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Cluster Access to Business Services (CABS) Program in Rural Azerbaijan
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Table of Contents

- I. Summary of main activities
- II. Progress on performance targets and indicators
 - A. Performance Targets and Table 1
 - B. Narrative Explanation
- III. Implementation issues
- IV. Progress on Learning Agenda
 - A. Strengthening Mercy Corps' knowledge and use of BDS market development approach
 - B. Review cluster development
 - C. Comparison of two veterinary-targeted BDS models
- V. Annex: Human Interest Anecdotes

I. Summary of main activities

Over this reporting period, Mercy Corps continued its interventions on both demand and supply sides of the service market and focused on the livestock production chain in order to make business services for micro-enterprises easier to access and affordable. Mercy Corps focused its activities towards achieving the following objectives during the last six months:

- Facilitate new farmer cluster development in areas previously not covered by the program by building the communities' capacity to mobilize around their livestock problems, linking them with veterinary service providers and raising community awareness of veterinary emergency and animal health preventive practices
- Coordinate and oversee how the "older" client clusters sustain their activities and maintain relationships with business service providers and other sector players on their own
- Enroll new veterinary service providers in the program, train them in communication and marketing skills, link them with technical assistance providers and develop the local veterinary network
- Oversee development of the market for cattle artificial insemination (AI) in the program target area.

Mercy Corps continued to incorporate lessons into program implementation and built upon its successful experience of stimulating demand for a number of business services as well as reaching farmers in underserved locations. The use of business services was encouraged by demonstrating the value and benefits of the services, farmer cross visits, testimonials and presentation sessions with the service providers. During this period, the CABS program team continued to work with the thirty existing farmer clusters and facilitated development of an additional eight new client groups. Currently, the program reaches 3,033 clients in 38 farmer clusters. Of these 3,033 farmers, 2,760 are micro-entrepreneurs, while the remaining 273 fall in the category of small to medium scale farmers. The women operated farms comprise 37% of the micro-enterprises served by the program. In total, the program-targeted farmers contribute more than US\$ 3,500,000 in sales of livestock related products in the regional market.

During the last six months, the CABS team enrolled fifteen new veterinary service providers into program activities. The newly enrolled service providers were trained in business communication and marketing skills, and linked to technical resources. On Mercy Corps' encouragement, seventeen service providers under the program – fifteen mentioned above and two enrolled in the previous reporting period-- formed a veterinary network in February of 2004. The network provides members with a forum where they can come together to solve common business issues and share new practices. It is worth noting that although the Masalli vets formed a network a year later than their colleagues in neighboring Lenkaran region, the Masalli network proved to be more proactive in promoting member interests, obtaining new skills, sharing experiences and maintaining relations with government veterinary departments and other technical resources, and responding to clients' needs. This difference in part might be explained by the fact that there are many more vets with

university degrees in Masalli which makes them more open to acquiring and experimenting with innovations.

Currently, 49 veterinary service providers are serving the needs of program-supported clusters as well as catering to more than 1,500 non-cluster clients in Lenkaran and Masalli regions. Impact interviews with the Lenkaran vets revealed that about 80% increased their monthly clientele by approximately 40% and increased their monthly income from an average US\$ 90 to US\$ 130.

Oversight of the cattle AI service consisted of tracking clientele change and profitability of the AI business. The two program-supported AI service providers have thus far reached 372 farmers. The demand for AI has been increasing every month, in comparison to the same period last year, as cattle breeders are witnessing newborn calves and hearing about the advantages of the AI technology.. In response to an increase in demand, the AI technicians have increased the price for the service. The CABS program is now exploring strategies to support “copy cats” and promote fair competition as the demand for the service continues to increase.

In May 2004, the CABS program was visited by the Mercy Corps Microenterprise and Economic Development (MED) Advisor. The MED Advisor visited program sites, provided technical assistance to the program team and initiated the process of documenting the program-applied approach and activities for inclusion in a Mercy Corps BDS learning document. The program team benefited from the technical recommendations provided by the MED Advisor and is currently implementing these to further enhance program effectiveness and impact.

Over the next six months of program implementation, the CABS team plans to expand its activities by facilitating the formation of eight new farmer clusters which will represent approximately 1,000 new clients. In addition, the program plans to reach more women and have them directly participate in cluster initiatives and decision making. And finally, the CABS team will link farmer clusters to additional market alternatives to help farmers make better deals from products sales.

In general, the CABS program is progressing in line with the approved Work Plan and has thus far been successfully meeting projected program targets outlined in the original CABS proposal and Detailed Implementation Plan.

II. Progress on performance targets and indicators

A. Performance Targets and Table 1

PERFORMANCE TARGETS AND TABLE 1						
In US\$						
		Progress to date	Planned Year 1	Planned Year 2	Planned Year 3	
Applicants targeting a specific sub-sector	ASSESSING THE MARKET FOR GOODS & SERVICES (Final Sales)					
	MARKET-LEVEL					
	1.	Annual value of sales (in US\$)	11 000 000	9 548 000	10 000 000	11 200 000
All applicants	ASSESSING THE DEVELOPMENT OF THE BDS MARKET					
	MARKET-LEVEL					
	3.	Total number of BDS providers	123	123	125	127
	a.	Service 1: Veterinary Services	105	105	107	109
	b.	Service 2: Embedded Production Advice	123	123	125	127
	PROGRAM-LEVEL					
	4.	Number of BDS providers participating in the program	49	27	54	54
	a.	Service 1: Veterinary Services	43	27	54	54
		i. Percent private, for-profit providers	100%	100%	100%	100%
	b.	Service 2: Embedded Production Advice	49	27	54	54
		i. Percent private, for-profit providers	100%	100%	100%	100%
	5.	Number of firms acquiring BDS from program-supported providers	3,033	783	3 132	4 158
	a.	Service 1: Veterinary Services	3,033	783	3 132	4 158
	b.	Service 2: Embedded Production Advice	3,033	587	2 349	3 119
	6.	Number of microenterprises acquiring BDS from program-supported providers	2,760	541	2 890	3 900
	a.	Service 1 Veterinary Services	2,760	541	2 890	3 900
	b.	Service 2 Embedded Production Advice	2,760	406	2 168	2 925
	7.	Microenterprises as percent of total firms (line 6/line 5)	91%	69%	92%	94%

	8.	Number of women-owned microenterprises acquiring BDS from program-supported providers, by service	1,023	110	900	1 700
	a.	Service 1: Veterinary Services	1,023	110	900	1 700
	b.	Service 2: Embedded Production Advice	1,023	83	675	1 275
	9.	Women-owned microenterprises as percent of total microenterprises (line 8/line 6)	37%	20%	31%	44%
All applicants	ASSESSING THE FACILITATOR'S COST-EFFECTIVENESS (PROGRAM-LEVEL INDICATORS)					
	10.	Program costs	\$316,477	\$314 610	\$344 989	\$367 870
	11.	Program costs per microenterprise served (line 10/line 6)	\$115	\$582	\$119	\$94
Only for direct providers of BDS	ASSESSING THE BDS PROVIDER					
	12.	Total earned revenues (do not include any grants or donor contracts)	NA			
	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	\$1,600 a year	\$1,500 a year (25% increase as to base year \$1,200)	\$1,800 a year (50% increase as to base year \$1,200)	\$2,250 a year (87.5% increase as to base year \$1,200)
All applicants	ASSESSING THE IMPACT ON THE MICROENTERPRISE CLIENT (Program Level)					
	16.	Annual value of sales by microenterprises participating in program (in US\$)	3 200 000	638 000	3 450 000	4 570 000
	17.	Microenterprise client satisfaction				
	a.	Service 1: number of repeat clients	2,760	530	2 832	3 822
	b.	Service 2: number of repeat clients	2,760	398	2 124	2 867
All applicants	OTHER INDICATORS					
	18.	Exchange rate used to calculate US\$ figures	\$1 = 4904AzM	\$1 = 4830AzM	\$1 = 4950AzM (estimated)	\$1 = 5100AzM (estimated)
	19.	Estimated percentage of microenterprises on line 6 who have poverty loans from any source	9%	5%	5%	10%

B. Narrative Explanation

Indicator 1

The amount of US\$11,000,000 is from the local statistical departments of both program-targeted areas and represents the value of the regional production and sales volume of meat, dairy, eggs, wool and other livestock related products.

Indicators 2 and 16

The amounts of US\$3,525,000 and US\$3,200,000 given in indicators 2 and 16 were identified through the baseline and impact surveys conducted by the program in June 2003 and June 2004. Number of enterprises targeted by the program was multiplied by their average annual incomes.

Indicator 5

The figure of 3,033 in indicator 5 represents clients acquiring BDS through the program-supported clusters. This figure does not take into account the non-cluster clients served by the program-supported service providers.

Indicators 8 and 9

The number of 1,023 women makes up **37%** of the micro-entrepreneur program clients. This percentage constitutes women-operated farms that benefited from services through cluster-based initiatives – as the clusters make services generally available for the whole community. Women's direct participation in the cluster governing bodies, decision-making process and veterinary informative sessions is at **14%** of total clientele.

Indicator 15

The annual service providers sales of US\$1,600 were identified through the impact interviews carried out by the program in March 2004. The survey discovered that service providers have considerably increased their clientele. Whereas in early 2003 the program-participating vets had on average 37 clients per month, now each vet serves an average of 53 clients per month.

Indicator 19

The percentage of micro-enterprises that have poverty loans include loans from the local credit service providers and loans obtained as part of routine business operations such as from input suppliers, service providers, and others.

III. Implementation issues

As mentioned earlier in this report, during the period of January 1 – June 30, 2004 Mercy Corps enrolled 15 new service providers into program activities in the Masalli region. To ensure participation of vets who are truly interested in investing in and improving their businesses the team advertised the opportunity and interviewed vets to gauge their suitability against previously developed selection criteria. It is worth noting that from among 22 applicants the program selected only 15 for participation and formation of the local network.

The program team worked with the selected service providers to assess their current capacity, prioritized needs and major impediments to business expansion. While conducting the assessment, the CABS team employed a participatory approach that paved the way for building an open relationship with the service providers, based on trust. After the needs assessment, a series of trainings were organized for the vets to improve their business communication and marketing skills. The service providers were also linked to appropriate technical resources to help update their knowledge in the prioritized specialty areas.

As in the case with farmer clusters, these initial capacity building events helped raise the awareness of service providers on latest technology standards and the effort required on their part to achieve these standards. Moreover the trainings, whereby the service providers came together for the first time in their careers to publicly discuss their professional problems, laid a solid foundation for relationship-building. The trainings also provided the veterinarians with the stimulus to form a network to address their common issues and attract public attention to regional veterinary actions. The Masalli network of vets is comprised of 17 service providers. From its very first day, the network proved to be proactive and responsive to both the network members' and clients' needs. It is worth mentioning that the newly formed network did not accept the trainings funded by the program as a one-off event but have continued creating linkages with the training providers and technical resources on their own, regularly updating their knowledge, and continuing to access new inputs and technology.

One of the successes exemplifying effective network linkages created by the program is the connection established by the program between vets and an in-country dealer of a world-renowned veterinary supply producer INTERVET. The dealer organized a training session for veterinarians on new veterinary drugs and their usage and established commercial relations with the network vets. Now the dealer supplies 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 sell INTERVET products. Now, two months later, they are serving an average of 25

clients a day. They credit their success to the quality of the medicine they dispense. The new partners also provide advice to their customers on medicine application. In addition, they have tailored their services to be responsive to the needs of smaller and poorer clients. If a customer requires only a single dose of medicine for a sick animal they will measure out a single dose rather than sell an entire bottle that may be too expensive for the farmer. Pre-made single dose packages are neatly labeled and lined up behind the counter.

Last month, the program requested vets in Lenkaran and Masalli to list key changes in their practice due to participation in the professional network. The vets claimed that the network was instrumental in:

- ✓ Handling disease outbreaks and conducting coordinated vaccination campaigns. One of the network veterinarians noticed that “often times the 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”
- ✓ Pooling their resources to access technical consultancy from the capital Veterinary Research Institute and information on new veterinary technologies and providing each other with technical support
- ✓ Making a bulk purchase and supply of medicines from the capital veterinary pharmaceutical dealers
- ✓ Conducting educational and awareness raising campaigns in villages and among existing clients on the value of preventive veterinary actions.

Since its onset, the program changed its facilitation role from “hand holding” – when the network veterinarians had to be provided with intensive assistance in assessing and addressing their priorities, and developing client outreach strategies – to making more referrals and linkages. At present, the program also continues to co-fund access to technical resources for service providers but with contributions from the vets’ network.

The facilitation objective in introducing the AI service also changed over time as the demand has been growing and promises to be a good business opportunity for other vets and the AI firm. At the initial stage, the program’s role was to engage the interest of the semen supplier, select the vets, intensify awareness raising activities and monitor performance of the trained AI service providers. Now, when program service providers constitute about 8% of the semen supplier’s market and have enough clientele to bargain and obtain higher rates for the service, the program has tailored its strategy to supporting “copy cats” in order to encourage competition among the AI service providers in the area. Right now the program is negotiating with one vet, who wants to invest in the AI business, and semen supplier on the subject of bringing another AI service provider to the market.

As indicated above, Mercy Corps continued to ensure sustainable functioning of previously formed farmer clusters and simultaneously facilitated development of eight new ones. In the new clusters, the program focused on leadership building, establishing relationships with veterinary service providers and implementing pilot projects. In the “older” communities, the team facilitated addressing other business needs of farmers. One of the challenges faced by the “older” clusters was to ensure sale of products as the farms productivity increased as a result of better animal care. While there were no sales problems with meat, the farmers suffered from a very limited market for raw milk and complained about spoilage of excess products, especially during summer. To address this issue, the program began referring farmers to locally available dairy processing ventures. As a result, five of the program-supported clusters started selling milk to the

enterprises that send milk collection trucks to the villages. In some of the clusters, where farmers could not produce the milk volume that would make it feasible for the trucks to come to their villages, the leaders organized milk collection and transportation to the processing facilities on their own.

The cluster in Kohne Alvadi village presents an example of how the farmers decided to delegate one person to collect milk and take it to dairy enterprises in his own vehicle. The milk collector entered into an agreement with the enterprise on supplying a certain amount of milk every day and receiving a fixed price for the product. This village is producing over 100 liters of milk per day which it is able to sell via the village milk collector. The milk collector collects in the morning,



keeps record of how much he collected in order to pay the farmers for their produce and keeps a small margin as compensation for his work.

Another challenge faced by the program was attracting women farmers to directly participate in the cluster initiatives. Although women-operated farms make up 37% of the program clients benefiting from business services through the cluster-organized campaigns, it was difficult to ensure female representation in cluster decision making and informative activities. To address this issue, the program brought in a gender specialist to assess the methodology being employed for program implementation and determine how it might be adapted to increase women's participation. The program team also benefited from gender sensitivity training in understanding the sorts of issues that limit women's participation, how to overcome these issues and indeed why it is important to encourage women's participation in economic development programs. The team shared gender sensitivity principles with the network of vets and cluster leaders, encouraged them to apply and implement the principles to attract women clients. As a result, women's direct participation in cluster activities increased from 9% to 14% over the last six months.

Based on discussions and interviews with program participating vets and farmers, the CABS team summarized key program impact since its start in October 2002 as follows:

- ✓ Demand for veterinary and other livestock services increased as a result of awareness raising activities and farmer cluster development. Farmers in remote areas and women farmers also have better access to the services and options for selecting service providers
- ✓ Farmers have wider and affordable options for quality veterinary drugs
- ✓ Farmers have affordable access to improved cattle pedigrees
- ✓ Service providers have considerably increased the number of their clients.

IV. Progress on learning agenda

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

Since the last reporting period, Mercy Corps has undertaken the following major activities to promote understanding and application of the BDS market development approach in its microenterprise development program portfolio:

- As was mentioned in the previous report, BDS was identified as one of the highest programmatic priorities at Mercy Corps' Annual Program Planning Meeting. To implement an institutional BDS capacity building plan, Mercy Corps hired a Microenterprise and Economic Development (MED) Advisor in March 2004 whose primary focus is developing and supporting the agency's BDS program portfolio;
- Mercy Corps initiated the development of its internal BDS Learning Document to examine the organization's work in BDS over the past five years, 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 has selected to document three of its BDS programs (Mongolia, Serbia and Azerbaijan). During this reporting period, the MED Advisor visited Azerbaijan and Serbia BDS programs. Mongolia will be visited in July 2004 and the resulting BDS learning document will be developed in August with its rollout to all Mercy Corps staff in September;
- In December 2003, the Mercy Corps headquarter-based desk officer for the Caucasus and West Bank/Gaza 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 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 May, the MED Advisor attended Mercy Corps' Middle East/Caucasus annual regional planning meeting in Jordan where she made a presentation on BDS market development model and in June she made a presentation at Mercy Corps' headquarters on the same topic;
- Over the reporting period, the CABS program team also contributed to BDS learning through on-line participation in the IGP Network activities and presented the program's case on facilitating the market for relative BDS.

B. Review of cluster development

The CABS team continued tracking how farmer clusters --mobilized around animal husbandry activities and access to veterinary services-- applied their improved organizational capability to address other community constraints. As in the previous period, the team noticed that clusters with strong leadership come together to access other business services and to implement community infrastructure projects. A range of initiatives were undertaken by the cluster independent of the CABS program, these include access to new markets, training on farm management, technical assistance in animal husbandry, rehabilitation of artisan wells, and community area cleaning and sanitation activities. It is worth noting that some of the clusters

developed an action plan, independently followed its implementation and included in the action plan activities related not only to their livestock businesses but other social initiatives.

C. Comparison of two veterinary-targeted BDS models

Since the beginning of program implementation in October 2002, the program team has been closely following the activities undertaken by the World Bank (WB)-established veterinary centers and comparing their performance with the CABS-targeted veterinary service providers. The comparison primarily is based on two performance criteria – service delivery sustainability and responsiveness to clients’ demands. The program observations for this reporting period do not differ much from the previous reporting period: operational sustainability of the two centers did not progress significantly and approximately remained at the same points of 15 – 20%¹. Unfortunately, the centers’ unwillingness to openly share their business practices does not allow for greater learning and comparison between the two approaches.

During this reporting period, the CABS Program Manager met with key staff of the Ministry of Agriculture (MA) and informed them about Mercy Corps’ applied approach in developing the market for veterinary service. The MA staff was interested in the model and plans to visit the field in August or September this year to gain a better understanding of our approach. The MA staff also mentioned that they would like to visit the WB-created veterinary centers and compare their performance with the Mercy Corps supported veterinary network. The MA visit will provide a good opportunity to better assess the WB vet centers’ progress.

¹ This information was shared by the heads of the veterinary centers.

Human Interest Anecdote:

A woman farmer looks to the future with improved milk cows

Welcoming us with tea and homemade cherry jam, Tamamzer Behbutova sat in the shade of a tree and told us about her life. After her husband migrated to Russia she was left alone as the head of her household responsible for raising and supporting her five children. While traditionally in Azerbaijan the eldest son becomes the head of the household in the absence of the father, her eldest is currently serving obligatory military service in the Azerbaijan Army and is unable to help the family. Her second son contributes some money to the family through his job producing furniture but Tamamzer is the primary breadwinner. Although she has struggled she radiates optimism and determination, “I have a small farm and I make my living from it. I am very proud that I can support my family myself, and that I don’t have to ask anyone for money.”

Mercy Corps’ Cluster Access to Business Services (CABS) program, funded by the United States Agency for International Development (USAID) aims to improve the quality of veterinary services and livestock productivity in two southern regions of Azerbaijan in order to improve the livelihoods of rural families. The CABS program has focused on training, facilitation of market linkages and the formation of vet networks and farmer cluster groups to accomplish these goals. According to the regional statistics department, of the estimated 10,000 commercial livestock and poultry producers in Masalli and Lenkaran regions of Azerbaijan, 45% are women. Of this 45%, only 5% were able, prior to Mercy Corps activities, to access veterinarian services due to cultural restraints regarding women contacting men directly. At its inception in October 2002 the CABS program recognized the need for the facilitation of services to women. While it has been difficult in this traditional society for women to participate directly in the Mercy Corps organized farmer cluster groups dominated by men, Mercy Corps staff are finding that women are indirectly taking advantage of the information and benefits of the program.

Tamamzer lives in Chakhirli village, Masalli region, Azerbaijan. Her farm includes 5 hectares of tomato, sunflower, alfalfa and strawberry fields, 180 chickens, 4 cows and 3 calves. Tamamzer and her children tend to all of the animals and crops themselves. Tamamzer found out about Mercy Corps and the artificial insemination services offered by local veterinarians from her nephew Asker Aliyev, a member of the Chakhirli cluster initiative group. Asker involved Tamamzer in the vaccination campaigns conducted by the group and shared newly gained technical skills. When Asker saw good results after 4 of his cows were artificially inseminated he recommended the service to Tamamzer.

Artificial insemination (AI) of cattle enables farmers to improve the genetic quality and productivity of their herds. It prevents against transmission of diseases by traditional siring methods and it allows the farmer to choose from a variety of bulls based on their needs for milk or meat production. As part of the program goals to expand veterinary services and vet entrepreneurship, Mercy Corps trained two local veterinarians and assisted them in purchasing the specialized equipment necessary for artificial insemination. For the first time, affordable AI services were made available to farmers of the region.

One of Tamamzer’s three calves was conceived through AI using the semen of a highly productive Holstein bull. Tamamzer paid about \$10 for the services of Muslum Gurbanov, a local veterinarian supported by Mercy Corps. The new calf was born in March of 2004. “I can see the advantage of artificial insemination with my own eyes,” she says. “The calf is a healthy, it eats well and is gaining weight fast.” In only four months the calf has grown to the size of her

two locally bred calves which are both six months old. The calf is an investment that Tamamzer hopes to collect on in about a year and a half. “I’ve already received good offers to sell the calf but I’m going to wait. When I sell it I plan to use the money to plant a hectare of alfalfa and finish construction of a shed.” Once grown, the alfalfa will be cut and dried and used as a protein rich feed for her cows over the winter.

Two more of Tamamzer’s four cows have been successfully artificially inseminated by a second local veterinarian. Currently Tamamzer earns 10,000 AZM (about \$2) a day from the 20 liters of milk produced by her four cows. She hopes that the new calves will double her production when they begin to produce milk. “I remember in Soviet times how the collective farms had cows that could each produce 20 liters of milk a day. I hope that these calves will produce at least 10 liters each.”

While Tamamzer says she is too busy with her farm and caring for her children to be able to attend the Chakhirli cluster group meetings, a problem that appears to be common for women in the region, she says she benefits from the program indirectly through the technical information and help she receives from her relative Asker and the improved veterinary services that are now generally available.



Tamamzer has many plans for the future. As we said our goodbyes she thanked us for visiting and pointed to a partially constructed building, “that is my new house that I am building. I hope that the next time you visit you will be able to come to my new house.” Improving her cattle through artificial insemination is one element of this resourceful woman’s efforts for a brighter future for herself and her children.

Nathan Brown
Mercy Corps Intern in Azerbaijan
June 2004