



Semi-Annual Report # 2
For the period of
January 1, 2003 to June 30, 2003



Submitted to the United States Agency For International Development
Cluster Access to Business Services (CABS) Program in Rural Azerbaijan
Award No: **EEE-A-00-02-00055-00**

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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

Nine months into its implementation of the CABS program, Mercy Corps has proven itself as a pioneer of the BDS market development approach in Azerbaijan. Mercy Corps has successfully introduced new concepts, such as facilitation versus direct service provision, that were previously not thought possible when targeting micro enterprises and rural farmers. Furthermore, Mercy Corps has significantly impacted use of the veterinary and vaccination services through its awareness raising activities on animal and poultry diseases in the target communities. Thus far, the program has demonstrated that helping enterprises recognize their business problems would lead to the increased use and application of the appropriate business development services.

During the period of January – June 2003, the program focused its efforts in three key component areas:

- ✓ Building capacity of the veterinary and production advice service providers through networking and training;
- ✓ Facilitating the development of new service products tailored to respond to farmer needs and requirements;
- ✓ Facilitating farmer cluster development to encourage use of suitably customized services and information activities in order to increase awareness about how these services can maximize farmers' profits through proactive and preventive animal care.

During the reporting period, Mercy Corps selected 27 service providers and built their capacity to sustain and improve offered services. The program selected a diverse mix of the service providers that were pre-existing in the market and provided a geographical coverage of the target area. The main supply-side activities implemented included: 1) baseline survey of the service providers to document their current performance against indicators shown in Table 1; 2) skills transfer and capacity building; 3) facilitating linkages to training providers, government counterparts and formation of the local vets network comprising 14 veterinarians; 4) and introducing a new, fully self sufficient cattle artificial insemination service. As a result, the service providers have improved their service offering strategies, established productive partnerships and linkages with external agencies and improved access to quality veterinary supplies.

Demand-side activities for this period focused on facilitating formation of farmer clusters in 14 villages of the target area. The program worked with each selected village to organize the formation of initiative groups that represent the larger community and are the contact points with Mercy Corps and business service providers. The 14 initiative groups were then trained extensively in community mobilization and development. In the target communities, Mercy Corps organized awareness raising campaigns on major animal and poultry diseases and facilitated a number of linkages with the veterinarians and other sector players that resulted in increased economic opportunities for service providers and client clusters. Among program highlights are the clusters that represent an example of effective community advocacy. After the awareness raising campaign on animal diseases, facilitated by the program, some of the villages successfully demanded that the local State Veterinary Department provide mandatory vaccinations for a number of animal diseases. Finally,

the CABS team completed the baseline survey among the clients in the target clusters to identify their current status in terms of the following:

- access to the veterinarians, production advice and other business services,
- sales and production costs,
- size of businesses and employment opportunities

The above baseline information will serve to gauge the impact of the CABS program interventions. To date the program has reached 558 rural animal breeders and poultry raisers, 7% of whom are women clients and 78% are micro enterprises.

In addition, during this time period the program team obtained a comprehensive orientation on the subsector survey and BDS market assessment facilitated by an international consultant, Tim Canedo. The orientation helped the team better understand and respond to the sector trends and market changes. Tim Canedo also conducted a thorough review of the program's monitoring and evaluation tools and provided constructive feedback to improve the existing system.

During the next six months of program implementation, the CABS team plans to expand activities to new underserved villages and start partnering with another 27 service providers.

The program is progressing in line with the approved Work Plan and has thus far successfully met the targets outlined in the 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\$)		9 548 000	10 000 000	11 200 000
	PROGRAM-LEVEL					
2.	Annual value of sales (in US\$)		638 000	3 450 000	4 570 000	
All applicants	ASSESSING THE DEVELOPMENT OF THE BDS MARKET					
	MARKET-LEVEL					
	3.	Total number of BDS providers, by service	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, by service	27	27	54	54
	a.	Service 1 Veterinary Services	21	27	54	54
	i.	Percent private, for-profit providers	100%	100%	100%	100%
	b.	Service 2 Embedded Production Advice	27	27	54	54
	i.	Percent private, for-profit providers	100%	100%	100%	100%
	5.	Total number of firms acquiring BDS from program-supported providers, by service	558	783	3 132	4 158
	a.	Service 1 Veterinary Services	558	783	3 132	4 158
	b.	Service 2 Embedded Production Advice	558	587	2 349	3 119
	6.	Number of microenterprises acquiring BDS from program-supported providers, by service	433	541	2 890	3 900
	a.	Service 1 Veterinary Services	433	541	2 890	3 900
	b.	Service 2 Embedded Production Advice	433	406	2 168	2 925
7.	Microenterprises as percent of total firms (line 6/line 5)	78%	69%	92%	94%	

	8.	Number of woman-owned microenterprises acquiring BDS from program-supported providers, by service	29	110	900	1 700
	a.	Service 1 Veterinary Services	29	110	900	1 700
	b.	Service 2 Embedded Production Advice	29	83	675	1 275
	9.	Woman-owned microenterprises as percent of total microenterprises (line 8/line 6)	7%	20%	31%	44%
All applicants	ASSESSING THE FACILITATOR'S COST-EFFECTIVENESS (PROGRAM-LEVEL INDICATORS)					
	10.	Total program costs	\$134 838	\$314 610	\$344 989	\$367 870
	11.	Total program costs per microenterprise served (line 10/line 6)	\$ 311	\$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 (please suggest appropriate indicator(s) to measure the profitability of the BDS providers with whom you work and/or services they provide, and explain/justify this measure in the narrative section)	\$900 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\$)	0	638 000	3 450 000	4 570 000
	17.	Microenterprise client satisfaction (see "Guidelines" for further explanation):	0			
	a.	Service 1: number of repeat clients	0	530	2 832	3 822
	b.	Service 2: number of repeat clients	0	398	2 124	2 867
All applicants	OTHER INDICATORS					
	18.	Exchange rate used to calculate US\$ figures	\$1 = 4920AzM	\$1 = 4830AzM	\$1 = 4950AzM	\$1 = 5100AzM
	19.	Estimated percentage of microenterprises on line 6 who have poverty loans from any source	0	5%	5%	10%

B. Narrative Explanation

Assessing markets for goods and service: Indicators 1 and 2

As Mercy Corps plans to review the impact on the final goods and services market on a yearly basis, allowing sufficient time to demonstrate the impact, these indicators are not reported in this activity period.

Assessing the development of the BDS market: Indicator 9

As described below in this report, reaching the women clients was one of the major challenges faced during the period. In order to address this, Mercy Corps hired a female field officer and recruited a female volunteer to establish initial contact with the women groups and link them with the service providers and other sector players.

Assessing the impact on the micro enterprise clients: Indicators 16 and 17

As Mercy Corps plans to conduct the clients' impact assessment on a yearly basis, allowing sufficient time to demonstrate the impact, these indicators are not reported in this activity period.

III. Implementation issues

During the period of January 1 – June 30, 2003 Mercy Corps worked in innovative ways to make the program activities fully operational and achieve results indicated in the Detailed Implementation Plan. 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. Within this reporting period, the program focused its mobilization simultaneously in its three key component areas on the supply and demand sides of the service market:

- ✓ Building capacity of the veterinary and production advice service providers through networking and training;
- ✓ Facilitating the development of new service products;
- ✓ Facilitating farmer cluster development and awareness raising activities on animal and poultry diseases.

On the supply side, the program selected 27 providers of veterinary and production advice services for building their entrepreneurial capacity. The program team 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, services providers were referred to training providers, government counterparts and the regional veterinary laboratory to help them gain 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.

In the two-month period after the training events, 14 service providers came together and formed a local veterinarian network to address common problems and attract public attention to the regional veterinary actions. When the network members were asked: "why do you think networking is useful for you", one of the answers was: "often times the diseases are highly contagious and spread quickly, requiring the treatment of many animals on many farms at the same time. The network has been instrumental in helping the vets to identify farmers in need and to collaborate in delivery of services when necessary." One of the program successes in networking was also linking the vets with the in-country dealer of a worldwide known veterinary supply producer INTERVET. The dealer organized a training session for the service providers on new veterinary drugs and their usage and established commercial relations with the network vets. Now the dealer supplies the service providers with goods on a consignment term thus creating access to high quality veterinary drugs for nearly 200 rural farmers.



“...The network has been instrumental in helping the vets... to collaborate in delivery of services when necessary.”
Sutamurdov village, Lenkaran, Azerbaijan

Another success of facilitating business linkages between the service providers and other sector players was introduction of a new service in the area: cattle artificial insemination. A local commercial firm, which imports the semen of highly productive Dutch dairy cows and distributes it in Azerbaijan, trained two vets on artificial insemination (AI). Presently, these two new technicians constantly purchase the semen from the firm and offer a fee based AI service in the area. To date, 39 farmers have used the service and first calves are expected in January – February 2004.

On the demand-side, the program focused on facilitating the formation of client clusters in underserved villages of the target area. The goal of cluster development is to position villages to jointly arrange and manage preventive animal care activities by pooling their own resources and in this way achieving economies of scale.

Mercy Corps worked with the leader of each selected cluster to organize the formation of the cluster initiative group, which in fact represents the interests of a larger community and serves as a contact point for the program and service providers. The first 17 selected clusters were provided extensive orientation on program activities and training on community mobilization and development. The program team, with the help of the veterinary service providers, facilitated a process of preventive measures plan development for each village. During the process of the preventive service plan development, Mercy Corps had to suspend program activities in 3 villages, as the team did not see a demonstrated evidence of the farmers' will to invest time and other resources in the activity. The villagers indicated their expectations of subsidies and relief related donations from Mercy Corps. The CABS team plans to capitalize on the remaining 14 clusters and believes their success will encourage others to follow suit. In the target communities, Mercy Corps arranged awareness raising campaigns on major animal and poultry diseases and facilitated a number of linkages with veterinarians that resulted in increased use of the veterinary service both for emergency and preventive care cases.



After the awareness raising campaigns...some of the villages demanded to provide mandatory vaccination for a number of animal diseases.

Miankur village, Massali, Azerbaijan

Mercy Corps is committed to documenting lessons learned during program implementation and integrating these into future activities. The program learned many lessons and faced a few challenges in this reporting period. Among the most salient are the following:

- ✓ First, the CABS team learned that it is both a time and labor-intensive process to successfully facilitate the mobilization of client clusters for joint action. Therefore the team will be working toward transferring skills more to the village leaders and outside contractors capable of managing the cluster in a manner that is fair and equitable to all community members;

- ✓ Second, the program found that encouraging business people to “start small” and build on success is a more sustainable approach for maintaining or starting businesses or implementing result and impact oriented activities;
- ✓ Third, an effective and expansive information campaign is critical to creating ongoing demand for services.
- ✓ Fourth, the most significant challenge that Mercy Corps faced this reporting period is reaching women clients in the cluster villages. The program found that women are more receptive to female service providers or outreach staff for establishing a first contact. The program hired a female field officer and recruited one female volunteer from the local university to introduce and build an initial contact with the women groups.

IV. Progress on learning agenda

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

MC remains committed to learning new BDS practices and integrating them in its programs. The focus on strengthening the knowledge, skills and application of the BDS market development approach within the MC organization predates the award of this grant. The following major activities were undertaken in this respect during the reporting period:

- With the purpose of disseminating the information among the Mercy Corps Microenterprise Development network and sharing best practices throughout the organization, the entire CABS proposal, market assessment and program design documents were placed on the internal organizational Digital Library;
- In February – March 2003, Mercy Corps participated in the SEEP Network PLP on-line discussion on the BDS market assessment and got interesting insights into the application of the assessment results in BDS program design and implementation;
- Also 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 is 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 the topic of mainstreaming micro enterprises into lucrative markets. Mercy Corps believes that participation in such events will significantly contribute to building the institutional capacity of the organization and encourage effective application of the BDS best practices.

B. Review of cluster development

As was noted earlier, program management recognizes the importance of having qualified and dedicated cluster leaders capable of managing groups of farmers in a fair and equitable way. For this reason, some program clusters elected a farmer-leader from their own villages. Others hired the veterinary service providers themselves to plan vaccination and preventive care visits; the challenge then is to identify a person who would be objective enough not to manipulate the joint community actions and decision-making process. Although it is too early to compare which of the approaches is better, the program team is tracking the progress in these two scenarios to determine their effectiveness. In future, the CABS program is going to make a comparative analysis of different leadership modes with involved vets, member farmers, middlemen, etc. in order to better gauge the dynamics of clusters and their leadership and determine which works best for the CABS program.

C. Comparison of two veterinary-targeted BDS models

Since during this reporting period the World Bank's program on developing the private veterinary centers in the target areas remained in its infant stage of implementation, Mercy Corps did not have a chance to conduct a fair evaluation of the performance of the two veterinary-targeted BDS models.

Human Interest Anecdote: Seeing is Believing

Muslim has been driving from house to house, checking up on his patients to see how they are coming along in their pregnancies. Looking down at his checklist, he runs his finger down the list of names and puts a small “x” next to Hussein Huseynov’s name: “not at home.” Muslim is in luck though, returning back through the village center he spots Hussein crossing the street with a bag of goods.

“Hussein,” he calls out, stopping to greet his client, “how is she doing? Any problems?”

“No problems,” replies Hussein after exchanging greetings, “She’s already reached 38-days and seems to be doing fine.”

It’s not Hussein’s wife or daughter that the two are discussing, but Gara Gelin, Hussein’s cow. Muslim, a trained veterinarian is the first in his region to perform artificial insemination on the cattle of local farmers. The offspring of the improved livestock will not only be healthier and stronger, but also provide more milk with a higher fat content, generating more revenues for their owners. Since completing the training organized by Mercy Corps three months ago, Muslim has performed a total of 39 such procedures in the surrounding four villages, with a 100% pregnancy success rate.

Muslim’s activities are but one of the components of the Mercy Corps-implemented Cluster Access to Business Services program funded by USAID in the southern regions of Azerbaijan. Since October of 2003, the program activities have been carried out in the Lenkaran and Masalli regions to address both demand and supply side constraints of the veterinarian and production advice services market and strengthen linkages between the two sides. On the demand side, community development activities are being implemented in area villages to support the formation of Farmer Clusters empowered to address their business needs. On the supply side, the program collaborates with area veterinarians to improve not only their veterinary skills, but more importantly, their entrepreneurial skills through training in business management, marketing and product development. Linkages between the two are facilitated through the implementation of campaigns to raise the awareness of farmers on available veterinary services as well as through networking activities of area veterinarians to market their services.



“...Now I believe that these activities can help me even more in the future.”
Muslim Gurbanov,
Lenkaran, Azerbaijan

When program staff first approached Muslim during the assessment stage to ask him about his needs, he was doubtful that the program would work. “I didn’t believe that the program could

really help us,” he admits now, a year later, “There’s often a lot of talk, but we see little results.” Doubtful as he was, he agreed to participate in program trainings where he learned about marketing and advertising practices and animal stock insurance. A graduate of veterinary school in Russia, Muslim has ten years of professional experience behind him but still faces problems with local farmers’ lack of knowledge about not only the services he provides, but also the services necessary to keep their livestock healthy. In the trainings, he learned concrete ways to sell himself to local farmers, further raising his visibility through vaccination campaigns carried out through the project-supported Veterinarian Network. “I began to believe that the project could help us when I went to the trainings and saw that they not only talked, but also acted on their word.”

Muslim didn’t need any more convincing by the time the program began to search for an area veterinarian willing to invest his own funds in the purchase of the necessary equipment. “By the third training, when I heard about the opportunity to learn artificial insemination techniques, I was already convinced that I could do this. I decided to contribute my own money because I believed that I could make it work. The project called for a 20% contribution, but I was ready to contribute 30%, even 40% because I believed that I could profit from this.” With Muslim’s contribution and the assistance of the program, Muslim purchased 90 vials of high-quality cattle semen and two liquid nitrogen tanks to store them. At his own cost, he traveled to the neighboring district to be trained in artificial insemination techniques previously unknown of in Lenkaran and Massali.

Word slowly spread back in the area that the veterinarian was performing the new procedure with a guarantee: if the pregnancy didn’t take the first time, he would perform it again for free. Of 39 inseminations performed to date, only twice did Muslim have to repeat the operation a second time, a testimony to his diligence and high performance standards. In a short time, Muslim has already earned a total net profit of approximately \$100 from this particular activity, which he has used to reinvest in purchasing more semen. Whether or not to continue to develop his services is no longer a question for Muslim, as he is now convinced of the benefit to not only his own business, but to community farmers as well. “Now I believe that these activities can help me even more in the future,” he states confidently.