Supplemental Letter No. 2

REPUBLIC OF AZERBAIJAN

June 12, 2014

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Re: Loan No. 8286-AZ  
(Agricultural Competitiveness Improvement Project)  
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to paragraph A.1 of Section II of Schedule 2 to the Loan Agreement of even date herewith between the Republic of Azerbaijan (the Borrower) and the International Bank for Reconstruction and Development (the Bank). The Borrower hereby confirms to the Bank that the indicators set out in the attachment to this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives.

Very truly yours,

REPUBLIC OF AZERBAIJAN

By: [Signature]  
Authorized Representative

Attachment
Attachment to the Supplemental Letter No. 2

IBRD Loan No. 8286-AZ
(Agricultural Competitiveness Improvement Project)

Project Development Objectives

PDO Statement

The Project Development Objective is to facilitate the access of agricultural producers to markets by strengthening sanitary and phytosanitary services, enhancing selected value chains and providing financial services to agribusiness enterprises.

These results are at Project Level

Project Development Objective Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Core Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values</th>
<th>Data Source/ Methodology</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in marketed output in at least 60% of the targeted value chains and agribusinesses funded by the project grant facility and credit line.</td>
<td>Percentage 0.00</td>
<td></td>
<td>YR1 0.00 YR2 0.00 YR3 10.00 YR4 20.00 End 20.00</td>
<td>Annually</td>
<td>Final evaluation of subprojects supported by grants and credit line</td>
</tr>
<tr>
<td>Indicator Name</td>
<td>Core</td>
<td>Unit of Measure</td>
<td>Baseline</td>
<td>YR1</td>
<td>YR2</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
<td>------</td>
<td>-----------------</td>
<td>----------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Decreasing of prevalence of brucellosis disease in animals</td>
<td></td>
<td>Percentage</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Volume of Bank Support: Lines of Credit - SME</td>
<td></td>
<td>Amount(USD)</td>
<td>0.00</td>
<td>0.00</td>
<td>2.16</td>
</tr>
<tr>
<td>SPCS labs upgraded, pest diagnostic and pest risk analysis enhanced</td>
<td></td>
<td>Text</td>
<td>Labs are not sufficiently equipped, limited pest disease diagnostic capacity, no modern pest risk analysis methods applied</td>
<td>TA</td>
<td>recruited, lab upgrading plans prepared</td>
</tr>
<tr>
<td>New productive partnerships established and supported by the project.</td>
<td></td>
<td>Number</td>
<td>0.00</td>
<td>0.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Percentage of women participating in sub-projects funded by the project grant facility</td>
<td></td>
<td>Percentage</td>
<td>0.00</td>
<td>0.00</td>
<td>15.00</td>
</tr>
<tr>
<td>Volume of quality seeds increased in total production of seeds using modern seed cleaning equipment in the seed farms supported by the project</td>
<td></td>
<td>Percentage</td>
<td>0.00</td>
<td>0.00</td>
<td>8.00</td>
</tr>
</tbody>
</table>
### Targeted lab Equipment

NRICH seed lab require and training TA on seed lab recruited Procurement of equipment has started, training initiated Equipment installed and staff trained Equipment is in use and staff trained Equipment and training provided to seed lab at NRICH. Labs meet criteria for accreditation Semi-annually NRICH, project progress reports NRICH, PMU

### Client days of training provided (number)

<table>
<thead>
<tr>
<th>Text</th>
<th>Number</th>
<th>0.00</th>
<th>300.00</th>
<th>800.00</th>
<th>1000.00</th>
<th>1000.00</th>
<th>Semi-annually</th>
<th>PMU, project progress report</th>
<th>PMU</th>
</tr>
</thead>
</table>

### Client days of training provided - Female (number)

<table>
<thead>
<tr>
<th>Text</th>
<th>Number</th>
<th>0.00</th>
<th>60.00</th>
<th>160.00</th>
<th>200.00</th>
<th>200.00</th>
<th>Semi-annually</th>
<th>PMU, Project progress report</th>
<th>PMU</th>
</tr>
</thead>
</table>

### Volume of Bank Support: Institutional Development - SME

<table>
<thead>
<tr>
<th>Text</th>
<th>Amount(USD)</th>
<th>0.00</th>
<th>0.00</th>
<th>144.00</th>
<th>345.00</th>
<th>516.00</th>
<th>565.00</th>
<th>Semi-annually</th>
<th>PMU, project progress reports</th>
<th>PMU</th>
</tr>
</thead>
</table>

### Number of sub-projects financed by the project credit line

<table>
<thead>
<tr>
<th>Text</th>
<th>Number</th>
<th>0.00</th>
<th>0.00</th>
<th>14.00</th>
<th>38.00</th>
<th>70.00</th>
<th>85.00</th>
<th>Semi-annually</th>
<th>PFIs, project progress reports</th>
<th>PFIs, PMU</th>
</tr>
</thead>
</table>

### Direct project beneficiaries

<table>
<thead>
<tr>
<th>Text</th>
<th>Number</th>
<th>0.00</th>
<th>500.00</th>
<th>2000.00</th>
<th>6000.00</th>
<th>8000.00</th>
<th>10000.00</th>
<th>Quarterly</th>
<th>Project Progress Reports</th>
<th>PMU, PFIs, VCDs, SVS, SPCS</th>
</tr>
</thead>
</table>

### Female beneficiaries

<table>
<thead>
<tr>
<th>Text</th>
<th>Percentage Sub-Type Supplemental</th>
<th>0.00</th>
<th>20.00</th>
<th>20.00</th>
<th>20.00</th>
<th>20.00</th>
<th>20.00</th>
<th>Quarterly</th>
<th>Project Progress Reports</th>
<th>PMU, PFIs, VCDs, SVS, SPCS</th>
</tr>
</thead>
</table>
### Project Development Objective Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in marketed output in at least of 60% of the targeted value chains and agribusinesses funded by the project grant facility and credit line.</td>
<td>The increase will be measured from a baseline of sales by (i) individual participants of the value chain before joining the productive partnerships, and (ii) agribusinesses at the time of applying to the project credit line. The indicator will measure a value of sales. Baseline for each sub-project will be provided at proposal/application stage.</td>
</tr>
</tbody>
</table>

### Intermediate Results Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreasing of prevalence of brucellosis disease in animals</td>
<td>The baseline prevailing level will be established by the first sero-survey to be conducted in year 1 before the vaccination. The final sero-survey will be conducted in year 4. In the meantime, the abortion rate will be used as a proxy indicator to use for the evaluating the results of the vaccination program starting from year 3 of the project.</td>
</tr>
<tr>
<td>Volume of Bank Support: Lines of Credit - SME</td>
<td>A line of credit is &quot;SME finance&quot; if the supporting subloans have an average outstanding balance &gt; microfinance cut-off noted below, but no more than $300,000. A line of credit is classified &quot;microfinance&quot; if supporting subloans: a) Have an average outstanding balance (gross loan portfolio ÷ number of active borrowers) &lt; 300% of the latest per capita GNI, OR b) Less than $1,000. EITHER circumstance triggers classification as microfinance. Lines of credit and other funding for retail SME sub-loans by Participating Financial Institutions or Community-Managed Loan Funds. Report the cumulative amounts disbursed as of most recent date available. If a split by micro and SME is not available or possible, please use 50% for each as proxy.</td>
</tr>
<tr>
<td>SPCS labs upgraded, pest diagnostic and pest risk analysis enhanced</td>
<td>SPCS Quarantine and Toxicology laboratories equipped, staff trained in modern pest disease diagnostics and pest risk analysis methods.</td>
</tr>
<tr>
<td>New productive partnerships established and supported by the project</td>
<td>Number of partnerships established in result of the project outreach campaign and business development support and received grant from the project.</td>
</tr>
<tr>
<td>Percentage of women participating in sub-projects funded by the project grant facility</td>
<td>No description provided.</td>
</tr>
<tr>
<td>Volume of quality seeds increased in total production of seeds using modern seed cleaning equipment in the seed farms supported by the project</td>
<td>This indicator measures the increase in volume of quality seeds in total production of seeds using modern equipment in the seed farms participation in the project equipment support program. Measured in percentage.</td>
</tr>
<tr>
<td>NRICH seed lab upgraded and meet criteria for</td>
<td>Equipment and training provided to seed laboratory at NRICH. Laboratory meets</td>
</tr>
<tr>
<td>accreditation</td>
<td>criteria for accreditation as assessed by the relevant experts.</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Client days of training provided (number)</td>
<td>This indicator measures the number of client days of training provided i.e. the number of clients who completed training multiplied by the duration of training expressed in days.</td>
</tr>
<tr>
<td>Client days of training provided - Female (number)</td>
<td>No description provided.</td>
</tr>
<tr>
<td>Volume of Bank Support: Institutional Development - SME</td>
<td>Institutional development financing relates to capacity building at institutions including technical assistance, training, fixed assets etc. Report the cumulative amounts disbursed as of most recent date available. If a split by micro and SME is not available or possible, please use 50% for each as proxy.</td>
</tr>
<tr>
<td>Number of sub-projects financed by the project credit line</td>
<td>Number of eligible sub-projects that received sub-loans from the Project</td>
</tr>
<tr>
<td>Direct project beneficiaries</td>
<td>Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.</td>
</tr>
<tr>
<td>Female beneficiaries</td>
<td>Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.</td>
</tr>
</tbody>
</table>