable prices. Increasing information about suppliers increases competition among them. Organizing demand into large volume purchases, and supplying credit for purchases can help reduce the cost of, and increase demand for, inputs. Inputs new to farmers often require technical assistance or training to assure maximum results at minimal risk. For example, fertilizer improperly applied may burn the crops and improper equipment for the application of herbicides creates a health hazard. Improved seed and fertilizer sales in target areas will serve as the leading indicators of access to inputs.

IR 1.3.2 Increased Access to Credit

In the absence of an appropriate banking system, this IR will be achieved through donor supported financial intermediaries and monitored by the value of their loan portfolios and the number of loans. Credit targets are defined in aggregate amounts, but data will be reported disaggregated by target area and by gender. Credit often allows the purchase of needed inputs, covers operating costs until accounts payable are received, provides new equipment to increase efficiency or production, or buys research and development time to bring a new product or service on-line. Developing a new product or packaging an old one for a new market may require credit. Other donor credit programs will contribute toward this result and USAID will collaborate with the IFC, World Bank and EU/TACIS.

IR 1.3.3 Increased Market Responsiveness of Enterprises

There is a need to overcome the legacy of central planning by reorienting enterprises to a market-led business environment. If enterprises are to become competitive in domestic, regional or global markets, marketing and market research skills must be developed, production must be adapted to market requirements and demands, and business skills must be enhanced. Achieving this result will increase the number of products that enterprises sell and the number of market points that buy them.

Attaining IR 1.3.3 requires three lower level sub-results: **IR 1.3.3.1 Improved Enterprise Business, Technical and Marketing Skills; IR 1.3.3.2 Increased Adoption of Grades and Standards;** and **IR 1.3.3.3 Improved Access to Market Information.** Enterprises must understand market economics, how to market, and the technology required for production, packaging, marketing, transport and display to meet customer demand. As niche markets are defined, enterprises must adopt the required grades and standards to stay in those markets. In lieu of working with government agencies, assistance efforts will target self-regulating organizations and associations to establish the necessary standards and grades. Grades and standards become especially important when producers join to meet a common market demand. Without consistent quality and quantity, customers may choose another supplier who meets their standards. And, of course, in order to be responsive to markets, enterprises need information about those markets in terms of tastes, quality and quantity requirements, packaging preferences, timing, and the price that the market will bear. Increased market information, skills, and adoption of grades and standards are sufficient to cause an enterprise to increase its market responsiveness.

IR 1.3.4 Private Membership Associations Organized

Mechanisms must be created to multiply the impact and sustain the achievement of other results. Business associations can begin to replace donors as the link to production inputs, credit, market contacts and information, skills training or technical assistance. An informal association might combine the production of several members to define and enforce product standards in order to supply customer demand larger than any one producer could meet. An association of technical business specialists has already begun to provide technical assistance and training to enterprises on a fee-for-service basis. At some future point, a larger grouping of such associations could positively affect the policy, legal and regulatory environment through advocacy efforts.

The five intermediate results described above are interactive in that they mutually reinforce each other. Inputs often require credit, and neither makes sense if there is no market to buy the production that results. A successful business enterprise cannot function efficiently in a policy, legal and regulatory environment that exacts an arbitrary and growing percentage of the total cost of doing business. And, successes achieved by a business during the strategic planning period will benefit from participation in a fee-for-service organization that helps assure continued future growth and replaces donor-created services. Each result is necessary, and together they are sufficient to achieve SO 1.3, and to sustain achievement.

3. Program Approaches

The envisioned activities will be designed to strengthen and expand nascent private SME businesses, with an emphasis on the agricultural sector. Key indicators for determining a positive impact on the sector are increases in enterprise employment and assets resulting from the program. USAID and its partners will select target areas using the following criteria for decision-making: (a) products of the area; (b) demand-driven high value products; (c) product timing and potential contribution to GDP; (d) markets; (e) local authority support; (f) USAID experience; (g) facilities and infrastructure; (h) World Bank/EBRD involvement; (i) accessibility; and (j) oil-generated growth areas (e.g. pipeline routes, etc.). The proposed target areas based on the above criteria are: Masalli, Guba, Sheki, and the immediate surrounding urban regions of Baku.

USAID has identified six activities for SO 1.3, which are viewed as being viable for program support, and meet the restrictions under Section 907:

* Market Responsiveness: The activity would provide technical assistance and training to private producers, input and service suppliers and entrepreneurs that emphasize production of high quality products, value-added through processing, and improved packaging. Opportunities exist, with the infusion of technical assistance and training, to address the issues of product diversification, import substitution, and expansion of regional market opportunities. If these improvements can be implemented, they should attract indigenous as well as foreign investors, who can provide equity and investment funds, improved technology and attract additional markets.

* Production Inputs: An important complement to the program described above is a technical assistance and training activity designed to develop viable distribution systems for production inputs such as fertilizer, seed, and livestock feed. Also, machinery, equipment, parts, fuel and maintenance services are critical for supporting agribusiness activities. Private sector-supported technical assistance will be provided through cooperatives, associations and input supply dealers.

* Credit: A loan program will be established to provide loans to SMEs, the majority of which will be in the agribusiness and rural services industries. Until the government completes formal restructuring of the financial sector, the only viable source of credit for rural SMEs is donor-funded intermediaries. Credit support and availability is critical for the growth of SMEs in rural Azerbaijan. In the perimeter of Baku, this SO may benefit from a link to SO 3.1 (Reduced Human Suffering in Conflict-Affected Areas), which includes a result that supports increased access to economic opportunities and services through community-based lending, which aims to increase their access to markets.

* Business Development: Establish a Business Resource Center that will provide technical assistance and training to develop small and medium size businesses in rural services and industries. The Center would have the technical capability to assist private firms with business plan development, provide financial advice, and assist with incorporating improved technology and overall management techniques into enterprises. The objective is to create risk-worthy enterprises that can attract investments. A small team of highly skilled advisors, acting as the core for providing guidance and training to indigenous teams of advisors, also would work with local private firms and businesses. USAID-funded volunteer assistance activities would supplement technical skill requirements and training needs of the Center. The aim is to establish an indigenous and sustainable capability to provide services to the private sector business community in Azerbaijan. This activity would build and expand upon existing projects that provide technical advice on agriculturally oriented income generation projects for IDPs and other socially vulnerable citizens. The Business Resource Center also would work in close collaboration with those international relief organizations that have initiated pilot income generation projects, if they require such services (in support of SO 3.1 Reduced Human Suffering in Conflict-Affected Areas).

Training: Long-term and short-term training is one of the best tools available from USAID to foster change and extend the application of improved technology in Azerbaijan. Training will assist with the infusion of free market concepts, improved management and business techniques, and provide opportunities for Azerbaijanis to begin developing information networks, exploring new markets, and becoming knowledgeable about the requirements to become competitive in these markets. USAID will support training that focuses on improving skills that address priority constraints, and which provides the highest impact for private sector business development in the country. Training will be supported under SO 4.2 (Cross-Cutting Programs**).**

* Private Associations: Support is required to strengthen, and in some cases create, private business owner associations. Associations selected for support would provide an economic benefit of sufficient importance to their members that they would support its costs. For example, associations might provide a technical service for a fee (veterinary service and supplies), a market link (quality control and packaging for several producers to supply large orders) or low cost/high volume input purchases. Such organizations can, and have, become effective advocates and lobbyists on behalf of their members in several countries in Eastern Europe and the former Soviet Union.

4. Development Partners

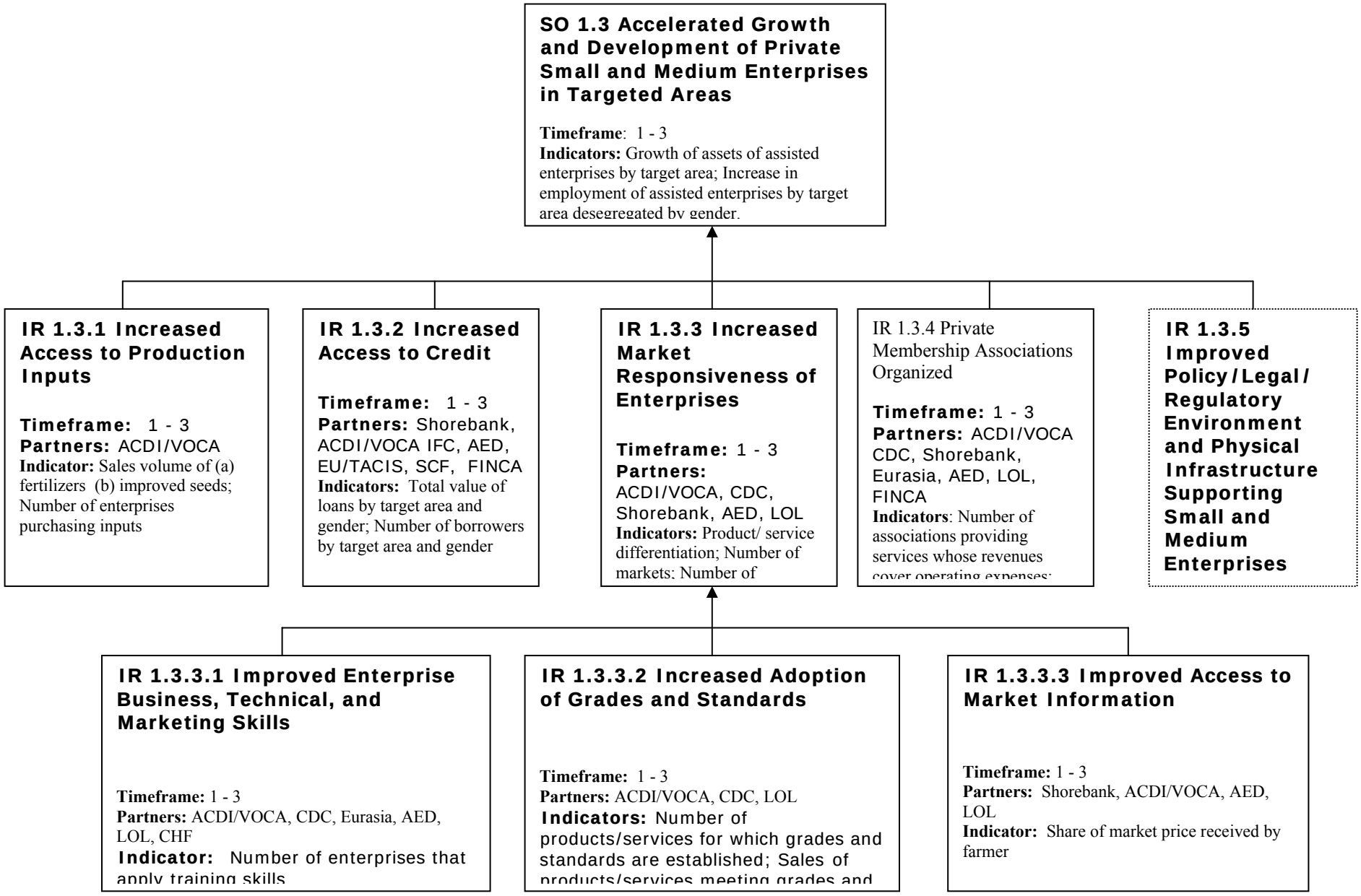
Agriculture is the priority sector for the World Bank in Azerbaijan. It is supporting a four-year, $72 million program focusing on two areas: (a) farm restructuring and land privatization, and (b) rehabilitation of irrigation and drainage systems and agricultural credit. The World Bank program is contingent on specified progress in macro-economic stabilization and is closely coordinated with the IMF. USAID will take World Bank programs into account in the selection of target areas for the program.

The European Union Technical Assistance to the Commonwealth of Independent States (EU/TACIS) program, likewise, places a high priority on agriculture in its assistance effort. Their $24 million program concentrates on cooperative banking and marketing in the grains and milling industry, primarily wheat and barley.

5. Sustainability

Given the restricted environment, it is not expected that this SO will be fully sustainable by the end of the strategic plan. Important progress can be made, however, to create the firm foundation necessary to actively build a sustainable, competitive private SME sector as the political and economic climate permit.

The chief mechanism to constitute the base for sustainability is implementation of **IR 1.3.4 Private Membership Associations Organized**. Private associations will assume responsibility for the technical assistance, training, business contacts, credit and advocacy services supported by USAID. USAID already has organized one association of technical professionals to provide fee-for-service technical assistance to business. In essence, USAID's implementing partner replicated itself with Azerbaijani professionals. In a similar manner, other kinds of associations will form around other needs. USAID plans to work with those associations until they achieve a level of revenue from providing value-added services to clients to cover their operating expenses. As the associations become sustainable through the quality of service provided, the services also become sustainable.


SO 1.3 Accelerated Growth and Development of Private Small and Medium Enterprises in Targeted Areas
Timeframe: 1 - 3
Indicators: Growth of assets of assisted enterprises by target area; Increase in employment of assisted enterprises by target area desegregated by gender.
IR 1.3.1 Increased Access to Production Inputs
Timeframe: 1 - 3
Partners: ACDI/VOCA
Indicator: Sales volume of (a) fertilizers (b) improved seeds; Number of enterprises purchasing inputs
IR 1.3.2 Increased Access to Credit
Timeframe: 1 - 3
Partners: Shorebank, ACDI/VOCA IFC, AED, EU/TACIS, SCF, FINCA
Indicators: Total value of loans by target area and gender; Number of borrowers by target area and gender
IR 1.3.3 Increased Market Responsiveness of Enterprises
Timeframe: 1 - 3
Partners: ACDI/VOCA, CDC, Shorebank, AED, LOL
Indicators: Product/ service differentiation; Number of markets; Number of
IR 1.3.4 Private Membership Associations Organized
Timeframe: 1 - 3
Partners: ACDI/VOCA CDC, Shorebank, Eurasia, AED, LOL, FINCA
Indicators: Number of associations providing services whose revenues cover operating expenses;
IR 1.3.5 Improved Policy/Legal/ Regulatory Environment and Physical Infrastructure Supporting Small and Medium Enterprises
IR 1.3.3.1 Improved Enterprise Business, Technical, and Marketing Skills
Timeframe: 1 - 3
Partners: ACDI/VOCA, CDC, Eurasia, AED, LOL, CHF
Indicator: Number of enterprises that apply training skills
IR 1.3.3.2 Increased Adoption of Grades and Standards
Timeframe: 1 - 3
Partners: ACDI/VOCA, CDC, LOL
Indicators: Number of products/services for which grades and standards are established; Sales of products/services meeting grades and
IR 1.3.3.3 Improved Access to Market Information
Timeframe: 1 - 3
Partners: Shorebank, ACDI/VOCA, AED, LOL
Indicator: Share of market price received by farmer

Appendix C Contacts In Azerbaijan

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Manfred Smotzok, Chief of Party, IFDC, AMDA, Baku

Ulli Bicoku, Association & Business Development Adviser AMDA, Baku

Shahin Abbasov, IFDC Training Specialist, Baku

Ed Beaman, IFDC, ST Consultant, President, Agribusiness Association of Iowa

David Blood, Chief of Party PAPA, Baku

Balagardashov Nadirshah, Khachmaz Milk Factory and Dealer, Khachmaz Region

Abil Gushgari, Association Dealer selling Fertilizer and Pesticide, Guba Region

Aydin Aspendiev, Association Dealer selling Pesticide, Khachmaz Region

Bakiz Mammodov, Association EMA representative, Fertilizer and Pesticide, Guba Region

Nazim Mannadov, Association Regional VP, representative Agro Khimya, Guba Region

Mahir Babayev, Association Executive Council, Dealer, Guba Region

Zeynalov Saday, Executive Committee Association, Apple Grower, Guba Region

Agagul Huseynov, Association Regional Vice President and Dealer, Jalilabad Region

Eldar Rahimov, Association and Executive Council and Dealer, Jalilabad Region

Ramiz Yahyayev, Association Dealer selling Fertilizer, Jalilabad Region

Gurbov Shaig, Association Dealer and Trader, Lenkoran Region

Asadullayev Harif, Association Dealer Trader, Lenkoran Region

Razzag Gasymov, Association Executive Council and Dealer, Masalli Region

Shiraslan Mammadov, Association Dealer, Masalli Region

Aliyev Ramiz, Association Dealer, Masalli Region

Adalet Nekhmetov, IFDC Southern Region Coordinator, Director Jalilabad Agro Center

Nuraddin Khasiyev, Association Nursery Dealer, Lenkoran Region

Ilham Jamalov, Association Dealer, Lenkoran Region

Appendix D Interview Comments

Zeynalov Saday, Executive Committee Association, Apple Grower, Guba Region

He stated that he had experienced quality improvement in both the tree development and fruit bearing on the test 1.5-hectare plot he is testing for the project. He fully expects his sons, brother and neighbors to implement these practices next season. He points out that the apples stay on tree and do not fall on ground prematurely. He has generated such excitement in the community that he has appeared three different times on local TV discussing the IFDC project training and methodology program.

Balagadashov Nadirshakh, Khachmas Milk Factory and Dealer, Khachmas Region

I toured this processing facility and found it to be a very high-level milk product, cheese making and ice cream cone operation. The scope of operation was producing over 16,000 cones per day and 140 kilograms of white cheese produced from 800 metric tons of 3.6% milk per day. The amount of yogurt and sour cream production was undisclosed.

This dealer was very glad to have been allowed to participate in the new Guba Association. He felt that the IFDC efforts to empower the local agro-input dealers with the skills to help their clients increase production were a good value for the small Association fee he will be paying. He has noted that the demonstration plots in his region has shown that the methodology (fertilizer, pesticide, and drip irrigation) introduced by IFDC trainers has been very successful.

Abil Gushgari, Association Dealer selling Fertilizer and Pesticide, Guba Region

This gentleman hopes that the IFDC project will be extended beyond is current expiration of 2004. He thinks that the current approaches are working well for the local dealer and much more needs to be done. He suggests that training videos be developed to incorporate the methodologies of production not easily visible to them. His own operation has shown a high level of improvement concerning the health and yield of his trees. He sees excitement from his neighbors and his relatives who also intend to use the new methodology.

Aydin Espendiyev, Association Dealer selling Pesticide, Khachmas Region

This dealer was very impressed with the training plots. He noted that the demonstration plots revealed the result of using various combinations of fertilizer and pesticides applications. He suggests that an effort be made to organize trade and information missions to the more highly developed agricultural economies so they may benefit from lessons learned.

Bakiz Mammadov, Association EMA representative, Fertilizer and Pesticide, Guba Region

This association member was very pleased with the quality of training, to date, provided by IFDC. The information trade mission organized by IFDC to Georgia was well received. He of course would like to visit USA apple growing regions to learn about fruit tree horticulture in weather conditions similar to the Guba region (-10 to –15 centigrade in winter and +28 centigrade in summer). I suggested that Michigan conditions were similar and procedures developed there might be applicable. Short of an actual visit he suggested that the project develop and or arrange for video instruction lessons specific to Michigan methodology be brought to Guba region for review and training so that they can transfer this information to their clients.

On the other hand, he complained that the quality of pesticide being imported from Turkey seems to have quality distortions from what is on the labels. He felt that the IFDC project might be able to help organize a defense against this problem. Another problem expressed was that the customs regime at the border between Russia and Azerbaijan is out of control. He stated that of the six rubles charge paid by his client

apple exporters five rubles is strictly a payoff to the guards. Something at a higher level must be accomplished to address this issue.

Nazim Mammadov, Association Regional VP, representative Agro Khimya, Guba Region

This member was extremely positive. He points out that not all the regional participants ever knew each other before the IFDC representatives started to invite them to join an association of dealers. Currently they have met several times and have shared their problems and ideas with each other.

He currently has two major concerns. The customs problem at the border has caused losses to his operations. He has had over 300 trucks held up for more than 7 days last December. He states that on either side of the border they create delays to encourage the payment of bribes. In dealing with not only a perishable but also a low profit margin product, the results can be financially devastating. Secondly, he has a problem organizing a storage facility for his apples. He has over 20 hectares of production, which means that with lumpy marketing he must store some product to smooth out harvesting from deliveries. He can purchase a facility nearby (which I visited) for only $30K that would be available for the whole region to use. However, the current members cannot pay cash for the property and no financial institution will give any long-term (more than 1.5 years) loan. He asks if the project can introduce some new innovative financing with CREDAGRO or ACDI/VOCA, etc for the larger producer.

Mahir Babayev, Association Executive Council, Dealer, Guba Region

This individual also complemented the IFDC effort in their region. He noted that the demonstration plots have proven to be an attention-getter and that local producers are visiting and inquiring about the methodologies employed. He inquires about the possibility for the project to help organize one specific dealer who can distribute the different types of fertilizer e.g. TSP, N, P, and K. In addition, he suggested that the IFDC project might assist in the development of an association or some other appropriate entity to offer various laboratory-testing fee based services to the dealers

Agagul Huseynov, Association Regional Vice President and Dealer, Jalilabad Region

This dealer is also vice president of association. He has two potato demonstration plots. He has varieties from Holland, Russia and Poland in one and five varieties from Germany in the other. Results will be observed at harvest in July/August. He anticipates the yield as follows: old way has been 25 tons/ha; Russian varieties will be 40 tons/ha; and finally the new varieties from EU will produce 60 tons/ha. He was pleased that IFDC brought in the TSP and helping the dealers locate sources for importation. He hopes that a central location in the region will be set up to supply the farmers. By using TSP, he has cut back the land under cultivation for potatoes and uses the balance for alfalfa production. They have modern machinery e.g. tractors, harvesters and planters that they rent out for all farmers in the area to use. He commented that they have been in the box and with IFDC assistance they can now be out of the box.

Eldar Rahimov, Association and Executive Council and Dealer, Jalilabad Region

This interviewee has 10 hectares of potatoes and 10 hectares of wheat under cultivation. He is using TSP as a variable along with using several varieties. The results will be available after a month or so. He feels that the association is like a business and must produce value for the owners. He thinks that the advocacy aspect and the training aspect to function to give value. Other associations he has joined do not deliver the information they promise and/or are prematurely left alone. IFDC training has been suburb and continuing education prospects seem interesting. What is needed is training for marketing output., possibly to prepare association members for exporting.

Ramiz Yahyayev, Association Dealer selling Fertilizer, Jalilabad Region

This dealer pointed out that he could, at this time, sell 70 tons of TSP. He also has under cultivation 10 hectares of potatoes. He stated that what is needed next is marketing information to sell the additional

production. Exporting of potatoes is feasible if they could learn how to grade, apply accepted international standards, and identify the new markets. They also need to develop storage facilities to hold product so they are not forced to sell everything at harvest time.

Gurbov Shaiz, Association Dealer and Trader, Lenkoran Region

This is a trader dealer. This implies that the gentleman will buy and sell products. Some time the fertilizer and sometimes the output products themselves. He is a big proponent of starting an export-training program. He stated there is no help from the Ministry of Agriculture on this issue. Potatoes from this region are excellent product for the Russian market as they have fresh product before the major Russian harvest. This gives them an advantage, but in general, they have not been in a position to execute this strategy. He feels that trade missions to the neighboring countries would identify new markets for their high quality potatoes. Iranian potatoes are cheaper but quality is lower and many consumers prefer Azerbaijan product. Of course, the customs hold-up is something that can only be handles by the ministry or some other government body. Dealer advocacy using the power of the association might be the correct approach to mitigate this issue.

Asadullayev Arif, Association Dealer Trader, Lenkoran Region

This dealer is also a trader. He is very appreciative of the IFDC introduction of Israeli drip irrigation technology and the new Greenhouse technology to be shown this month. He stated that the instruction were complete with 9 pages of detailed coaching making the new technologies understandable. He hopes that this technology transfer will not be prematurely withdrawn but rather be an important element to the regions training programs. He is also grateful that IFDC has connected him with the EMA Company in BAKU and now he is an official representative of their pesticide products in the region. He said that there is 3,000 hectare of potatoes in this region and the demonstration plots should reach first 100 farmers and word will reach 600 farmers and finally he expects over 2,000 to learn the new technologies and varieties used in the demonstration plots.

Razzag Gasymov, Association Executive Council and Dealer, Masalli Region

The location of the wheat plot was central to seven villages and it is expected to have 400-600 farmer visitors this harvest season. The dealer was most impressed with the matrix of possible results (7 rows of varieties by 4 rows of different fertilizer levels) from each demonstration plot established. He also himself, has 7 hectares of wheat under cultivation. They (the farmers) can see results of differing varieties; some characterized as hard wheat some distinguished as soft wheat, as well as the parallel affect (yields) of different amounts and types of fertilizers. This dealer was so impressed with the demonstration plots that he sold 5 tons of fertilizer and recruited farmers outside the test regime. The IFDC project through association training has supplied local experts and international consultants to transfer knowledge to the local members. The training has averaged 1.5 times each month during the season on how to apply the fertilizer and pesticide. The dealer members can pass the information on to their farmer clients. He said it was like IFDC training reminded him of going to college. He thinks that an increase margin of double current expectation is possible because of higher price for higher quality of product. Sustainability does not seem to bother this dealer as he stated that if they learn new technologies they would be glad to pay dues.

Shiraslan Mammadov, Association Dealer, Masalli Region

This is a dealer only member who operates a large storefront of construction material on the major road in the region. He stated that all relationships in agricultural community were lost after the collapse of social system. The IFDC project has brought together over 100 dealers who know each other and can network to share experiences and solve their common problems. The information technology transfer provide by IFDC is overwhelming and very effective. The methodology of developing farm trials and demonstration plots is a program that has made a difference to the community at large. IFDC has instructed the

association members on steps to maintain there sustainability after project support ends. He himself has recruited over 30 farmers to try the fertilizer and monitor the results for others to experience. He stated he has already received orders for fertilizer for the next season. He felt, however that additional markets must be developed to prevent oversupply. Markets in Russia, Turkey and central Asia are good candidates for investigation.

Aliyev Ramiz, Association Dealer, Masalli Region

This is a dealer of fertilizer, however, after he has seen the experimental plots under the IFDC project he has recently collaborated with another farming entrepreneur and is cultivating 20 hectare of potatoes. Under the Cochran Fellowship program this gentlemen will be making a tour of USA agriculture in August of this year. He is also, with project support, going to Moscow to a Conference and to sign a contract to purchase directly the new fertilizer for the region's customers. He mentioned that the IFDC training sessions held about three times per month this season have been extremely effective. In addition, he complemented the project for supplying the storage containers, which he has strategically placed around the region so that he can service his customers more efficiently. He commented that if the association networking and advocacy program continue as they are he see no problem of paying fees and sustaining the organization.

Adalet Nekhmetov, IFDC Southern Region Coordinator, Director Jalilabad Agro Center

This is the director of the southern region Agribusiness Center. Several donor groups, including the MERCI Co of Oregon, a private humanitarian group and ACDI/VOCA, support this center. The IFDC project now uses the director to help coordinate the activities in the southern region and to give feedback as to the subjects scheduled at the training sessions. The center also deals directly with the farmers and gives agronomy support, business plan development and spending control advise for a fee. Thought the center, CREDAGRO, an ACDI/VOCA financial assistance program has given 200 farmers in the region over $600,000 of credits. The center is administrating a farmer survey of 70 participants for the farm trials used to evaluate the AMDA project's fertilizer and new wheat variety use.

Nuraddin Khasiyev, Association Nursery Dealer, Lenkoran Region

This is a major shaker and mover in the community. He has been on several training trips to other countries including the USA. He is a dealer of fertilizer as well as a nursery farmer cultivating over 20 hectares, which includes 3 hectare of Kiwi, 10 hectares of tomatoes and cucumbers he also produces tangerine, orange and lemon stock as well as many ornamental tress. He is coordinating a drip irrigation demonstration plot for cucumbers for the project. He has worked with other donor agencies such as the World Bank funded State operated Agricultural Institute in Baku and ACDI/VOCA. He has participated in some other experimental association building but they are failing. He believes that those other projects were high on promises but low on delivery of potential. The IFDC project has more than delivered all that it promoted. He feels that what is needed beside more of the same from IFDC is training to develop export market, e.g. quality control, grading and standards, packaging, storage technology and marketing skills. As the new technologies implemented by IFDC increase production they need to develop new markets. Additionally, they need help to overcome the customs illegal activities on the borders so they have fewer interruptions with export deliveries. They are very vulnerable since their products are perishable and custom agents know that.

Ilham Jamalov, Association Dealer, Lenkoran Region

This is a dealer and small farmer. He works 2 hectares with tomatoes and cucumbers. He also is working with project on a demonstration plot using drip irrigation techniques. He is interested in getting information about greenhouse technology for tomato growing. He is very pleased with the progress of the association-networking regime. He now can coordinate with other dealers in the region any advocate

issues that can effect them all. Before the project helped organize them, he never met many of his fellow dealers. He believes that increasing their marketing skills by training for quality control, better packaging, etc will be crucial to their success. Export training would expand the marketplace so they could better deal with the huge influx of lower quality Iranian product. He felt the they should advocate some sort of protection from imports during that season. I attempted to persuade that increasing exports of higher quality Azerbaijani vegetables would be a better approach then looking for protection and receiving inefficiency in their operations. There were no negative comments about the IFDC project only compliments.

Appendix E

Leaflets

(June, 10 2003)

No.	Name of Publication	Time of Printing	No. of copies	Reprinting		No. leaflets given different organization	Total
				Time	Copy		
1	Soil sample test	July, 2002	500	17/09; 15/01	800	CHF	1300
2	Fertilizers and their effective use	July, 2002	500	17/09; 15/01	400	CHF	900
3	Recommendation of Planting technology of Winter wheat	July, 2002	500	06/09; 15/01	700	CHF	1200
4	Phosphate fertilizer	August, 2002	500	17/09; 08/10	200	CHF	700
5	Wheat variety	August, 2002	200	08/10; 15/01	500	CHF; GBG	700
6	Potassium fertilizer	August, 2002	500	17/09; 15/01	700	CHF	1200
7	Planting technology of potato in Azerbaijan	September, 2002	500	03/10; 15/01	700	CHF	1200
8	Determination of seed rate	October, 2002	500	17/09; 15/01	300	CHF; GBG	800
9	Tomato trial	October, 2002	500	17/09; 08/10	300	CHF	800
10	Carnal burnt	October, 2002	500	15/01; 25/03	800	CHF	1300
11	Apple trial	October, 2002	500	15/01; 25/03	300	CHF	800
12	Urea	December, 2002	500	15/01; 25/03	300	CHF	800
13	DAP	December, 2002	500	15/01; 25/03	300	CHF	800
14	Soil preparation before planting	December, 2002	500	15/01; 25/03	800	CHF	1300
15	Apple technology	January, 2003	500	25/03	1000		1500
16	Pest and diseases on Apple	January, 2003	500	25/03	1000		1500
17	Pesticide safety use	February, 2003	1000	25/03	1000		2000
18	Diseases of Potato	March, 2003	500				500
19	Pest of Potato	March, 2003	500				500
20	Alfalfa technology	March, 2003	1000				1000
21	Cabbage technology	May, 2003	500				500
22	Tomato technology	June, 2003	500				500

Brochures

(June, 10 2003)

№	Name of Publication	Time of Printing	No. of copies	Reprinting		Total	No. brochures given different organization
				Time	Copy		
1	Pest and diseases on Wheat	July, 2002	500	February, 2003	1000	1500	25 - GBG; 50 - CHF
2	Potato technology	October, 2002	500	March, 2003	500	1000	25 - GBG; 50 - CHF
3	Pest and diseases on Potato	October, 2002	500	March, 2003	500	1000	25 - GBG; 20 - IIALD; 50 - CHF
4	Fertilizer and their effective use	January, 2003	1000			1000	50 - Agriculture Academy, 20 - GBG
5	Pesticide safety use	March, 2003	1000			1000	20 - GBG
6	Alfalfa technology	April, 2003	500			500	
7	Maize pest and diseases	April, 2003	500			500	

Posters

(June 10 2003)

No.	Name of Publication	Time of Printing	No. of copies	Reprinting		No. posters given different organization	Total
				Time	Copy		
1	Pest and diseases on Wheat	July, 2002	500	March, 2003	500	25 - GBG; 50 - CHF	1000
2	Pest and diseases on Potato	October, 2002	500	January, 2003	500	25- GBG; 50 - CHF	1000
3	Fertilizer recommendation	October, 2002	500			20 - GBG; 10 – Agriculture Aca-demy;	500
4	Crop Rotation I	March, 2003	250			25 - IFRC; 20- GBG; World Bank Project	250
5	Crop Rotation II	March, 2003	250			25 - IFRC; 20- GBG; World Bank Project	250
6	Crop Rotation III	March, 2003	250			25 - IFRC; 20 - GBG; World Bank Project	250
7	Crop Rotation of Vegetable (with explanation)	April, 2003	250			25- IFRC; 20- GBG; World Bank Project	250

Appendix F Published Project Goals

The four sections of the project divide the interrelated assistance as outlined:

SECTION ONE BUSINESS DEVELOPMENT AND TRAINING

- Increase the amount, quality and balance of fertilizer used appropriately by assisting dealers gain access to supplies and to satisfy and develop respective markets.
- Expand production and marketing of improved seed.
- Stimulate farmer demand for improved agro-inputs by using proven techniques such as private sector extension services and technical information transfer centers.
- Link reliable competitive supply of inputs with farmer organizations.
- Coordinate market analysis for animal feed: encourage and support use of U.S. feed grains and concentrate, including USDA programs; promote use of high energy feed.
- Establish a system for collecting, collating, and disseminating data on supply and prices for key inputs.
- Improve business, technical management, and marketing skills.

SECTION TWO ACCESS TO CREDIT AND FINANCE

- Organize training to help agro-input dealer clients prepare business plans and manage their finances and to inform bankers about agribusiness.
- Help clients tap ACDI/VOCA, EU, WB, and commercial bank credits and explore ways to establish new credit schemes, such as USDA programs.

SECTION THREE ASSOCIATION BUILDING

- Identify agro-input dealers and help them establish a trade association.
- Teach the association how to serve its members and generate revenue.
- Expand the growth of business support organizations linked to associations.
- Prepare the dealer trade association in concert with others to engage in policy dialogue with decision markers, based on comprehensive economic analysis.
- Help them draft legislation and regulation for fertilizer, seed, and CPC
- Provide policy advise on improving seed registrations and regulatory regime.

SECTION FOUR TECHNICAL TRAINING, TRANSFER, AND EXTENSION SERVICES

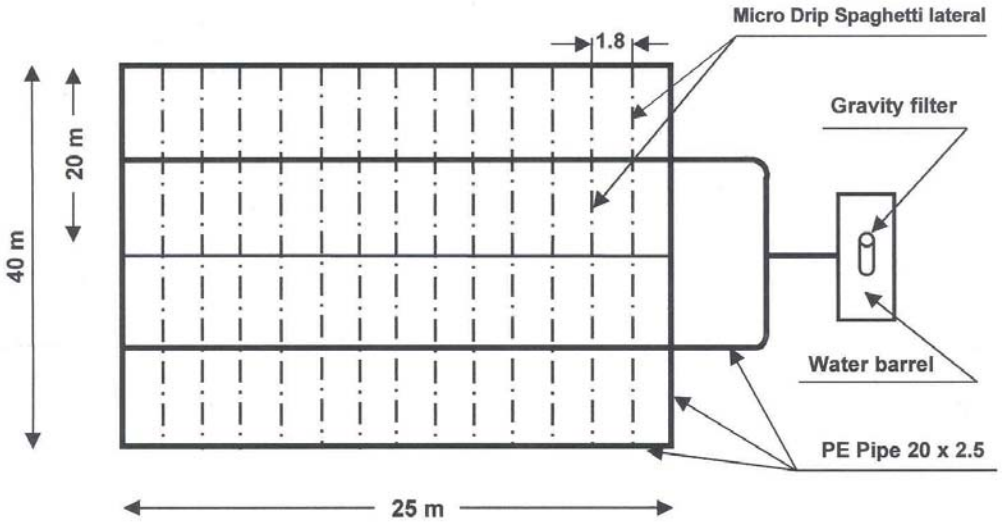
- Encourage a broader availability and range of fertilizer products in field demonstrations.
- Facilitate group purchasing and access to international fertilizer markets.
- Prepare recommendation brochures for selected crops and fertilizer products.
- Demonstrate the value of using cleaned and treated seed even at the farmer-saved level.
- Introduce new seed varieties in field demonstrations; provide information on seed issues.
- Focus on safe handling issues regarding CPC; engage international suppliers in effort to promote safety and improve the availability of key products, e.g. via supplier credits.
- Feature management of maize and alfalfa production to increase local protein.

Appendix G

EIN-TAL MICRO DRIP LTD.

IFDC

Gravity Micro Drip Irrigation Kit 1000m^2 - 1.8 m. (Spaghetti)



♦ Gravity filter + Water barrel connectors(including 3/4" valve)	1 un.
♦ PE Pipe 20 X 2.5	240 m.
♦ Elbow Coupler 20 X 20	8 un.
♦ T Coupler 20 X 20 X 20	6 un.
♦ Spaghetti Dripper	2240 un.
♦ Spaghetti Sleeve	56 un.
♦ Extension P.V.C. Tube (20 cm.) + 2 un. of Snap-in Collar (M)	112 un.
♦ Large Plunger - F.	112 un.
♦ Puncturer 3.2 mm.	1 un.
♦ Teflon	1 шт.

Remarks : Length of each Drip line: 10 m.
Total : 40 units of Spaghetti drippers per 1 Drip line.
No. of Drip lines in 1 kit of 1000m^2 : 56 Drip lines.

4 , SHOHAM St. P.O.B. 3558, INDUSTRIAL PARK CAESAREA 38900, ISRAEL
TEL: 972-4-6273058 FAX: 972-4-6272896
OUR WEB SITE : www.ein-tal.com E-MAIL: en-tal@inter.net.il

Appendix H

NGO

Getting back to basics in the agro-input market

In February 2002, USAID awarded a grant to the International Fertilizer Development Center (IFDC) to implement the project "Agro-Input Market Development in Azerbaijan" (AMDA) providing technical assistance to agro-input dealers. The project will continue to January, 2005.

The Project goals are:

1. Business Development and Training.
2. Access to Credit and Finance
3. Association Building and Development
4. Tech. Training, Transfer, Extension Services

IFDC/AMDA has conducted 20 trainings and workshops on different topics for the dealers provided by international and local specialists. More than 30 information leaflets, posters and booklets have been published and 27,000 copies distributed to the dealers. Moreover, the AMDA project provides tours for the dealers to the agri-input plants located outside Azerbaijan.

IFDC/AMDA supported the Establishment Assembly of the AKTIVTA (Azerbaijan Agri-input Dealer's Association), which took place in May 12, 2003.

The vision for the association is to develop the agrarian sector, by creating competitive input markets and thereupon improve the living standard of the rural population in Azerbaijan.

AKTIVTA's mission is to provide services demanded by members for training and education, communication and advocacy. Members will have access to international market information, will collaborate with government and parliament to develop sound policies and regulations for the agriculture sector, and will be able to supply high quality seed, fertilizer, pesticides and other required inputs on time to farmers to increase agricultural productivity.

Appendix I

The Case for Exporting of Azerbaijan Agricultural Outputs

The world economy is becoming more and more globalized and Azerbaijan is an economy in transition. It enjoys several exported and potentially exported agricultural commodities[16] and has nine climatic zones making it similar to a California type environment -- conducive to agricultural production. Therefore, Azerbaijani agricultural producers and processing firms should consider expanding exports as a way of increasing sales. Furthermore, firms taking advantage of the "economy of scale" notion, would lower operating costs and become even more efficient. This model would apply to many other agricultural products, such as livestock, meat, dairy, meat processing products, etc.

For, example, Russian buyers of apples have expressed an interest in the high quality (natural and good tasting) of fruit product produced in the Guba region. Additionally, Azerbaijan enjoys a land boundary with Turkey, Georgia, Iran, and Russia—major agricultural consuming economies, as well as good relations with several of the "Stans"' nations.

Transfer the economic benefits of value-added sales to Azerbaijan economy

Selling in foreign markets, however, presents several factors that should be examined. Many countries (and/or trading regions) have tariffs, import quotas, customs harassment, and/or non-tariff barriers (possibly disguised as sanitary concerns) that interfere with free trade[17]. Local competition may be strong in many potential target countries, where the local firms receive favored treatment. Conventional financial collection problems, as well as, currency regulations may make withdrawal of money difficult after the products are delivered.

In spite of these difficulties, export business often is an attractive option. In analyzing foreign markets, as any other new markets, the added or incremental cost should be balanced against the added income. Once the Azerbaijan Enterprise has completed its product engineering and is "tooled-up" for production, the cost per unit of turning out an added percentage is less than the total average cost of the basic output. If the Azerbaijani entrepreneur has idle capacity in his operations, this incremental cost may be very much lower. So that even though there are difficulties in selling across borders, the net revenue received may still be above the incremental cost.

Additionally, the ability to compete in world markets is one test of whether Azerbaijan should be an exporter or an importer of certain commodities. Trade and international competition provide market signals on farmer's decisions and resource efficiency; a potential exists for increasing total output and consequently the rural Azerbaijan standard of living, through increased rural economic exposure to international trade. Thirdly, increased export trades also make an important contribution to the Azerbaijan balance of payment account. Increase export of agricultural products allows for increase imports of needed goods with out negative foreign exchange repercussions.

[16] Word of mouth has reveled the apples, potatoes, cucumbers, tomatoes, and Kiwi, etc.

[17] According to traditional theory, a marketing situation where no tariffs or other barriers are imposed on international trade (free trade) is always superior to a policy of national self-sufficiency and nonreliance on imports or economic aid (autarky). Some individuals gain under free trade while others lose, but gainers offset the losers. Studies indicate that free trade is remarkably robust. The augment for "free trade" rests upon the principal of potential compensation of losers by the gainers.

Appendix J

TABLE 1

Results Indicators in Support of SO 1.3

	Baseline	1st-Yr	Projected 2nd-Yr	3rd-Yr	Actual 1st-Yr	Projected 2nd-Yr
Growth of assets of assisted Enterprises *increase business and employees by 10%/yr*		50	100	150	60	
Sales of Fertilizer (baseline under s/b 40,000mt and improved seeds						
Fertilizer	12000mt	15000mt	18750mt	24000mt	50000mt	
Seeds[18]	$2M	$2.5M	$3.2M	$4M	?	
CPP[19]	$3.7M	$4.7M	$5.8M	$7.4M	?	
Feed						
Number of farm enterprises purchasing inputs		2000	3000	4000	4000	4000
Total value of loans		$60K	$150K	$350K	$65.4K	$218.5K
Num of Borrowers		3	6	12	9	26
Self-Investment				$250K	$92 130	$132K
Product/service differentiation e.g. technical information, extension services, etc.				100	63	100
New agro-input products e.g. fertilizer types, seed varieties, animal feeds				10	18	25
Enterprises that apply training skills		550	1100	2150	888	1100
Num of product/services for which grades/standards are established				5	45	
Num of associations whose revenue cover operating expenses				100%	0,15	1
% of target population aware of at least one issue/year		100%	100%	100%	100%	100%
Num of organizations conducting 5 or more advocacy & outreach activities/year				5	0	1
Num of people trained in advocacy & organizational management				20	20	20+

Source: Project proposal

[18] Original Project Projections are based on whole country data, but Project only operates in 17.2% of Azerbaijan
[19] Original Project Projections are based on whole country data, but Project only operates in 17.2% of Azerbaijan

TABLE 2

UPDATED INDICATORS

From 1st Yr Report

BUSINESS DEVELOPMENT:	**Locals**	**Importers**
Identification of potential customer/clients	100+	5
Presentations of Project Support	3 rounds each in 4 regions	
Training of customer clients	64 -44 Technical -10 Association - 10 Management	
Development of Business Plans	9	
Distribution of Storage containers	59	
Collection of Agro input market information	Collaborated with LOL Price Bulletin every month	
Trade/Information mission to Georgia	7	
Arranging of input imports		
Fertilizer	120 tons	
Vegetable seed	60 tons	
Potato seed	75 tons	
Survey conducted to dealer farmer & processors	250	
Trade/Information mission to USA	1	
CREDIT FINANCE:		
Conduct workshops		
Groups	8	
Individuals	24	
Marketing Seminars		
General Principals	4	
Fertilizer	5	
TRAINING AND EXTENSION		
Field Days (Dealers)	2 with 72 dealer in 2002 15 with 500 dealer/farmers in 2003	
Field Day (Farmers)	3 with 79 farmers in 2002 combined with above	
Articles		
Written Media	31 about fertilizer and proper pesticide use	
Television & Radio	24 programs various subjects	
ASSOCIATION BUILDING:		
Association Organizing Meetings	3 in 4 Regions	
Signed Letters of Interest	64	
Association Council Training		
National	12	
Regional	5	

Source: Project 1st-YR Report and Projections from Staff

TABLE 3

Azerbaijan -- AMDA – Budget
January 30, 2002 to May 30, 2003

	TOTAL BUDGET	***15 MONTHS***
PERSONNEL	$834 950	$349 792
FRINGE BENEFITS	$282 100	$137 421
TRAVEL	$186 920	$101 802
EQUIPMENT	$167 900	$48 673
SUPPLIES	$44 500	$14 223
OTHER • ST Consultant • Expatriate advisers • Training/Media publications • Headquarter support • In-country office operations	$736 700	$192 908
SUB TOTAL DIRECT COSTS	$2 253 070	$844 819
INDIRECT COSTS		
OH@35%	$841 500	$278 651
OH@10%	$16 800	$4 867
SUBTOTAL INDIRECT	$858 300	$283 518
TOTAL ALL COSTS	$3 111 370	$1 128 337

ACTIVITIES BREAKDOWN		Man Month Allocations	Allocation By Percentage
Business Development (I)	$262 902	7	23,33%
Technical/Training (II)	$338 501	9	30,00%
Access to Credit (III)	$301 266	8	26,67%
Association Building (IV)	$225 668	6	20,00%
		30	
15month SUM:	$1 128 337		

Source: Consultations with COP & DCOP

Appendix K

IFDC/AMDA STAFF LIST

#	Name	Position
1	Manfred Smotzok	Chief of Party Responsible for overall activities and implementation of the project. Supervising Access to Credit and Finance plus Business Development and Marketing.
2	Ylli Bicoku	Association & Business Development Advisor / Deputy Chief of Party Responsible for the project during absence of COP. Supervising activities concerning Association Building and Technical Training, Transfer and Private Extension Service.
3	Anar Khalilov	Business Development Specialist
4	Farid Firidunov	Association Development Specialist Responsible for Association Building and any kind of group formation.
5	Manuchegr Askari	Regional Coordinator (Ganja-Sheki) Responsible to control demonstrations and on-farm trials in collaboration with dealers and progressive farmers; organizing regional meetings and keeping contact with dealers and farmers; resource person for agric developments in the region.
6	Nazakat Asadova	Public Relations Specialist Responsible for project publication, printed media, TV and Radio. Organizing of workshops and seminars, information to public media. Writing and translating of extension material on Soil Science and Fertilizer.
7	Nizami Garayev	Technical Training & Innovation Transfer Specialist Responsible for all technical trainings concerning plant production and plant protection; organizing field demonstration and on-farm trials, introduction of new means of production such as drip irrigation and greenhouses.
8	Oleg Shevtsov	Credit & Finance & Marketing Specialist Responsible for Access to Credit and Finance, and Marketing. Administratively responsible for computer work and maintenance.
9	Rena Azimova	Office Manageress and Chief Accountant Responsible for accounting and staff matters
10	Shahin Abbasov	Technical Training, Transfer & Extension Service Specialist Responsible for technical training and extension service between project and dealers as well as dealers and progressive farmers; keeping relations with Farmer to Farmer Program implemented by ACDI/VOCA.
11	Vafa Abbasova	Secretary / Receptionist

IFDC/AMDA STAFF LIST

#	Name	Position
	Responsible for reception, filling, office materials, translation, and general office work.	
12	Sanan Teymurov	Driver
13	Zarifa Mamedova	Cleaning Lady
14	Starting July 1: Kenul Responsible for collection and distribution of market information via radio and TV; developing TV messages concerning agric inputs; public relation and marketing of project activities.	Media Specialist

Appendix L

Activities for the period March- December 2002

No.	Activity	Units	Person that delivered the seminar	Regions	Month	Participants	Total
1.	**Seminars**						
	Project Introduction and Fertilizers Use	8	Manfred, Ylli	Sheki, Ismailli, Ganja, Masalli, Guba, Zaqatalla, Lenkoran	May, July	Sheki 7 Ismailli 8 Ganja 7 Jalilabad 8 Masalli 6 Guba 7 Zaqatalla 9 Lenkoran 7	**59**
	How to Design and Implement a Demonstration. Pesticide use	5	Ylli	Ismailli, Sheki, Guba, Ganja, Masalli	May-June	Ismailli 12 (12) Sheki 10 (7) Guba 13 (13) Ganja 14 (14) Masalli 12 (12)	**61 (58)**
	Credit Sources	4	Oleg	Masalli, Guba, Tovuz, Ismailli	July, August, September	Masalli 17 (17) Ismailli 21 (17) Sheki 22 (10) Tovuz 16 (12)	**76 (56)**
	Gross Margin	4	Zaur & Nazakat	Ismailli, Sheki, Ganja	August	Ismailli 13 (7) Guba 12 (12) Ganja 18 (7) Tovuz 16 (12)	**59 (38)**
	TSP Fertilizer Use	5	Ylli	Ismailli, Sheki, Ganja, Masalli, Guba	July, August September,	Guba 13 (10)	
	"Wheat Growing Practices"	5	Hiqmet Demiri	Ganja, Sheki, Ismailli, Guba, Masalli	September	Masalli 19 (16) Ismailli 20 (15) Sheki 19 (10) Ganja 24 (19)	**95 (70)**
	Pest and Diseases in Wheat	4	Nizami	Ganja, Ismailli, Masalli, Sheki	September-October	Ganja 6 (6) Ismailli 16 (12) Masalli 19 (15)	**41 (33)**
	Association Building	5	Manfred	Ismailli, Sheki, Ganja, Masalli, Guba	October	Ismailli 13 (13) Sheki 8 (8) Ganja 15 (15) Masalli 13 (13) Guba 14 (14)	**63 (63)**
	Winter Services and Diseases Control in Apple Orchards	1	Guba Research Institute and EMA company	Guba	November	Guba 35 (16)	**35 (16)**
	"Fertilizers and Marketing"	6	Feisal Beig	Ganja, Sheki, Ismailli, Guba, Masalli, Baku	November	Ismailli 13 (13) Ganja 22 (22) Sheki 12 (9) Masalli 15 (15) Guba 15 (15) Baku 4 (4)	**81 (78)**
	Total	**47**					**570 (471)**

Activities for the period January- December 2003

No	Activity Seminars	Units	Person that delivered the seminar	Regions	Month	Participants	Date
1	**By Law discussion**	5	Ylli Bicoku	Ismailli, Guba, Masalli Ganja, , Sheki,	January	19 (17 de) 12 (12) 22 (22) 26(26) 11 (11) **90 (88)**	Ismailli 9 January Guba 10 January Masalli 14 January Ganja 16 January Sheki 17 January
2	**Pest and Diseases in Potato**	3	Nizami Garayev	Ganja Ismailli , Masalli	January-February	27 (27) 24 (21) 28 (24) **79 (72)**	Ganja 7 January Ismailli 23 January Masalli 7 February
3	**Wheat Technology**	1	Norbert Zinck	Ganja	February	17 dealers +6 farmers **23 (17)**	Ganja 22 February
4	**Fertilizer Marketing and Private Extension Service**	4	Oleg Ylli	Guba Ganja Sheki Ismailli	February March	14 (14) 25 (25) 16 (8) 16(16) **71 (63)**	Guba 21 February Ganja 6 March Sheki 7 March Ismailli 19 March
5	**Executive Council's Election Procedures**		Ylli	Guba Masalli Ganja Sheki Ismailli	February March	14 (14) 25 (25) 25 (25) 16 (16) 16(16) **96 (96)**	Guba 21 February Masalli 28 February Ganja 6 March Sheki 7 March Ismailli 19 March
6	**Wheat and Potato top dressing and weeds control**		Hiqmet Demiri	Masalli	February	**25 (25)**	Masalli 28 February
7	**Potato Technology**		William (Pet) Row ACDI/VOCA Consultant	Masalli	March	**24 (24)**	Masalli 25 March
8	**Executive Council Members and Regional Vice Presidents Election**		Ylli	Guba Ismailli Ganja Sheki Masalli	March April	16(16) 16(16) 26 (26) 8 (8) 22 (22) **88 (88)**	Guba 13 March Ismailli 25 March Ganja 26 March Sheki 27 March Masalli 1 April
9	**Strategic**		Chan	Baku	April 13-16		Baku

	Planning of Association (Ex Co and Regional Vice Presidents)	Sieben, Aziza Joldashova			**17**	
10	**Training on drip irrigation**	Yosi Galon	Guba Jelalabad Guba Lenkoran		( ) 7 (7) 4 farmers 5 dealers 25 farmers	Guba 22 April Jalilabad 24 April Guba 16 May Lenkoran 21-23 May
11	**Seminar on Apples pest and diseases and weed controls in vegetables**	Nizami, Faik	Sheki		**25** dealers	6 May
12	**General Meeting**	Manfred, Ylli	Baku		**77**	May 11-12
				Total:	**663 (507)**	

Appendix M
Data of farmers for TSP on-farm trials

Region: _____ **Village:** _____

Name of the farmer: _____ **Name of the dealer:** _____

Interviewer: _____ **Date:** _____

Soil Preparation	Previous crop grown	
	Date of Plowing	
	Ploughing depth (cm)	
	How many times disking and when (date)	
Planting	Date of drilling	
	Planting by machine or hand	
	Wheat variety	
	Seed treated (yes/no) Treated with:	
	Seed rate (kg/ha) applied	
Irrigation	Irrigated land (yes/no), if yes when (date)	

Pesticides	Herbicides applied(names and quantity)	
	Pesticides applied (names and quantity)	
	Which month they apply herbicides (date)	
	Which month they apply pesticides (date)	
	Name of diseases, if any	
Fertilizers	What kind of fertilizer is applied (and quantity)	
	When is fertilizers applied (date)	
Harvesting	Date of harvesting	
	Yiled per hectare	
Comments	What is your opinion regarding TSP	
	Are you plan to use TSP next season	
	Weather observation (normal, too hot, to much rain), if yes which month:	
	Other comments	

Appendix N Azerbaijan Country Profile

Government

- Capital: Baku (Baki)
- President: Heydar Aliyev
- Prime Minister: Artur Rasizade

Geography/Population/Economy

- Area: 86,600 sq km, slightly smaller than Maine
- Language: Azerbaijani (Azeri) 89%, Russian 3%, Armenian 2%, other 6% (1995 est.)
- Currency: Azerbaijani manat (AZM)
- Population: 7,771,092 (July 2001 est.)
- Population Growth Rate: 0.32% (2001 est.)
- Life Expectancy: male - 58.65 years, female - 67.49 years (2001 est.)
- Infant Mortality: 83.08 deaths/1,000 live births (2001 est.)
- Gross Domestic Product (GDP) Per Capita: purchasing power parity - $3,000 (2000 EST.)
- GDP: purchasing power parity - $23.5 billion (2000 est.)
- Real Annual GDP Growth: 11.4% (2000 est.)
- Annual Inflation: 1.8% (2000 est.)

Key Agricultural Statistics

Cultivated Area of Agricultural Crops (1000 hectares)	1,162.3	Thousand hectares
Livestock		
Pigs	16,853	heads
Sheep & Goats	6,558,879	heads
Cattle	2,097,860	heads
Meat Production	114,056	tons
Wheat	571,554	hectares
Maize	30,860	hectares
Potatoes	55,193	hectares
Vegetables	84,218	hectares
Melons / gourds	28,879	Hectares

Appendix O

USAID Presentation

REPORT FOCUS

- Examine AMDA Activities
  - Total budget: $3,111,370
  - Up-to-date spending (15 months): $1,128,337
- Describe How Program Implemented
  - Business development (23.3%)
  - Access to credit (26.7%)
  - Technical transfer (30%)
  - Association building (20%)
- First National Association (AAIDA)
  - 86-92 tentative members in 5 regions

AMDA/IFDC REVIEW 1

REPORT FOCUS (Cont'd)

- Provide Insight Into Improvements
  - Overall assessment
  - Few improvements needed
- Suggest Future Intervention
  - Model used is on target
- Answer Set of Questions (Innovative Approach)
  - Further Understanding by reader
  - Examining From Many Different Angles

AMDA/IFDC REVIEW 2

ACCOMPLISHED CORE OBJECTIVES

- Facilitate Technology Transfer
  - To increase productivity of farmer
  - Initially found 150, selected 86 - 90
- Develop Input Dealers – Not Farmers Directly
  - More sophisticated
  - Better business acumen
  - Second income
  - Strengthen info-link to farmer
- Many Humanitarian Agencies Currently Deal Directly With Farmers
  - IFRC, ADRA, CHF, WVI, IRC, etc.
  - 814,000 farm families

AMDA/IFDC REVIEW 3

ACCOMPLISHED CORE OBJECTIVES (Cont'd)

- Develop Market-Oriented Solution
  - Private extension service, not government service
  - Create Franchise For Input Dealers (Supply 22 Leaflets, 7 Brochures and 7 Posters)
- Input-Dealers Role as Transfer-Of-Information Crucial To Overall Success
  - Quality/quantity inputs equal quality/quantity outputs
- Sell Inputs by Increased Productivity of Farmer Customers
- Raising the Tide Raises All Boats
  - Mission goal SO 1.3

AMDA/IFDC REVIEW 4

ACCOMPLISHED CORE OBJECTIVES (Cont'd)

- Teach Dealers How to Develop Demonstration Plot and Farm Trials.
  - Potatoes + 4 plots
  - Vegetables = 3 plots
  - Apples = 4 plots
  - Expected results = WOW!
  - Total = 230 trials
  - Maize & alfafa = 4 plots
  - Wheat = 4 plots
  - TOTAL = 19 plots
- Trials and Demonstration Plots Efficient for Distributing the Evaluation of Results.
  - All near highway or neighboring farm
  - Word-of-mouth
- Undeniable Physical Attributes of Larger Plants, Healthy Plants and Abundant Fruit

AMDA/IFDC REVIEW 5

ACCOMPLISHED CORE OBJECTIVES (Cont'd)

- Business Skills Training Less Dramatic
- Demand Creation – Not Just Project Adding to Supply
  - Demand creation for inputs
  - Need attention to derive demand issues on outputs

AMDA/IFDC REVIEW 6

ACCOMPLISHED CORE OBJECTIVES (Cont'd)

- Knowledge to Obtain Credits
  - Over 100 dealers now know
  - Credit not a gift, must be repaid
  - Information disseminated for
  - Availability of credit
    - Prevailing interest rates
    - Terms and conditions
    - Collateral requirements and registration
    - Ethics and methods for developing business plan
    - Adam Smith = self-interest
    - No contract law, no antitrust law
      - Techniques for filling out credit applications

ACCOMPLISHED CORE OBJECTIVES (Cont'd)

- No program for medium or large Entrepreneurs for capital expenditures related to increase productivity of outputs.
  - Apple story
  - Storage needed
- Project is 243% ahead in the number of clients receiving credits.
  - Was 5 projected, now 26 at midpoint
- Lack of Registration Does Not Materially Affect Operations
  - Project administration of checking account
  - No grants allowed
  - Currently have $2300 collected

ACCOMPLISHED CORE OBJECTIVES (Cont'd)

- Develop Good Feeling Of Networking - In Numbers Is Strength
- Can Affect Environment, Government Issues - Market Power Issues
- Can Discuss Common Problems And Develop Collective Solutions
- Can Improve Coordination Between Ministry And Private Sector
- Advocacy Success In The Recent Time
  - AAIDA President (Before Association Formed) Spear Heads Implementation Of Wheat Support Program.
  - PAPA Activity Spear Heads Ice Cream Sales On Streets Of Baku.
  - Dramatic Reduction Of Licensing Requirements From 280 Down To 30 (Only 10% For Agriculture)

CONSTRAINTS TO FINANCING ISSUES

- Major Need for Larger Amounts To Cover Capital Expenditures (not cash flow needs)
- Limited Branch Representations Outside of Baku
- State Financial Organizations Feared For Tax Collecting Reasons
  - Need bribes
  - Turn over data to tax authorities
- High Interest Rate
  - 18% - 30%
  - Low interest, 7% loans, politically connected
- Restrictive Terms And Conditions
  - Maximum term is 18 months

CONSTRAINTS TO FINANCING ISSUES (Cont'd)

- Harsh Collateral Requirements
  - 200% requirement
  - Only jewelry, vehicles and real estate inside of city.
  - No collateral in real estate outside of Baku
- Reluctance To Disclose True Financial Conditions
  - Poor Record-Keeping

SUGGESTED ENHANCEMENTS FOR CONSIDERATION

- Review strategic plan to develop companion program to train in issues of marketing of agro outputs
- Do exports first on competitive homogeneous commodities as skills will spill over into domestic market skills. (Double benefit for investment $$)
  - Might consider meat/dairy value-added being ready
- Expand Trade/Information Visits, Especially To Developed Economies (USA, EU)
- Reassess Impediments To Start-up Delays
  - Eliminate hoops

SUGGESTED ENHANCEMENTS (cont'd)

- Set Benchmarks For Result Indicators
- Increase Quantitative and Qualitative Quarterly Reports
- Set Indicators That Can Measure True Progress (reflect benefits accrual)
  - Benefits flow to farmers
- Include Cost-Accounting Decision-Making Training (to improve quality of business planning)
  - Cost bread-even point
  - Shut-down point
  - Help get bankers' confidence

SUGGESTED ENHANCEMENTS (cont'd)

- Association Fee-Based Services Possible
  - System of Transportation And Coordination (trucks and rail)
  - Develop Collection Points For Transshipments
  - Develop Regional Storage Facilities
    - Separate Entity Onl
    - For-profit whole/partial ownership
  - Develop Quality Control Laboratory (seal-of-quality verification) plus more
    - USDA grading service

SYNERGY EFFECTS

With the new RECP project starting in second half of 2003 and agriculture activities envisaged by Peace Corps in early 2004 synergy effects have to be sought for.

When both projects start working details are to be discussed and agreed upon in areas such as farming practices; quality of production; product supply over time; organization of farmers related to quality and quantity of production for fresh product trading or processing; rural collection points; trade relationship building between producers and traders/processors as well as processing industry; output marketing; etc.

Output is only as good as the input.