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FINAL REPORT

OCTOBER 2002 TO JULY 2007

CLUSTER ACCESS TO BUSINESS SERVICES (CABS) IN AZERBAIJAN
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I. EXECUTIVE SUMMARY

Cluster Access to Business Services (CABS) was a five-year, \$2,023,320 economic development program implemented in rural Azerbaijan from October of 2002 through July 31, 2007. The primary goal of the program was to *improve profitability for clusters of rural poor and women micro-entrepreneurs (MEs) by increasing access to a network of trained veterinary and production advice service providers, resulting in significant expansion of the service and final goods market.* The program had two distinct phases. During Phase I (October 2002 to April 2006), program interventions were focused in the southern Azerbaijan Regions of Lenkoran and Massali. In light of CABS' success in the Southern Regions, both Mercy Corps and USAID were interested in expanding program impact to other regions facing similar constraints. In late 2004, Mercy Corps' rapid market assessment found that micro-entrepreneurs and BDS suppliers in other regions in the South, Central and Northern Azerbaijan were faced with the same challenges as in the existing CABS-target regions in the South. With support from USAID, Phase II of CABS operations was launched in July of 2005 to expand program operations to Astara in the South and eight Regions in Central and Northern Azerbaijan.¹

Over five years, the program formed and empowered 160 producer clusters, assisted 184 animal healthcare service providers in technical and business skills development, developed the skills of 17 cattle artificial insemination (AI) technicians and supported the launch of one animal feed production facility.² Approximately 17,800 agricultural enterprises participated in the program and contributed approximately \$20,400,000 to the local economy, \$3,000,000 over the planned target. Women-operated farms comprised 40% of the micro entrepreneurs served by the program.

The approach employed by CABS was one of pure Business Development Services (BDS) facilitation. On the demand side, Mercy Corps mobilized farmers in clusters and raised their awareness on the benefits of accessing regular veterinary services, Artificial Insemination (AI) of cattle and complete feed. CABS also connected farmers to milk processors. On the supply side, CABS connected local vets to quality drug suppliers and mobilized vets to provide a combination of both embedded and fee-based services to build their client pool. CABS also coached vets on how to be more proactive in marketing their services, i.e., actively educated farmers on recognizing symptoms of cattle illnesses, the benefits of vaccinations, etc. Through training interested vets in administering AI, CABS reintroduced the AI methodology and thereby new breeds of cattle in the target regions. In the North and Central Regions, CABS established links between milk producers and processors/ collectors by helping them to negotiate price, regularity of payment, and milk quality. Farmers, once organized in clusters, were able to benefit from economies of scale in accessing agricultural inputs and BDS services. For instance, vets were able to visit more farmers in a single trip out to some of the remote communities, thus making it more cost effective for the vets and the farmers.

A key strength of the CABS approach was its acute sensitivity to sustainability of impact. All activities were designed and implemented with extreme care to avoid market distortion. While CABS supported demonstration activities to introduce new technologies in target Regions, it did not provide any subsidies or grants to farmers or vets. The program did not establish new physical infrastructure. Instead, it addressed weaknesses in the supply chain by bringing together farmers in clusters and creating a network of veterinarians so that both target groups could benefit from economies of scale. As a result of CABS' sensitivity to issues of market distortion, the market linkages created by the program will not collapse upon Mercy Corps' departure from CABS target communities.

¹ The 8 Regions included: Gusar, Khachmaz, Agjabedi, Guba, Goychay, Agdash, Yevlakh, Ujar

² Clusters were formulated as groups of farmers living and operating businesses in geographic proximity.

As is borne out by independent, external evaluations, the CABS program not only achieved but exceeded all of its stated indicators and targets in its five years of implementation. USAID contracted Weidemann Associates Inc. to undertake a sequential study of CABS impact. In 2003, Weidemann carried out a baseline study of CABS activities in the Southern Regions. A final evaluation of the same target Regions was carried out by Weidemann at the end of 2006. Weidemann compared farmers and vets targeted by CABS against a control group and found CABS **“to be successful in helping participating veterinarians to increase the types of services they provide to farmers, to improve their access to quality drugs, and to expand their client base. ... Participating veterinarians rated the BDS trainings received through the project very highly (86% of the ratings were extremely satisfied)..... As for farmers, even in the face of the difficult circumstances, those who participated in the project had significantly higher profits in 2006 than farmers who did not receive support from the project.”**

The Weidemann report goes on to say, **“Farmers who participated in the project used veterinary medical and non-medical services more frequently and had higher profits... It appears that one of the benefits of the project was in working with veterinarians to help farmers learn to assess both when they needed help and what kind of help they needed (and did not need) and so to use veterinary services both more frequently and more efficiently.”**³

The July 2007 Final Evaluation of program impact in Northern and Central Regions found that, **“The CABS program exceeded all of its goals with the exception of linking farmers to quality feed mills where they could purchase richer, more nutritious feed. This turned out to be an almost impossible job because the old feed mills were abandoned and dismantled, and more importantly, farmers consistently stated that they were too poor to purchase the feed even knowing its benefits. This situation may change when farmers see the results of AI calves, as they are much bigger and give perhaps three times more milk than regular cows.”**⁴

Both the CABS Final Evaluation in the Northern and Central Regions (2007) and the Weidemann evaluation of program impact in the Southern Regions, highlight CABS’ success in ensuring sustainability of impact. As the Weidemann (2007) report notes: **“The second phase of the research was conducted more than a year after the project had concluded its activities in the region. The fact that many of the practices promoted by the project are still in use, coupled with the fact that there are still significant differences between veterinarians who participated in the project and those who did not - and between farmers who participated in the project and those who did not – show that project impacts have been sustainable beyond the life of the project itself.”**⁵

II. BACKGROUND

a. Breakdown of USSR

When Azerbaijan was a part of the former Soviet Union, veterinarians, veterinary suppliers and the State Animal Disease Control Department were linked via the centralized *Kolhoz* system. With the collapse of the collective farm system, the links weakened and opportunities to transfer skills were lost. Moreover, access to animal husbandry inputs, new techniques and knowledge that was available for farmers during the USSR ceased to exist immediately after the demise. As a result, farmers were limited to occasional

³ Weidemann Associates Inc. 2007, [DRAFT] *Mercy Corps Cluster Access to Business Services (CABS) Program in Rural Azerbaijan - BDS Report for Azerbaijan*, June 2007. pp. 65-68

⁴ CABS Final Evaluation Report for Central and Northern Regions of Azerbaijan, by Robert Leonard, July 2007, pp 6.

⁵ Weidemann Associates Inc. 2007, [DRAFT] *Mercy Corps Cluster Access to Business Services (CABS) Program in Rural Azerbaijan - BDS Report for Azerbaijan*, June 2007. pp. 1

access to dilapidated agricultural and animal husbandry equipment, and were forced to operate their businesses in an information vacuum which excluded access to new production techniques in the dairy and meat sectors. In short, wide-spread access to quality veterinarian and production advice services across Azerbaijan ceased to exist, with the government grappling with economic collapse coupled with a bloody war with its neighbor Armenia over the enclave of Nagorno-Karabakh. In turn, all these factors have had a direct detrimental knock-on effect on raw production levels and ultimately individual profits for farmers in the animal husbandry sector. In addition, as a direct consequence of the decline of the veterinary services market, small holder farmers faced significant income loss not only through a high percentage of animal deaths from disease, but because astonishingly high percentages of the meat and raw milk they produced was rejected as unhealthy by the State Animal Disease Control Department and local dairy producers. Vets and milk collection agents interviewed by Mercy Corps in the regions cited high levels of pasteurellosis and brucellosis among the local livestock population. High disease incidence also has a direct impact on the health of the local population, as products from these diseased animals regularly enter local and regional food chains.

b. *Situation in Program Target Regions*

The program target Regions were particularly hard hit at the time of independence from the Soviet Union when collective farming enterprises closed and processing facilities were dismantled. The cropping mix shifted dramatically, and collective livestock operations were closed. Animals were sold (primarily as meat) and families shifted to subsistence farming, thus becoming responsible for whatever animals they could afford to keep.⁶ For their part, veterinarians shifted from being fully employed by the state to being nominal state employees (responsible for vaccinations and animal health inspections) but dependent on sales of their services to individual, mostly subsistence, farms.

In 2000-2001, Mercy Corps conducted a market assessment of key constraints facing marginalized groups involved in animal husbandry activities in Massali and Lenkoran Regions in southern Azerbaijan. Mercy Corps utilized four key market research tools to complete the market assessment and identify the demand and supply side constraints. The tools included a combination of consumer market research and a sub-sector analysis of the meat industry. Key results from the 2000 market survey showed that more than 7,000 clients -- which Mercy Corps would later target -- had not accessed appropriate veterinary and production advice services for their poultry and cattle. Moreover, livestock and poultry producers faced significant income loss due to a high percentage of animal deaths from disease as well as astonishingly high percentages of meat rejected by the State Animal Disease Control Department. Awareness levels of production advice services (BDS) available were fairly low at the time of Mercy Corps' initial market assessment: less than half of micro-entrepreneurs questioned were aware of production advice services, and of these, only slightly over half had ever purchased services.



At the launch of the first phase of CABS in 2002, between 12-21% of the 10,025 commercial livestock and poultry production businesses in Massali and Lenkoran were using veterinarian and production advice services. Only 5% of these clients were women. Veterinarians were unable to reach the more inaccessible areas in these 2 Regions⁷. In 2002, over 68% of the CABS target population in the South

⁶ Weidemann Associates Inc. 2005, *Azerbaijan BDS Study - Initial Phase Report*, February 6, 2005, pp. iii

⁷ CABS Southern Proposal Implementation Plan to USAID, 2002, pp 1

lived below the national poverty line.⁸ While the per capita GNI in Azerbaijan is \$630 (\$52 a month), the average income of Mercy Corps clients in these initial Regions was just \$34 a month, or 54% of the national average⁹. Of the estimated 10,025 commercial livestock and poultry producers, 45% were women primarily involved in poultry production according to the regional statistics department. Of this 45%, only 5% were able to access veterinarian services due to cultural restraints regarding women contacting men directly, at program start-up.

Mercy Corps' Market Survey (2000-2001) reported encouraging trends for the potential for market expansion, which was a key focus of the survey. For example, on the demand side, an average of 80% of entrepreneurs questioned by Mercy Corps in Massali and Lenkoran said that they would consider purchasing BDS in veterinarian services and production technology advice. Mercy Corps concluded that the scale of outreach in the market was estimated at 1,203 marginalized micro-entrepreneurs who would be able to access production advice services on a consistent basis. **In reality, by the end of CABS implementation in the Southern Regions, approximately 6,000 micro-entrepreneurs participated in the program by accessing improved BDS outlets across Massali, Lenkoran and Astara.**

⁸ World Bank, quoted in CABS Southern Proposal Implementation Plan to USAID, 2002, pp 1

⁹ CABS proposal to USAID, Southern Region, 2002, pp. 3

III. OBJECTIVES AND ACHIEVEMENTS

PERFORMANCE TARGETS												
In US\$												
								Progress to date	Planned with no-cost extension	Planned in new areas with cost extension	Total Planned	
Applicants targeting a specific sub-sector	ASSESSING THE MARKET FOR GOODS & SERVICES (Final Sales)											
	MARKET-LEVEL											
	1.	Annual value of sales (in US\$)							94,707,000	17,000,000	43,000,000	60,000,000
	PROGRAM-LEVEL											
	2.	Annual value of sales (in US\$)							20,400,000	6,900,000	10,780,000	17,680,000
All applicants	ASSESSING THE DEVELOPMENT OF THE BDS MARKET											
	MARKET-LEVEL											
	3.	Total number of BDS providers							329	144	185	329
		a.	Service 1: Veterinary Services						275	135	140	275
		b.	Service 2: Embedded Production Advice						329	144	185	329
		c.	Service 3: Cattle AI service						17	4	8	12
		d.	Service 4: Milk collection & storage points						18	3	9	12
		e.	Service 5: Complete feed producers						3	1	3	4
	PROGRAM-LEVEL											
	4.	Number of BDS providers participating in the program							184	61	60	121
		a.	Service 1: Veterinary Services						178	54	57	111
			i.	Percent private, for-profit providers					100%	100%	100%	100%
		b.	Service 2: Embedded Production Advice						145	61	60	121
		i.	Percent private, for-profit providers					100%	100%	100%	100%	
	c.	Service 3		Cattle AI service				17	4	8	12	
			Percent private, for-profit providers					100%	100%	100%	100%	

		d.	Service 4	Milk collection & storage points	18	3	9	12
				Percent private, for-profit providers	100%	100%	100%	100%
		e.	Service 5	Complete feed producers	1	1	3	4
				Percent private, for-profit providers	100%	100%	100%	100%
	5.	Number of firms acquiring BDS from program-supported providers			17,787	5,974	9,800	15,774
		a.	Service 1: Veterinary Services		17,787	5,974	9,800	15,774
		b.	Service 2: Embedded Production Advice		17,787	5,974	9,800	15,774
		c.	Service 3: Cattle AI service		5,424	1,500	3,000	4,500
		d.	Service 4: Milk collection & storage points		11,523	1,000	9,800	10,800
		e.	Service 5: Complete feed producers		65	500	1,500	2,000
	6.	Number of micro entrepreneurs acquiring BDS from program-supported providers			17,609	5,696	9,800	15,496
		a.	Service 1 Veterinary Services		17,609	5,696	9,800	15,496
		b.	Service 2 Embedded Production Advice		17,609	5,696	9,800	15,496
		c.	Service 3: Cattle AI service		5,153	1,500	3,000	4,500
		d.	Service 4: Milk collection & storage points		10,947	1,000	9,800	10,800
		e.	Service 5: Complete feed producers		65	500	1,500	2,000
	7.	Micro entrepreneurs as percent of total firms (line 6/line 5)			98%	95%	100%	98%
	8.	Number of women-owned micro entrepreneurs acquiring BDS from program-supported providers, by service			7,043	2,278	4,312	6,590
		a.	Service 1: Veterinary Services		7,043	2,278	4,312	6,590
		b.	Service 2: Embedded Production Advice		7,043	2,278	4,312	6,590
		c.	Service 3: Cattle AI service		1,143	200	400	600
		d.	Service 4: Milk collection & storage points		7,663	700	4,312	5,012
		e.	Service 5: Complete feed producers		27	200	400	600
	9.	Women-owned micro entrepreneurs as percent of total micro entrepreneurs (line 8/line 6)			40%	40%	44%	42%
ASSESSING THE FACILITATOR'S COST-EFFECTIVENESS (PROGRAM-LEVEL INDICATORS)								
All applicants		10.	Program costs (in US\$)		1,782,636	1 027 469	1,273,320	2,023,320
		11.	Program costs per micro enterprise served (line 10/line 6) (in US\$)		101	180	130	130
ASSESSING THE BDS PROVIDER								
Only for direct providers of		12.	Total earned revenues (do not include any grants or donor contracts)		NA			

BDS	13.	Total expenses	NA			
	14.	Return on operations (line 12/line 13)	NA			
For all other applicants (other than direct providers)	15.	BDS Providers' sales (in US\$, Annually)	1,950	1,800	1,800	1,800
ASSESSING THE IMPACT ON THE MICROENTERPRISE CLIENT (Program Level)						
All applicants	16.	Annual value of sales by micro entrepreneurs participating in program (in US\$)	19,380,000	6,200,000	10,780,000	16,980,000
	17.	Micro enterprise client satisfaction				
	a.	Service 1: number of repeat clients	17,609	5,411	9,310	14,541
	b.	Service 2: number of repeat clients	17,609	5,411	9,310	14,541
	c.	Service 3: number of repeat clients	NA	NA	NA	NA
	d.	Service 4: number of repeat clients	10,947	1,000	9,800	10,800
	e.	Service 5: number of repeat clients	65	500	1,500	2,000
OTHER INDICATORS						
All applicants	18.	Exchange rate used to calculate US\$ figures	\$1 = 4326AzM	\$1 = 4900AzM	\$1 = 4900AzM (projected)	\$1 = 4900AzM (projected)
	19.	Estimated percentage of micro entrepreneurs on line 6 who have poverty loans from any source	12%	10%	10%	10%

As can be seen from the Performance Table and the summary of achievements that follows CABS consistently achieved far above and beyond planned targets (other than under the complete feed target the reasons for which are discussed in more detail later in the report). During its five years of implementation, the program formed and empowered 160 producer clusters; assisted 184 service providers (including 178 veterinarians) in technical and business skills development; developed the skills of 17 cattle artificial insemination (AI) technicians; linked farmers to 18 milk collection points; and supported the launch of one animal feed production facility. Approximately 17,800 agricultural enterprises participated in the program and contributed approximately \$20,400,000 to the local economy, \$3,000,000 over the planned target. Of these, 17,609 were micro enterprises, 40% of which are operated by women.

ME Objective 1: To increase sales by an average 35% for 14,541 micro entrepreneurs, of whom 42% are women

Results:

The annual value of sales of the 17,609 micro entrepreneurs participating in CABS increased to \$19,380,000; \$2,400,000 or 14% more than the proposed target of \$16,980,000.

- Milk collection in target Regions increased by 40-50%, since the onset of CABS interventions. As an example, 25 independent collectors are collecting milk from dairy farmers from one collection point alone.
- By the end of the program, 698 quality-breed calves had been birthed through Artificial Insemination. The technique was introduced to the target Regions by CABS.

Provider Objective 2: To strengthen the capacity of 121 veterinarians and service providers.

Results:

CABS built the capacity of 184 service providers, including 178 veterinarians, i.e., 63 (52%) more than the planned target of 121. Through participation in the program, BDS provider's annual sales increased from a figure of \$1,200 at the beginning of the program to \$1,950, an overall increase of 63%; \$150 (or 8%) over the proposed target of \$1,800.

- As early as the end of 2005, it became evident through the Weidemann Initial Phase Survey results that the CABS-supported micro enterprises consistently purchased more medicine than non-participant enterprises (by 28%), and more services and inputs for their animals than non-participants (33% more)¹⁰.
- BDS providers gave formal training to 93% of the CABS-targeted micro entrepreneurs on topics such as animal husbandry and health (compared to 0% from the non-MC micro entrepreneur control group)¹¹. The independent evaluation carried out by Weidemann (2007) concluded that due to Mercy Corps' facilitation

In the past, Vets could only inoculate 50-60 cows per day; but with the new self refilling syringes, they can now inoculate over 200 per day. One Vet said that he, with the help of farmers, inoculated 500 cows in one day. These syringes cost approximately \$120 and a few were given to some of the more advanced and supportive Vets at the beginning of the program. No figures were given but many more Vets have now acquired these devices.

-CABS Final Evaluation Report

¹⁰ Weidemann Associates Inc. 2005, *Azerbaijan BDS Study - Initial Phase Report*, February 6, 2005, pp 9

¹¹ Weidemann Associates Inc. 2005, *Azerbaijan BDS Study - Initial Phase Report*, February 6, 2005, pp 9

veterinarians offered a greater variety of non-medical services to their clients.¹²

- In all target Regions, veterinarians participating in the program contributed towards their costs through paying for transportation expenses, advertising, medicines, communications and a variety of tools.
- In April 2007, one of the veterinaries trained by Mercy Corps started up an AI and veterinary center in Khachmaz Region. This resulted in immediate increases in incomes for local vets.
- During the final evaluation process, all veterinarians interviewed stated that their income and number of clients has increased dramatically over the period of CABS interventions. Benefiting from economies of scale of dealing with farmer clusters veterinarians who participated in the program now charge less, see many more farmers and their profits have increased – to the point that some veterinarians are now making double their pre-CABS income.
- During monitoring visits, farmers regularly told the CABS team that the program approach had enabled them to acquire new skills on livestock care and diseases. This made them more active and enthusiastic about veterinarian campaigns.

BDS Market Objective 3: Expand the veterinary advice services (70%) and production advice services (59%) as well as increasing by 30% the number of women entrepreneurs and by 20% the number of remote clients accessing services.

Results:

In early 2003, 27 BDS providers were operating in the CABS target Region (South) and participating in the program. Three years later, this figure had increased to 51 (88% increase).¹³ Significantly, the number of firms acquiring BDS from program supported providers increased from 558¹⁴ in 2003 to over 6,000¹⁵ by the end of Phase I of the program (a 975% increase).

By the end of the program in 2007, the CABS program had trained and mobilized 184 BDS providers, developed the skills of 17 cattle artificial insemination technicians, connected farmers to 18 milk collection and storage points, and facilitated the launch of one animal complete feed production facility. Through CABS facilitation, 17,787 farms were acquiring services from participating veterinary and production service providers. Of these farms, 17,609 (98%) were micro enterprises, with a majority based in remote villages. Women-operated enterprises comprised 40% of the agricultural enterprises supported by CABS and women comprised over 27% of the leadership in the program's farmer clusters.

“A striking example of the success of the Vet program is shown in the “average number of clients” section showing the number of clients this year compared with two years ago. Clients increased by 85% in the MCP [Mercy Corps Participant] Remote Group and by 55% in the MCP Close Group, while in the Remote CG [Control Group] the increase was 11% and 20% for the Close CG.”

– Excerpt from the CABS Final Evaluation Report, conducted by an independent consultant.

- The Weidemann study (2007) reports that women participating in the CABS program in the Southern Regions overwhelmingly stated that they did not purchase significantly fewer services or inputs from BDS providers than their male counterparts, nor do they tend to spend significantly less¹⁶

¹² Weidemann Associates Inc. 2007, [DRAFT] *Mercy Corps Cluster Access to Business Services (CABS) Program in Rural Azerbaijan - BDS Report for Azerbaijan*, June 2007, pp. 15

¹³ CABS Semi-Annual Report, Dec 05 – June 06, pp. 3

¹⁴ CABS Semi-Annual Report, Jan-June 2003, pp 4

¹⁵ CABS Semi-Annual Report, Dec 05 – June 06, pp. 8

¹⁶ Weidemann Associates Inc. 2007, [DRAFT] *Mercy Corps Cluster Access to Business Services (CABS) Program in Rural Azerbaijan - BDS Report for Azerbaijan*, June 2007, pp. 54

- Furthermore, women participating in the CABS program spent significantly more on veterinary and animal husbandry services and inputs than non-participant women.¹⁷ Indeed, Weidemann Associates were told that BDS providers faced little problems in communication with female clients: “*Women are more active in talking to us. It seems like they understand us better because they deal with the animals all the time.*”¹⁸
- In the final CABS evaluation, women repeatedly told Mercy Corps that they are accessing BDS providers much more frequently since joining farmer clusters. Several said they previously had been ashamed to be with Vets around cattle because of the intimate nature of the process. Now, they said, joining the clusters sort of “broke the ice,” and they no longer hesitate to call a Vet and discuss most anything with him. Also, 743 AI services were acquired by women, an 86% increase over the planned target.
- Weidemann (2007) found that, farmers who participated in the CABS program gained higher income from sales and reaped significantly higher profits than those who did not participate in the farmer clusters.¹⁹

Product Market Objective 4: Increase sale volumes for dairy and meat products by at least 20%.

Results:

Even though the 2005 Weidemann study questioned whether enough local demand for meat existed in the Southern Region, 67% of micro entrepreneurs participating in CABS reported an increase in income from meat sales compared to the year before, with micro entrepreneurs contributing approximately 42% to the local economy.^{20,21} The 2007 Weidemann study also showed that the farmers participating in CABS Farmer Clusters regularly received a significantly higher income from sales and significantly higher profits than those who did not participate in the Farmer Groups.²² The increase in sales volumes amongst CABS-supported micro-enterprises was reaffirmed by Mercy Corps’ Final Evaluation of the Northern and Central Regions, where farmers previously producing dairy products for household consumption are now selling their products to milk collection points. One milk collection point reported a 45% increase in milk collection since CABS commenced operations in the Central Region.

- The Final Evaluation for the Central and Northern Regions reports that in these Regions annual income was up 51% as a result of CABS interventions. In interviews, farmers repeatedly said their profits had increased because their cattle were healthier, were giving more milk and they were now selling excess milk to collection points; whereas before, most farmers were using most of their milk for their own cheese, butter and regular consumption.
- CABS linked 11,700 farmers to 18 milk collection and small processing points.

The few female AI cows that had reached maturity by the end of the program were producing over 25 liters of milk per day compared to 6-10 liters produced by non AI cows. One farmer said that he used to sell his mature cows at a weight of between 100-150 kilos, while now they weigh approximately 300 kilos.

-CABS Final Evaluation Report

¹⁷ Ibid. pp. 55

¹⁸ Ibid. pp. 58

¹⁹ Ibid. pp. 48

²⁰ Weidemann Associates Inc. 2005, *Azerbaijan BDS Study - Initial Phase Report*, February 6, 2005, Pp 38

²¹ CABS Semi-Annual Report, Dec 06 – June 06, pp. 3

²² However, the Weidemann study showed that mean income from sales of farmers were lower in 2006 than in 2003. Weidemann seeks to explain this through increase in animal deaths from contagious diseases and as a result, a country-wide reduced demand for meat (Weidemann Associates Inc. 2007, [DRAFT] *Mercy Corps Cluster Access to Business Services (CABS) Program in Rural Azerbaijan - BDS Report for Azerbaijan*, June 2007, pp. iv)

WIN-WIN DAIRY MARKET CHAIN LINKAGES

During the Final Evaluation, a representative of Milk Pro the largest buyer and processor of milk in Azerbaijan, indicated that Mercy Corps has had a major impact on milk production and collection in the Central and Northern areas as well as in Massali and Lenkoran. He noted that the quality of milk from the cluster is now much higher than it used to be, and in many cases the butter content and nutrients were higher than with many other producers. The demand has increased to the point where a new milk processing plant is being built as well as new collection points. The Milk Pro representative attributed this success to the following:

- Because of healthier cows, farmers are producing more milk and are looking for ways to sell what they don't use for their own family needs
- By organizing in clusters, it is much easier for milk collectors to collect milk
- Because of farmer clustering, milk collectors are now going into much more remote areas
- Milk Collection Points are becoming more prompt and regular in their payments to collectors as a result of mediation by Mercy Corps
- There is much more communication between CPs, milk collectors, farmers and most importantly, the Veterinarians
- Most CPs are now actively seeking small farmers rather than relying only on the large commercial farmers.

-CABS Final Evaluation for Northern and Central Regions

- Limited program success in the complete feed component was due to the fact that there are no active feed mills in the target region. As a result, the cost of buying and transporting feed is too high for target farmers. The CABS final evaluation report contends that the demand and use of complete feed amongst target farmers “may change when farmers see the results of AI calves, as they are much bigger and give perhaps three times more milk than regular cows.”²³

IV. APPROACH TO DEVELOPMENT

The Mercy Corps CABS program strategy was to serve as a BDS facilitator, connecting disadvantaged micro-entrepreneurs to quality value-for-money BDS services. Mercy Corps successfully introduced new concepts in the target regions, such as facilitation versus direct service provision, that were previously not thought possible when targeting micro entrepreneurs and rural farmers. The program built on existing relationships and mobilized client-clusters and provider networks, highlighting individual as well as group benefits.

Specifically, on the supply side, Mercy Corps developed the capacity of the local private service providers to improve their services to micro entrepreneurs and expand their client base. On the demand side, Mercy Corps facilitated cluster development and awareness raising to promote greater access to services, with the end-result aimed at enhancing opportunities for increased profitability for marginalized micro-enterprises. The long-term goal of CABS beyond the life of the program is to enable clients to

²³ CABS Final Evaluation Report for Central and Northern Regions of Azerbaijan, by Robert Leonard, July 2007, pp. 6.

leverage resources for greater economic impact. In addition the provider's network is expected to encourage the exchange of effective market approaches and new product ideas.

a. Cost Effectiveness

The CABS program demonstrated that it is possible to develop commercial markets for veterinary services in Azerbaijan without the subsidies that are still typical in many development interventions working in poor rural communities.

CABS forged linkages between micro entrepreneurs and milk collection points and increased farmers' access to quality veterinary services, resulting in healthier livestock and increased milk production. During the CABS final evaluation, micro entrepreneurs in the Central and Northern Regions reported that their profits had increased significantly since Mercy Corps' interventions in these areas.

An independent impact study conducted by Weidemann Associates one year into the program found that farmers participating in the program estimated income increases at the household level of no less than 40% annually due to improved animal health and the related increases in productivity.

- Weidemann Associates Inc. 2005, *Azerbaijan BDS Study - Initial Phase Report*, February 6, 2005

Incomes of the micro entrepreneurs continued to rise as the productivity benefits from new cattle breeds, healthier animals with higher yields and emerging market linkages became more widespread. Sustainability of the veterinary services and the associated income increases have been ensured since Mercy Corps has not distorted the local veterinary services market through subsidized services or products. CABS pioneered this approach amongst international agencies active in this sector of Azerbaijan. CABS helped farmers gain a true understanding of the value of veterinary services to their livestock businesses. As a result, local farmers regularly accessed veterinary products and services directly from veterinarians, independent of the program.

b. Cluster Approach to BDS

The program's cluster approach, which groups farmers to facilitate collective access to veterinary services, introduced economies of scale to the delivery of services. As a result, underserved remote villages gained access to services that were previously unavailable. Women farmers also benefited from the cluster approach and were able to access BDS services. Mercy Corps significantly impacted the use of veterinary and vaccination services in target communities through its awareness campaigns about animal and poultry diseases. The program demonstrated that helping entrepreneurs recognize their business problems would lead to the increased use and application of the appropriate business development services.

The program began by mobilizing farmers in underserved villages around livestock problems and developing them into clusters. For example, a cluster could be comprised of livestock holders from one or several villages located close to one another and sharing the same resources. Farmer clusters served as a program platform and encouraged collective efforts to combat animal health problems via improved access and cost-effective use of veterinary services. Veterinary services acted as an entry point into farmer communities. Once animal breeders started appreciating the value of these services, the program was able to promote other behavior changes related to the commercial interests of the farmer clusters, such as collective procurement of inputs, sharing transportation costs for greater economies of scale, or seeking more profitable markets.

Once a cluster was mobilized, members selected cluster leaders.²⁴ The program worked with each cluster leader to form respective cluster initiative groups. These groups represented the interests of the larger community and served as a focal point for the service providers and for CABS. To further develop and sustain cluster activities, the initiative groups were provided extensive orientation on program activities, followed by community mobilization and management training.

Mercy Corps organized awareness raising campaigns on major animal and poultry diseases and facilitated a number of linkages with veterinarians and other sector players that resulted in increased economic opportunities for service providers and client clusters.

c. Supply Side - Input Supply Chain for Livestock (feed, production knowledge, AI, etc.)

Improving access and quality of veterinary care inputs through BDS for local veterinarians was at the center of the program philosophy. The CABS program facilitated the development and implementation of pilot projects, fully funded by the cluster groups, to demonstrate the benefits of veterinary and livestock production services and to gain farmer buy in. When implementing pilot projects, the program encouraged farmers to “start small” and build on their success. This was believed to be a more sustainable approach in terms of building collective capacity and reducing the risk of failure. The successful implementation of pilot projects helped gain buy-in of other villagers.

CABS mobilized 160 farmer clusters in the target Regions enabling 17,800 micro entrepreneurs to benefit from economies of scale. The State veterinary department reported that average coverage rate for mandatory animal vaccinations in villages targeted by CABS was usually not more than 50%, but after the villages formed clusters and gained knowledge on livestock healthcare the average coverage rate increased to 80%.

Farmer groups entered into long-term commercial agreements with local veterinarians. In consultation with vets, cluster members prepared disease prevention plans for their community. These plans included schedules for veterinarians to conduct “information sessions” for farmers on animal diseases, their symptoms, and consequences. These sessions were effective in raising farmer awareness of the value of animal health prevention and prompted them to act on newly learned practices.

Farmers thus began to more zealously implement the measures in the prevention plan and shifted to using veterinary services not only in emergencies, but also for disease prevention purposes. Collective application of the veterinary and livestock production services in program regions allowed even women and poorer farmers to effectively access veterinary services. The bulk purchase of these services allowed farmers to share the cost and made the services more affordable for the poorest in a village. Local culture was more open to women accessing services in groups rather than as individual clients²⁵, and strengthening the clusters raised the profile of often-neglected women and farmers in remote villages. As the clusters evolved into sound operating structures, the program continued to focus on improving support systems to enable small farmers to explore and utilize available regional business services and final product markets. To promote behavior change sustainability beyond the life of CABS, the program encouraged clusters to develop action plans in collaboration with veterinarians. In essence, the plans represented a vision around which the community was willing to continue collective efforts beyond CABS interventions. Each cluster prioritized their one to two critical animal health problems, pooled resources and successfully addressed the issues. Examples of cluster pilot projects included collecting money to pay vets and laboratories for cattle blood tests, spraying animals to protect against parasites and

²⁴ Clusters were formulated as groups of farmers living and operating businesses in geographic proximity.

²⁵ The same applied in the Central Region, however in the North, the CABS team found that a greater number of women livestock owners regularly accessed BDS services as individual clients.

alfalfa planting in the grazing areas. Such small-scale pilots contributed to building the clusters capacity to organize and address their needs, and engendered enthusiasm among the members. Preparation and realization of the action plans was an important step in the CABS exit strategy, as it helped developed the long-term capacity of farmer clusters to increase their production knowledge.

Introduction of livestock artificial insemination (AI) services in target Regions was a key supply-side program intervention. Despite the fact that this service was new to the region, the program-developed AI service providers were able to develop AI into a fee-based and fully sustainable service within a very short period of time. A comparative analysis conducted by the program staff proved that the CABS AI service providers made swifter progress in developing this new business component than the AI technicians in other areas who are heavily supported by other international development initiatives.

In the CABS final evaluation, a veterinary station with five vets reported that as a result of their participation in the program their AI service delivery increased from approximately 20 AIs per year to 60 in 2005 and 300 in 2006.

Demand for AI services grew rapidly once the first artificially inseminated cow was calved in 2004 in the South and in 2006 in the Central and Northern regions. Seeing the first animal offspring stimulated willingness to acquire the service among the more risk-averse farmer population. This willingness to “try out” AI techniques with their cattle, was accentuated through the farmers receiving visibly healthier calves through AI techniques. By 2007, vets in the Central and Northern Regions were completing 150-200 AIs per month. This was a result of targeted efforts in the Central and Northern Regions to facilitate specialized AI workshops with the participation of veterinarians, the Ministry of Agriculture, livestock farmers and other relevant stakeholders. During an interview for the CABS final evaluation, the regional Head for Agriculture told Mercy Corps that CABS significantly improved the regional government’s access to information on AI as well as livestock diseases and preventive medicine.

In the CABS final evaluation, vets reported that AI calves were much healthier and less prone to disease. This observation was also supported by the farmers that had received AI calves. AI gave cattle farmers the choice of using the best possible bulls to sire their calves, not only to increase productivity, but to improve the health and well-being of the herd. Many devastating cattle diseases are transmitted sexually, so using stud bulls from other owners was potentially dangerous. But tight quality control of the insemination process not only ensured the safety of a farmer’s stock, it did so at a fraction of the cost of an actual siring. While a bull may cost thousands of dollars, AI cost around ten dollars. The service thus enabled farmers to save money, increase productivity, and create a sustainable future for their herds. During the project implementation period, CABS trained 17 AI Technicians in target Regions.

To provide farmers with access to microfinance, the CABS team collaborated with FINCA to develop and introduce a new agriculture loan product to clusters in the South. The new loan is designed to meet rural business repayment abilities based upon seasonal and production cycle cash flow. As a result of this partnership, more than 200 program clients formed solidarity groups and are already accessing this new loan.

In rural areas of Azerbaijan today, feed is handled primarily on an individual basis, with people feeding their animals products from their own farms, buying hay or other inputs from other farmers, and or grazing their animals on their own or rented land. In the Southern regions, the program started exploring opportunities for creating supply of complete feed in the area in order to address animal nutrition constraints. The affordable complete feed, rich with protein, vitamins and other supplements, would help farmers increase animal productivity. The complete feed was especially critical for the Artificial Insemination-born Holstein cow offspring in order to maintain high milk productivity. The program educated clusters about feed and connected them with existing feed sellers. However, for most farmers

the product was not affordable as the supplier was situated a long distance away (150 km), and due to his monopolistic position, charged an unreasonable price for the product. The same applied to the Central Region; farmers repeatedly told the CABS team that they simply could not afford the costs of purchasing feed produced by a complete feed producer. The program conducted a rough demand analysis with production cost estimation and demonstrated the benefits of investing in the venture to existing feed dealers, grinders, and other potential parties. Ultimately, the program in the Southern Region obtained buy-in from one of the existing grinding business owners (who also was a leader of CABS cluster in Massali). The program linked this entrepreneur with a local business consultant to establish feasibility of investment in feed production. The entrepreneur constructed a new production facility, installed equipment and began production of a range of high-protein feed samples. The CABS team and veterinary networks assisted him in educating potential customers on the products' advantages. As a result of these awareness-raising campaigns, the producer established a steady market of 48 clients buying the feed for poultry and cattle fattening.

d. Supply Side - Output Supply Chain (Animals, Meat, Dairy Products etc.)

CABS encouraged new business linkages between BDS providers, micro entrepreneurs and the private sector. For example, integration of private veterinary suppliers, commercial feed suppliers and milk collectors stimulated a healthy competitive environment.

Special attention was paid to developing long-term relationships between milk producers and buyers. Support provided by the program in facilitating the relationships were 1) bringing milk buyers to the communities; 2) organizing sessions on the buyers' requirements and increasing awareness of milk sales opportunities; and 3) providing technical assistance to milk collectors. The program made a best effort to facilitate the transition of the existing milk buyers as partners rather than opportunists. By not eliminating them, the program encouraged producer groups to continue to work with them and especially if they can offer alternative markets for products that do not meet quality standards. The milk collectors were happy to get relatively better quality milk, but one of the challenges that always impeded developing a trustworthy win-win relationship, was late payments to the producers of up to two-months.

During interviews for the CABS final evaluation, many farmers stated that because their cattle are now receiving more inoculations, better preventative health measures, better treatment of diseases and timely veterinarian care following the CABS and vet trainings, workshops and seminars, their livestock are healthier and have increased milk production, up from 10-12 to 18-20 liters per day.

Another challenge to mainstream producer-buyer systems was to convince dairy processors and milk collectors that producer groups were able to meet their requirements in consistent daily production volumes and high quality standards. As soon as communities, especially in the North, became known for high quality and capacity, the buyers started coming to the communities without much facilitation from the program team.

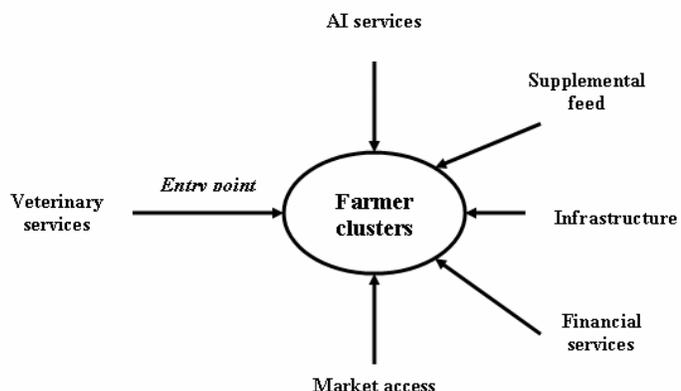
The program learned the conditions and factors that are important for building win-win relationships, such as community social structures, community cohesiveness, and high regard for group leaders. The program therefore employed mobilization strategies based on the above. For instance, peer influence among community members was used in selecting the appropriate milk buyers and in stimulating demand for other business services.

In 2004, through CABS facilitation, five cluster villages became regular milk sellers to the Sharafa village milk collection venue in Massali. Milk sales enabled 500 target villagers to earn cash on a daily basis and meet their immediate needs. Today, this milk collection and storage point is one of the largest points in

the area, buying milk locally and transporting it to Baku processing facilities. This storage point now collects milk in more than 20 villages in the region.

In addition to creating linkages to raw milk buyers, the program identified increasing opportunities in the live animal market through linking producers to live animal traders in urban settings. The CABS team also facilitated interaction between government animal laboratories stationed at live animal markets across the Central and Northern Regions (but in particular in Barda, in the Central Region). This government-run laboratory in Barda had existed previously, however the CABS team succeeded in facilitating practical day-to-day work activities in the laboratory. Specific ways in which CABS did this was to hold joint-meetings with market owners, the government vet service representative and local government leaders, in order to encourage the service delivery to the farmers through the laboratory. In addition, laboratory staff were given animal health education sessions. In the final six months of the program, the team worked with the laboratory staff to increase awareness amongst animal husbandry farmers of the necessity for cattle blood testing - crucial for preventing the spread of animal infectious diseases from one Region to another.

This diagram shows how the clusters approach changed from just centering on animal health (but still with a vet service serving as an entry point for cluster sensitization) to increasingly articulating and addressing other needs.



e. Demand Side - Output Supply Chain (Care for Sick, Preventative Care, etc.)

CABS selected a diverse mix of private sector providers based on criterion that gauged their expertise, geographical coverage, creativity and willingness to invest resources, and commitment to form long-term partnership with Mercy Corps. The priorities and capacity building needs of the selected service providers were assessed. Based on the assessment results, service providers were referred to training providers, government counterparts and the regional veterinary laboratory to help them gain the latest knowledge and new skills in the area of their specialty. As a result of these activities, service providers have considerably improved their client outreach strategies and service quality.

Facilitation activities in the target regions focused mostly on developing the regional networks of the animal health service providers through building their organizational and business management capacity. In addition, the program helped the service suppliers in the network to update their technical skills by linking them with the in-country expertise, research institutions, and vet supply companies to introduce new and more effective means and methods to combat most prevalent area diseases, such as seasonal blood-parasitical and tick born illness, brucellosis and plague outbreaks.

By facilitating the capacity development of service providers and conducting information campaigns in newly formed and well-functioning farmer clusters, Mercy Corps significantly increased the use of veterinary services and proactive animal care in the target communities. The program focused its mobilization simultaneously in its three key component areas on both the supply and demand sides of the service market: 1) building capacity of the veterinary and production advice service providers through

networking and training; 2) facilitating the development of new service products 3) facilitating farmer cluster development and awareness raising activities on animal and poultry diseases. A total of 184 BDS providers participated in program activities, of these 178 were veterinarians.

To prevent diseases from spreading during outbreaks, coordinated vaccination campaigns played an important role. Veterinarians pooled their resources to access technical consultancy from the capital Veterinary Research Institute and information on new veterinary technologies and provided each other with technical support. They made a bulk purchase of medicines from the capital veterinary pharmaceutical suppliers and conducted educational and awareness raising campaigns in villages and among existing clients on the value of preventive veterinary actions.

One of the network veterinarians noted that “often diseases are highly contagious and spread quickly, requiring treatment of many animals on many farms at the same time. The network has been helpful for us to identify farmers in need and to collaborate in delivery of services when necessary”

The CABS team also noted the effectiveness and responsiveness of the veterinary networks in stopping the spread of infectious diseases and their proactive prevention campaigns in neighboring areas. Examples of infections successfully treated by the network include hoof rot, tick-borne and worm diseases. The regional networks were also very active and successful in educating clients on avian influenza, since the Southern area is a route for migratory birds. In the Northern and Central Regions as well, the CABS team coordinated extensive efforts to address the high risks of avian influenza. Specifically, the team worked on developing two leaflets on avian influenza with both CABS field offices distributing leaflets to the CABS communities, as well as amongst program-supported and non-supported vets and vet networks. Approximately 5,000 leaflets in both the Central and Northern Regions were disseminated to poultry farmers that explained in clear, simple terms preparedness and prevention techniques against avian influenza. Fortunately, up until the end of the program, no outbreak took place in any of the CABS Regions. Due to the information campaigns, Mercy Corps is confident that the spread of knowledge will mitigate the effect of any future epidemics.

f. Demand Side - Input Supply Chain for Veterinary Services (Department of Agriculture, Drug Retailers, etc.)

A key success that exemplifies effective network linkages created by CABS is the connection established between vets and in-country distributors of the world-renowned veterinary supply producer Intervet. Intervet organized a training session for veterinarians on new veterinary drugs and their usage and established commercial relations with the network vets. It also supplied the service providers with veterinary medicine consignments thus creating access to high quality drugs for rural farmers.

In May 2004, two vets from the network became business partners and opened two vet drugstores in the regional bazaar where they sold Intervet products. Two months later, they were serving an average of 25 clients a day. They credit their success to the quality of the products and to being responsive to the needs of local customers. The stores provide advice to their customers on medicine application and provide services that cater to the needs of smaller and poorer clients. For instance, if a customer requires only a single dose of medicine for a sick animal they measure



Veterinary Support

a single dose rather than sell an entire bottle, which might be too expensive for most farmers. Pre-made single doses are neatly packaged, labeled and lined up behind the counter.

g. Focus on women entrepreneurs and those micro-enterprises in remote areas

As reported above, Mercy Corps' Market Assessment (2000-2001) showed that over 68% of the target population was living below the national poverty line. In 2001, of the estimated 10,025 commercial livestock and poultry enterprises in the Southern Regions, 45% were women operated. Of this 45%, only 5% were able to access veterinary services due to cultural restraints which limit women from directly contacting the service providers, who are all men.²⁶ The Market Assessment also reported that over 7,000 proposed clients in these target Regions were unable to access appropriate veterinary and production advice services for their livestock animals due to the remoteness of their location. Service providers were generally not interested in making long journeys to remote areas to serve single clients or groups of less than three. This trend was affirmed in the Central and Northern Regions where resource poor farmers were risk-averse to using veterinary services as they did not fully appreciate the importance of veterinary services to their animals' health and productivity. Moreover, culture limited women from directly contacting primarily male veterinarians even though women are often the sole caretakers of animals, particularly since the husbands of many of these women work outside of Azerbaijan. Therefore, a key focus of the CABS approach was to concentrate on marginalized women and/or isolated rural micro entrepreneurs. Over 98% of the farmers targeted by the program fell into the category of micro entrepreneurs. Forty percent of the enterprises targeted by the program were operated by women.

V. IMPLEMENTATION ISSUES

a. Complete Feed

The program exceeded all of its original and extension program targets, except for the establishment of 4 complete feed providers. As explained in the Final Evaluation report, two factors contributed to the lack of success under this indicator: (a) access to feed mills, and (b) affordability. The target Regions did not have any functioning feed mills. The nearest source of complete feed was at a considerable distance from target areas. The cost of buying and transporting feed from these mills was beyond the reach of most farmers.

However, CABS did build local knowledge on the benefits of nutritious feed and it is hoped that as more Holstein and higher breed calves are birthed through AI, demand for complete feed will grow in target Regions with increased profits from dairy and meat sales. An initial success was already seen in the Southern Region where the program successfully managed to attract private sector investment in establishing an animal feed production facility Massali. Following completion of the facility's construction, equipment installation and testing, the owner commenced production of a range of high-protein feed samples. The program team and veterinary networks assisted the facility owner in educating potential customers in the farmer clusters on the products' uses and advantages. As a result of these awareness-raising campaigns, the producer established a steady market of 48 clients buying the feed for poultry and cattle fattening. He intends to continue to grow his client base in the future.



Feed Mill in Massali

²⁶ Mercy Corps Market Assessment, 2000

b. Active Participation of Women Farmers

Another challenge faced by the program was successfully reaching women farmers in the cluster villages at the level that the program expected. Although almost all women livestock owners were benefiting from animal vaccination and other disease prevention measures in the targeted villages (veterinary campaigns encompass the entire community), it was difficult to involve women directly in cluster decision making and informational activities. Multiple women participating in a cluster made it socially acceptable for men and women to meet, but it did not work in every village. To address this issue, the program brought in a gender specialist to assess how program methodology was actually implemented in the field and to determine how it might be adapted to increase women's participation. The program team also benefited from a gender sensitivity training to understand the sorts of issues that limit women's participation, how to overcome these issues, and why it is important to encourage women's participation in economic development programs. The new principles were successfully implemented and gradually transferred to the veterinarians and cluster members to ensure a higher level of women's participation in cluster activities. By the end of the program, women-operated enterprises made up 40% of the program participating enterprises.

Other challenges and lessons learned during CABS implementation that are worth documenting include:

c. Mobilization in the Absence of “Grants/ Subsidies” is a Time and Labor Intensive Process

When facilitating the creation of farmer clusters, the program team discovered that many village groups required thorough guidance and support to benefit from the program. Mobilizing client clusters for joint action was a time-consuming and labor-intensive process for the program team. Especially, since the program offered no direct grants or other material benefits as incentives to form clusters. In view of the fact that many potential program participants expected subsidy-related interventions, Mercy Corps worked to build the project through the experience of a handful of entrepreneurs who believed in the approach. Clusters were sustained because the participating communities saw personal value in collective effort. Encouraging people to “start small” and build on success was a more sustainable approach for maintaining or starting businesses, as well as implementing result- and impact-oriented activities. From the very beginning, team members worked to transfer skills to village leaders and outside contractors capable of managing the cluster in a manner that would be fair and equitable to all community members.

d. Understanding of Changing Market Dynamics is Essential to Success

To adhere to the BDS market development paradigm, it is important to understand the dynamics of the markets for final goods. Effectively addressing the supply and demand constraints for veterinary services meant that wider issues such as transfer of knowledge on new production techniques, linking micro entrepreneurs to credit establishments, facilitating linkages between the public and private sector as well as promoting the CABS target beneficiaries with national-level enterprises needed to be addressed simultaneously. For successful introduction of new or promotion of pre-existing services, it was essential that service providers be entrepreneurial and innovative and run targeted and intensive awareness-raising campaigns.

Similarly, to address problems relating to the dairy market, CABS linked farmer clusters to a number of processors and created access to alternative markets for milk products. Special attention was paid to developing long-term relationships between milk producers and buyers. Support provided by the program in facilitating the relationships included: 1) bringing milk buyers to the communities; 2) organizing sessions on the buyers' requirements and increasing awareness of milk sales opportunities; and 3) providing technical assistance to milk collectors. The program made a best effort to facilitate the transition of the existing milk buyers as partners rather than opportunists. The program encouraged producer groups to continue to work with them, especially when they offered alternative markets for products that do not meet quality standards. The milk collectors were happy to get relatively better quality milk, but one of the challenges that always impeded developing a trustworthy win-win relationships was late payments to the producers, that sometimes micro entrepreneurs could reach two-month delays. The CABS team therefore paid special attention to facilitating regular payment schedules and by program closeout farmers and collectors were enjoying stronger relationships with regular payments becoming the norm rather than the exception.



MC Regional Representative visits farmer, with AI-new born calves

VI. PROGRESS ON LEARNING AGENDA

a. Expansion of Cluster Activity beyond Agricultural Initiatives

The CABS team closely tracked farmer cluster mobilization around animal husbandry activities and the approach employed by the clusters to access and effectively utilize other business and social services. The program team observed many instances where client clusters, especially some that were close to forming self-managing and sustainable community structures, took the initiative to access credit services, enter into new markets, and rehabilitate their village roads and veterinary facilities. Mercy Corps also noted that clusters guided by dedicated and qualified leaders progressed more swiftly towards self-sufficiency and therefore independence from program facilitation. These clusters were also proactive in addressing the social and economic needs of their community. A range of initiatives were undertaken by clusters independent of the CABS program, which included access to new markets, training on farm management, technical assistance in animal husbandry, rehabilitation of artisan wells, and community area cleaning and sanitation activities. The Dashtatuk village, for instance, managed to establish its internal veterinary drug revolving fund which was being successfully used by the villagers. Another successful example is presented by the Vilvan cluster whose members applied to the local authorities to allocate additional pasture territory to meet local needs. After a few months of dialogue with the authorities the village successfully acquired access to the needed pasture field with 45 households benefiting from additional feeding areas for their animals.

The program team witnessed that semi-remote villages were more successful in attracting attention and resources from the local government and public to solve community problems. The program team relates this success to their proximity and visibility to centers. Although the remote clusters pursued their interests with great zeal, they achieved a lower level of success primarily due to less attention from the local government and poorer economic situation of the population that limited pooling of community resources. However, the program lauds all cluster initiatives and considers the level of effort invested by the members and their enthusiasm as markers of success.

Another indirect success of the program was that as a result of empowered local leadership, four program cluster leaders were selected as municipality members and chairs during the recent municipality elections.

The clusters' success and responsiveness to community needs attracted other international and local agencies to the region. As such, many of these organizations have partnered with the existing clusters to implement community development, income-generation, and loan provision programs. Although this can be read as a success of the CABS program, it could also represent a potential risk to the communities of "over-serving and spoiling" them with potentially unwise, and heavily subsidized, assistance. The CABS team believes that such over-subsidization might distort the communities' ability to solve their business problems through commercial and emerging market partnerships. In order to avoid such risks, Mercy Corps closely coordinated activities with other organizations in the area.

b. Transferring Experience and Knowledge to other International Agencies

The CABS team coordinated with the World Bank (WB) program on veterinary centers development in the Lenkoran and Massali regions. The WB sponsored centers were equipped with a vehicle, cool storage facility and other necessary equipment for mobile animal therapy and surgery. The CABS team had a series of meetings with the World Bank (WB) project team on private veterinary center creation and development. The meetings served to educate the WB implementation team on market development principles and help them take steps in applying this approach. The CABS staff also hosted the WB team in CABS communities to familiarize them with the program methodology. As a result, the WB project began adopting the CABS program lessons and in May 2006 launched a comprehensive market assessment of the animal health services in the regions.

In July of 2004, the CABS program hosted two staff members from Save the Children who were part of Save the Children's veterinary program implementation team in Tajikistan. During their visit, the CABS team shared its experience on program approach and organized site visits to clusters. They also met with vets to get insights from program clients who demonstrated how the model works on the ground.

c. Strengthening Mercy Corps knowledge and use of BDS market development approach

Mercy Corps remained committed to learning new BDS practices and integrating them in its programs. The following bullet points provide a timeline of key institutional strengthening activities.

- With the purpose of disseminating information among the Mercy Corps Microenterprise Development network and sharing best practices throughout the organization, documentation of the CABS program -including the proposal, market assessment and program design documents- was placed on the Mercy Corps Digital Library that can be accessed by all Mercy Corps staff worldwide.
- In February-March 2003, Mercy Corps participated in the SEEP Network PLP on-line discussion of the BDS market assessment to exchange insights into the application of the assessment results in BDS program design and implementation.
- In May 2003, Mercy Corps became a member of the BDS IGP learning network initiated by the USAID Office of Microenterprise Development. The purpose of this network was to encourage technical exchanges, discussion, and learning on different approaches and tools used in the BDS programs.
- In June 2003, the CABS program members participated in the on-line discussion on mainstreaming micro entrepreneurs into lucrative markets. Mercy Corps believes that participation in such events significantly contributed to the effective application of BDS best practices.
- In September 2003, at its Annual Program Planning Meeting, Mercy Corps HQ senior management and program operations team identified BDS as one of the highest programmatic priorities. In December 2003, the Mercy Corps headquarter-based desk officer for the Caucasus region attended a five-day BDS training offered by Action for Enterprise in Washington, D.C. On her return to

Portland, the desk officer replicated the BDS training for Mercy Corps headquarter staff in January 2004 and later for the program team in Georgia.

- With the purpose of strengthening BDS capacity within Mercy Corps, a CABS team member attended the September 2003 Annual BDS Seminar organized by ILO in Turin. The team member presented Mercy Corps' methodology for monitoring program impact at the client and service provider level and also had the opportunity to learn about innovations and challenges faced by BDS practitioners in different parts of the world.
- In December 2003, the CABS program staff significantly contributed to BDS learning through participating in on-line BDS discussions and attending the BDS IGP network meeting in New Delhi, India. During the meeting, the program staff introduced CABS program activities to participants, learned from other IGP program experiences, and exchanged technical challenges and lessons learned in practicing the market development paradigm. During the meeting, the BDS IGP implementers identified the network's priorities for the next year and Mercy Corps together with ACIDI/VOCA in Ethiopia volunteered to contribute to one of the learning priorities: "How can facilitators increase effective demand for relative BDS".
- In Mercy Corps' 2004 Annual Program Planning, BDS was once again identified as one of the highest programmatic priorities. To implement an institutional BDS capacity building plan, Mercy Corps hired a Microenterprise and Economic Development (MED) Advisor in March 2004 whose primary focus was developing and supporting the agency's BDS program portfolio.
- With the purpose of promoting the BDS paradigm, the CABS Program Manager made technical visits to the Mercy Corps economic development programs in Uzbekistan, Tajikistan and Georgia over the period of April – May 2004 and provided recommendations necessary for shifting to the BDS market development approach.
- In March 2005, the CABS program manager participated in the second network meeting in South Africa devoted to developing the network charter, annual objectives, and action plan. Based upon the identified objectives, the network members divided into three task force groups to implement their planned actions. Mercy Corps was a member of the task force working on a Framework of Mapping Patterns of Facilitation Activities.
- In September and December 2005, the Mercy Corps team members from Azerbaijan and Mongolia attended a training delivered by Action for Enterprise on Value Chain Programs Design for small enterprises. Action for Enterprise provides cutting-edge methodologies to assess economic sectors and design interventions that address industry-specific constraints in sustainable and cost-effective ways. The training provided staff more insight into tracking the value chain development dynamics and governance issue pieces applied in the program.
- In December 2005, Mercy Corps held a global strategy meeting to examine its programs in livelihoods and economic development where enterprise development practitioners brainstormed on an organizational vision and strategy for serving the rural poor. Mercy Corps identified its goals as: (a) enabling people to recover from disrupted economies and (b) to build economic resiliency by applying local, regional, and global market solutions to facilitate the creation of a critical mass of sustainable economic opportunities.
- In 2006, the CABS team undertook a number of cross fertilization initiatives to promote local and regional learning on support services market development. Examples of such learning included hosting a visit of Mercy Corps colleagues from Georgia who learned about the CABS approach to apply in their economic development activities.
- In February 2006, the CABS team hosted officials of the Azerbaijan Ministry of Agriculture and World Bank to demonstrate and present the achievements and challenges in developing business services for rural markets.
- In March 2006, the Accelerated Microenterprise Advancement Project (AMAP) selected a case study documenting the CABS program's experience of working in the Azerbaijan dairy and meat value chains. The central theme of the case was that supporting markets can play a critical role in value

chain growth. The case illustrated how small-scale livestock farmers struggled to grow during the transition from a planned to a market economy, but benefited from the growth in supporting markets for veterinary services and artificial insemination products.

- In June 2006, the CABS team together with other Mercy Corps program staff participated in the USAID Learning Conference on Microenterprise Development in Washington D.C. They presented their methodology for effective outreach to rural poor enterprises along with accompanying challenges and lessons learned.
- In September 2006, the CABS Program Director participated in BDS seminar “Developing Service Markets and Value Chains” in Thailand. The seminar provided an opportunity to learn from market chain approaches and experiences from countries around the world.
- In October 2006, the CABS team hosted two team members from Mercy Corps Kyrgyz. The visiting team learned from CABS activity in the Regions and met with vets and program beneficiaries. They participated in in-depth methodological discussions with the CABS team and compared various approaches being utilized by both teams.
- In November 2006, the CABS team attended “The Private Sector, Poverty Reduction and International Development” conference organized by the Development Studies Association (DSA) in Scotland. Mercy Corps presented the CABS program under the theme of Private Sector, Agriculture and Rural Development.
- In December 2006, an article showcasing the CABS program approach was published in the Small Enterprise Development journal’s Volume 17, Number 4, December 2006. SED is an international journal of microfinance and business development published in the UK.
- Throughout the life of the program, the CABS staff continued providing input to the BDS IGP network. The team provided feedback and suggestions on prioritizing issues on market development and facilitation approaches as well as types of tools, documents and exercises to be used in order to promote BDS learning and experience dissemination.
- Mercy Corps developed its internal BDS Learning Document to examine the organization’s work in BDS, gain a better understanding of the types of business services projects implemented by Mercy Corps, and to document applied practices and lessons learned. For the purpose of comparing different BDS approaches, Mercy Corps documented three of its BDS programs (Mongolia, Serbia and Azerbaijan).