External Review

FARMS

Facilitating Access to Animal Resources and Markets in the Districts of Agcabadi and Beylaqan in Azerbaijan

Final draft

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Abbreviations

AAC	Azerbaijan Agrobusiness Centre
AFSA	Azerbaijan Food Security Alliance
AI	Artificial Insemination
AIM	Agro Informasiya Merkezi (Agro Information Centre)
CHF	Swiss Franc
DAC	Development Assistance Committee (OECD)
DCED	Donor Committee on Enterprise Development
DRR	Disaster Risk Reduction
EDE	Economic Development and Employment
HEKS-EPER	Swiss Interchurch Aid
IDP	Internally Displaced Persons
M&E	Monitoring and evaluation
M4P	Making Markets Work for the Poor
PIU	Project Implementation Unit
SCO	Swiss Cooperation Office
SDC	Swiss Agency for Development and Cooperation
TL	Team Leader
TOR	Terms of Reference

1 Introduction

FARMS in brief

The Swiss Agency for Development and Cooperation (SDC) is funding the project "Facilitating Access to Animal Resources and Markets in the Districts of Agcabadi and Beylaqan (FARMS)", as part of its Economic Development and Employment (EDE) Domain in Azerbaijan. The project is implemented by the Swiss development organisation HEKS-EPER and the three-years phase is to last from September 2010 to August 2013.

FARMS is implemented in parallel with a second EDE project of SDC in Azerbaijan, SMART-Farmers (Stimulating Markets for Farmers in the Districts of Barda, Tartar and Agdam), which is implemented by Oxfam GB. Both projects apply the Making Markets Work for the Poor (M4P) approach. While FARMS is focused on the animal husbandry sector, SMART-Farmers is active in horticulture. The projects operate in adjacent districts (rayons) of central Azerbaijan.

FARMS started its activities with an inception phase that lasted from mid September 2010 to April 2011. As result of several surveys and assessments, the project decided to target the market systems of (i) animal health, (ii) feed, (iii) breeding and (iv) dairying, to facilitate the respective markets to function better for poor farmers.

The main phase started in May 2011 and is to last until August 2013, giving the project an actual implementation period of 28 months. The overall phase budget is CHF 2.145m (or approximately AZN 1.8m at current exchange rates).

The project goal is to contribute to poverty reduction of target communities through sustainable increase of incomes of male and female farmers in animal husbandry; the project purpose is to facilitate systemic market changes to allow small and medium cattle holders to increase productivity and profitability of their farms. The related five initial outcomes are to improve:

- Outcome 1: Access to animal health services
- Outcome 2: Access to animal feeding
- *Outcome 3: Access to AI services (dropped at the end of 2011)*
- Outcome 4: Market access and terms of trade in milk market
- Outcome 5: Addressing environmental risks related to selected value chains (DRR)

In 2011, HEKS and SDC jointly decided to terminate the breeding, i.e. de facto AI component (outcome 3), due to challenges linked with the strong government monopoly and its "protectionist behaviour" in artificial insemination.

Main implementing partner of HEKS is AIM (Agro Information Centre), a NGO headquartered in the region; it was contracted to implement the animal health, feeding, breeding and DRR components. AAC (Azerbaijan Agribusiness Centre) from Baku was initially subcontracted for the dairying component. At the end of 2012, the AAC contract was terminated and the core staff directly incorporated into the PIU.

An important milestone has been the official registration of HEKS/EPER as international NGO in Azerbaijan, which was finally received in July 2012 and has since greatly improved the project's working conditions in the country.

External review

SDC has mandated an external review of FARMS in February 2013. The same team that conducted the FARMS review also reviewed the SMART-Farmers project during the same mission.

The FARMS review had the objectives to:

(1) Assess relevance, effectiveness, efficiency, and sustainability of the project, its approaches and activities, and

(2) Provide suggestions for a 2nd and final phase of the project.

The review team visited the FARM rayons Agcabadi and Beylaqan between 5 and 11 February 2013. It held meetings with the Swiss Cooperation Office (SCO), the project implementation unit (PIU) and the implementing partner AIM (Agro Information Centre) in Agcabadi, as well as with the Excom offices and Veterinary Departments of both rayons. In Baku, a meeting was held with the Chairwoman and the Head of International Relations of the State Vet Service.

Field visits were made in both rayons to members of the veterinary network, dairy managers and middlemen, feed millers, rayon and village feed distributers, municipality representatives and members of a disaster risk reduction committee (DRRC).

At the end of the mission, a joint workshop was held with the teams of the FARMS and SMART projects. The objective was to arrive at common conclusions and recommendations on: (i) reasons for abandoning value chains (AI for FARMS; yellow onion for SMART); (ii) issues faced in the seed sector (where both projects are active); as well as (iii) main challenges in applying the M4P approach in Azerbaijan. The results of the workshop have flown into the analyses of both projects, specifically also into chapter 81.

The review team would like to thank all parties involved and express its gratitude for the excellent collaboration received and the open and constructive discussions that could be held. Any errors or omissions are of course the sole responsibility of the authors of this report.

2 Results and analysis of outcome 1: animal health

The main activity line under this outcome was to facilitate the self-organising of veterinarians to offer better services and thus to improve access to health care and inputs for farmers. To this end, a platform was built for veterinarians under the name of veterinary network or VetNet. It currently has 35 members, seven of which are so-called progressive vets, i.e. those most experienced and interested in changing the situation. Of these, five are government vets and two are private practitioners. 14 members are so-called affiliated private vets, of which seven are women. The remaining 14 members are paravets (normally educated in an agricultural college) or feldshers, as they are locally known, seven of which are again women.

An AIM staff acts as facilitator for the VetNet and organises the monthly meetings, which are usually dedicated to a specific topic or training, decided by the members. Until the end of 2012, VetNet members received a monthly remuneration (50 AZN for vets and 25 AZN for feldshers). These payments have now been discontinued as per January 2013. As part of the VetNet activities, the project also assisted in organising annual animal health conferences in the region.

A recent innovation has been the installation of a vet hotline service as pilot in the vet department in Beylagan rayon. A part-time operator receives calls from farmers with animal health problems under a publicised number and forwards them to two progressive vets (one in each rayon) who then phone up the farmers and either attend the case themselves or pass it on to a close-by colleague or feldscher for treatment. The two rayon vets have so far been paid 150 AZN per month; starting from 2013, a case-wise payment schedule has been agreed. A visit to the hotline secretariat revealed an average of two to three incoming calls per day.

The project's M&E systems shows that, since the baseline was made in 2010, cattle mortality has decreased and the income of VetNet members increased, as farmers make more use of paid vet services. In 2012, the 34 VetNet members had 8400 registered client contacts with a total number of approximately 5000 farmers.

Animal health discussion

The VetNet is up and running, and discussions with members has shown their interest and motivation in participating and vets and feldschers do earn more than before. The M&E system confirms the positive impact on the VetNet members and their farmer clients. As such, the VetNet can be assessed as successful innovation and a first step towards privatisation of vet services in the region.

However, the VetNet is not growing and membership has remained largely unchanged since its inception. Discussions at the Vet Department in Beylagan could not fully clarify the question of why not more from the overall 20 government vets and 16 feldschers in the rayon would want to participate in this apparently successful venture. Also, the sustainability of the VetNet remains to be proven, now that the payments to the members have ended and when AIM staff will not anymore facilitate the group in the future.

The responsiveness of the government vet system to the VetNet innovation has so far depended on supportive individuals (in particular the Director in Beylaqan and the Deputy Director in Agjabadi). The vet system as a whole remained as passive and ineffective as

before (the mission was told that only 25% of the theoretically available department budget would be spent in the rayons).

A similar assessment is made in relation to the vet hotline pilot. As such, it is certainly an innovative idea that has the potential to provide a flexible and timesaving link between demand (for vet services) and supply of adequate services. However, its future sustainability has again to be questioned should the project payments to the secretariat and the core vets stop and the service were to become financially self-sustaining, i.e. paid by the participating vets. In other countries, similar hotline concepts have been organised at national scale, often funded by mobile operators as part of their CSR strategies. In these cases, substantial project investments in high-level lobbying were required that took considerable amounts of time and resources (which are not available to a small project like FARMS).

Currently under discussion at national level (and also within the project) are so-called VetPoints that combine (i) vet clinic, (ii) drugstore, and (iii) AI services at one location. These VetPoints are to be owned and operated by private vets. The concept was first introduced at rayon level in 2006 (funded by a World Bank loan). However, at least in Beylagan and Agcabadi, activities stopped after project funds ceased and no trace of this venture is left today.

Despite this rather unsuccessful past experience, the government currently plans to establish VetPoints, this time at the level of the 740 villages or municipalities. Core emphasis will be again on provision of infrastructure (buildings, instruments, etc.) and financing may come through a new IFI loan.

Per se, this upcoming major effort by the government would constitute something like a window of opportunity. A national policy level intervention might look for opportunities to add a 'software' component, for instance the VetNet concept, to the government plans. Currently, however, the project does not have the required policy leverage, as it operates in what can be termed 'splendid isolation' in its two rayons (also due to the long and difficult official registration process for HEKS in the country). In any case, should SDC/HEKS enter into this discussion, a longer-term commitment would be required and it is difficult to see how this could be done with a standard M4P approach, as it would largely mean to closely cooperate with the government.

The vet system shows one similar characteristic to the earlier abandoned AI system: it would depend on the dominant and unresponsive government system to facilitate sustainable systemic change. FARMS has managed to achieve an impact at local level but to change the overall system is too tall an order for a local/regional project alone. An obvious conclusion may be that FARMS leaves it to the government, World Bank and other big players, like the EU, to address the countrywide vet problem. The leeway for the private sector remains very limited and there is in any case a risk that the M4P focus would get lost.

This, however, should not refrain the project from further pursuing – during the remaining part of the current phase – its initiative to improve the practical training for feldshers through collaboration with the local agrarian and veterinary college.

3 Results and analysis of outcome 2: animal feed

Outcome 2 is to improve access for male and female cattle holders to appropriate and affordable cattle nutritional inputs for meat and dairy production. To this end, the project implemented three main intervention lines in the animal feed value chain: (1) organise feed distributors; (2) make fodder additives available in fodder mills; (3) improve availability of good quality alfalfa seeds.

2a: Feed distribution

The main driver of change in concentrate feed distribution in the region is Sheker, a regional sugar factory and part of the large AzerSun holding (that may also become a partner of SMART in strawberries). Initial attempts to collaborate with the Greenland feed company were not successful due to various confidentiality pretexts.

The project was able to convince Sheker – after substantial initial resistance – to test the market potential of small customers and Sheker changed from its random distribution network to a structured and formalised system. The new distribution channel consists of two official Sheker rayon distributors that in turn collaborate with a total of 27 village feed distributors, nine out of which are female (plus five fodder mills). The new system was piloted in the 30 target villages of FARMS and then expanded to further villages. As next step, the project intends to collaborate with Sheker to train the rayon and village distributors to provide better embedded advisory services to their customers.

The M&E system already shows positive impact figures: in 2012, each rayon distributor sold around 200 tons of industrially produced concentrates per month, of which around one fourth was sold through the village distributors, apparently with an upward trend.

Overall, this project effort can be assessed as success story, compliant with the M4P approach. However, the real 'litmus test' for the new distribution system will be whether Sheker will apply the same system to its entire distribution network in the country. The project should investigate with the company whether they indeed plan to do so (and, if not, evidently why not).

2b: Fodder mills

Traditionally, farmers had their roughage and crop residues milled in local mills without using any additives. The main supplier of mineral and vitamin additives, the Agroyem company, only sold its products in shops in the bazaars. Facilitated by the project, currently seven of the 20 millers in the two rayons regularly offer mixing of additives into the fodder of their customers. To facilitate the facilitation, so to speak, the project provided modest co-financing for new milling equipment for the participating millers.

Fodder millers now advertise, inform and advise their clients on the proper use of additives. Apparently, the new offer of adding minerals to plain fodder is taken up mostly by what can be called professional farmers (i.e. those that have at least some 10 cows or more) and seems to be more widespread with farmers concentrating on beef fattening. The latest survey figures of the project do not yet show a visible increase in milk yields, but adding minerals like calcium is definitely beneficial for the health of the animals. One evident reason why no milk yield impact is measurable so far may be that, as mentioned, mostly beef producers incur the additional expense for mineral and vitamin additives.

Again, the intervention with the fodder mills can be assessed as promising and M4P compliant success story – albeit more linked to the beef fattening than the dairy value chain. The remaining challenges to achieve sustainable and systemic change are whether (1) the other 13 millers also see a business opportunity and come on board, and (2) whether Agroyem will follow this new distribution system also in the rest of the country.

2c: Alfalfa seeds

Alfalfa is the main fodder crop in the area and considerable tracts are under its cultivation. Initial research by the project has shown that the quality of alfalfa seed (in terms of germination rates and yields) is low, as is the resulting hay quality. Complaints of substandard seed quality and tampering are very widespread. Alfalfa seed is produced locally as well as imported from Uzbekistan. The project has approached the only state seed farm that produces good quality seeds. The farm focuses on selection and multiplication of multi-perennial seed (seven annual reproduction cycles compared to two of local seed). Normally, the farm only sells to large customers; FARMS was able to convince the manager to plant an extra area for supply to around 250 small farmers.

The state farm's sales to small farmers have since increased from 140kg in 2011 to a (still very modest) 725kg in 2012. From this mother seed, around 20 farmers have started private multiplication and four demo plots were established in the region.

However, access to sufficient quantities of good quality seed remains a serious problem and the government farm alone cannot supply the required volumes. It remains to be seen in how far the 20 pioneer multipliers will be able to cater to the demand in the market.

Feed discussion

Good feed and fodder is essential for more productive cows and most animals in the region are evidently not well fed and managed and consequently not in a good condition.

The project has had its main success story in facilitating improvements in the distribution system of concentrates. Should the supplying company apply this system to other areas on its own, the intervention can be classified as mature and the project can withdraw from it.

It also successfully initiated adding of additives to milled fodder. If this will spread to other millers in the region as new business opportunity, and if the supplying company will follow the same approach of supplying additives to milers in other areas, the intervention can again be classified as mature and the project can withdraw.

Success in improving the availability of quality alfalfa seed is assessed as being limited so far. Similar to the SMART project in vegetable seed, FARMS has experienced problems in achieving larger scale systemic impact. Any seed sector is a complicated system requiring interventions at various levels and steps, from import of global genomics to foundation seed breeding, registration and certification, and finally multiplication, quality control, and distribution. Given the state's official control over most steps, on one hand, and the widespread practice of illegal imports and tampering, on the other hand, it is difficult for a small project to induce systemic change beyond trying to address some symptoms of market distortion at local level. In order to achieve real impact, a national level effort would be required that looks into all levels and steps of the seed sector.

4 Results and analysis of outcome 4: milk

The milk collection system in the region (and presumably in the entire country) consists, on the one hand, of large and high technology companies like Atena, with their own stables and high yielding cows as well as, on the other hand, small and medium dairies that mostly produce local cheese varieties. Milk supply to the latter group is unreliable and chaotic. Dairies do not have assured volumes of good quality milk and farmers have no purchase guarantees. This situation leads to fighting and also cheating and is far from an efficient collection system that would benefit all actors in the chain.

In the two rayons, 25 medium-sized processing dairies operate next to three large factories. The project is collaborating with four dairies (one of which had a fire incident and is currently being reconstructed). It took the better part of one year to convince these clients to regularise their milk supply and collection system. As with the feed millers, the process was facilitated by co-financing new dairy equipment for the participating 'first mover' dairies.

The newly regulated and improved collection system is led by the dairies that have made contracts with milk buyers or middlemen, which in turn collaborate with a current total of 11 producer groups, consisting of 150 farmers. The quality of the supplied milk is now traceable due to mobile quality testing equipment and the annual fluctuation in milk supply could at least be reduced. In the dairies, processing has improved due to business training and introduction of good management practices; products were diversified and a better positioning in the cheese market achieved.

Within 12 months, the four dairies increased the number of clients by 15% and the volume of milk collected by 51%. According to the project, 16 new producer groups are to start soon and three more dairies are also interested to join the venture. Dairy managers and middlemen are clearly motivated by the business potential and the farmer groups profit from the regularised purchases at central collection points in the villages and standardized payments.

AAC was originally subcontracted for the dairy component but did not deliver to the extent expected. Their contract was not renewed for 2013 and the main expert directly incorporated into the PIU.

A recent project survey of the main cheese market Baku has shown that the demand for local cheese is large and the market is far from being saturated. A potential challenge might be the new food safety law that, if actually implemented, would require substantial investments in equipment and quality process improvements by the local dairies.

Milk discussion

The dairy activities can certainly be assessed as a good and M4P compliant intervention. Though a full breakthrough has not been achieved yet, other actors are interested and the new concept and system is expanding. Untapped potential seems to exist with other dairies that may crowd in after exposure to the first successful ones.

Farmer groups have the potential to become multipurpose. The groups do have a clear economic motivation and purpose (earn more money through milk) and thus have a good sustainability potential. They may therefore also be a promising entry point for improving substandard animal management and health care. Two dairies have already started trilateral agreements (for provision of fodder concentrates and delivery of vet services), respectively

provided a collateral to a credit organisation (guaranteeing the creditworthiness of its milk farmers).

Copying and expanding the successful group formation model by milk suppliers/middlemen should allow increasing the supply to dairies and ensure better quality, reduce transaction costs and further regularise milk sales from farmers.

In the dairies, the next step of technology and process improvements (also in view of the food safety law) will require external expertise (that AAC was not in a position to provide); especially the smaller dairies will only partly be willing to invest in these improvements. Some 'motivation facilitation' in terms of co-financing will most probably be required to this end.

5 Results and analysis of outcome 5: DRR

DRR related activities are implemented by AIM and constitute an important budget line of FARMS. So far, 28% of project administered funds were spend under this component. The project has completed 34 ventures: seven irrigation and three drainage channels were cleaned, nine artesian wells rehabilitated, nine reforestations conducted, three sheep scab baths constructed, four sluices improved and six bridges repaired.

All ventures were de facto very good and fully participatory community development projects for basic rural infrastructure, co-financed by the project. The DRR committees mostly consist of village ‘dignitaries’ (i.e. teachers, public servants, etc.) and less of professional animal husbandry farmers.

In 15 villages, FARMS conducted participatory cost-benefit analyses of the projects, including economic, social and environmental parameters. Gross margin calculations vary widely over same-type projects, a real comparison is therefore difficult. However, the accuracy of the calculated margins was less important than the process of participatory assessments that demonstrated the impact of the investments to villagers and served as an eye opener for many.

DRR discussion

The DRR logframe specifically calls for addressing environmental risks related to selected value chains (and has, by the way, extremely ambitious, if not unrealistic, indicators). A direct link to animal husbandry can only be made in the case of the sheep baths in three villages; an indirect linkage of irrigation and drainage channel cleaning, that are impact on crop husbandry, can be made with alfalfa, i.e. fodder production.

Future DRR projects should therefore only be undertaken if they are (i) either directly related to cleanliness and health of village animals or, alternatively, (ii) in cooperation with companies (dairies, mills, etc.) on hygiene and environmental aspects. In the first case, it may be advisable to predefine a short list of possible projects for villages to select. Also, given the quite different approach compared with the rest of the components, the DRR component could easily be fully outsourced to a local organisation.

6 Project management

Results measurement system

FARMS operates a comprehensive results measurement system, whereby monthly data are collected on a range of indicators. The system follows the DCED standard and is based on result chains for each intervention; the chain starts with interventions, moves on to service level, then enterprise and sector levels, and finally poverty level. The system is rather heavy – consisting of a total of 40 indicators that have to be measured – and requires substantial resources to operate[1].

In late 2012, FARMS has repeated the original baseline study that had been conducted in 2010[2]. 117 households, selected according to a well-designed stratified sampling procedure in 2010, were interviewed again. Around 50% of respondents constituted the control group, i.e. were households from villages where the project was not active.

The monitoring system produces a wealth of data. The question is whether they can be translated into strategic information that is used to influence management decisions or whether the system is mainly operated for reporting purposes to the donor.

It is in any case advised to keep an eye on the cost-result ratio of the monitoring system, especially for a comparatively small project like FARMS. The number of indicators should be reduced from 40 to a more manageable number. Selection of less but essential key performance indicators should suffice; after all, FARMS is not an agricultural research project.

Staffing

The Project Implementation Unit (PIU) consists of an international Team Leader (with a 75% part-time arrangement), the National Project Manager and three core staff. Since its inception, obtaining and retaining qualified staff has been an issue for FARMS. For instance, the PIU was operating only five weeks with complete staff during the first half of 2012. Reasons why people left varied, but were mostly linked to their families not living in Agjabadi. Currently, the additional staff position approved for 2013 remains vacant and may have to be filled through a service agreement instead of a normal contract.

The main implementing partner AIM has excellent local contacts and a good reputation; it was instrumental for FARMS to 'get a foot on the ground', i.e. to be an accepted player in the region. The M4P approach was new to AIM and its regular NGO approach is probably still most visible in the DRR component activities.

As mentioned, the other partner AAC, initially subcontracted for the dairying component, did not perform as envisaged and the contract was terminated at the end of 2012.

[1] FARMS: Annual Narrative Report (01.01.2012 – 31.12.2012), February 2013, Annex D.

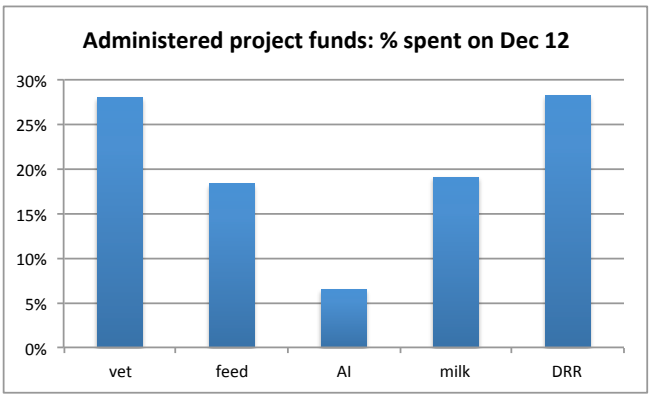
[2] FARMS: Outcome baseline survey and impact study; draft, February 2013.

Budget and expenditures

The FARMS phase budget is CHF 2.145m (or approximately AZN 1.8m) for three years, i.e. around CHF 0.7m per year. The total AIM total contract volume is CHF 660,000, AAC's contract up to the end of 2012 was for CHF 113,000.

The project so far has been underspending. At the end of 2012, when around 75% of the phase period had passed, the project spent around 60% of its budget. The main reasons cited for this are staff vacancies in the PIU that add up to more than 20 person months, as well as the late registration of HEKS - EPER in July 2012, which meant that only service contracts could be concluded before (with less taxes and social fund contributions than budgeted). Also, no international short-term expert was contracted in 2011. In addition, a large part of the research during the inception phase was made directly by the PIU.

As per end of 2012, the percentage share of administered project funds spent on the five original components was as follows:



The diagram illustrates that vet and, interestingly, DRR used the largest shares of administered project funds so far; feed and dairying coming a clear second.

7 Assessment according to DAC criteria

71 Relevance and ownership

At the outset, it has to be stated that relevant systemic changes in the political economy of Azerbaijan are difficult to achieve. The state is strong, controlling and all pervasive. Government support instruments exist (even massive ones) but their application is skewed, not in favour of bottom-up development. The system is highly centralised and not responsive to outside (small) initiatives but rather protective of its perceived interests and prerogatives.

The private sector is dominated by well-connected large holdings that are able to monopolise markets and make entry difficult for less connected actors. The remaining private sector can only develop within the confines given by the strong state and its affiliated big interests.

These defining characteristics of the political and economic reality in the country (‘elephants in the room’) were not sufficiently anticipated when interventions were designed and unfortunately are also not addressed in the backstopper reports. Consequently, project interventions have, so to speak, hit several walls. Open and hidden resistance within the

government system blocked the AI interventions by FARMS. Only individuals back the VetNet initiative; the system has not responded, even though officially privatisation of the vet service already started in 2001 (and has made very little progress despite large government and donor programmes). Large-scale alfalfa seed tampering continues and is not reined in, despite the government having the means to do so.

The most relevant and successful M4P interventions were in areas where the state is largely absent and the project managed to team up with interested private sector players that saw a business opportunity. This applies to the milk supply chains, the feed distribution system and the fodder additives. Project facilitation was good, given the difficult and remote context, and good inroads were made in these three value chains; however, the full impact potential still needs to be tapped.

Lengthy discussions on consistency with the M4P approach were required between the team and the backstoppers, especially on the appropriateness of co-financing. The review team is of the opinion that, given also the long 'freebie' tradition of past humanitarian projects in the region, limited co-financing through a competitive process was essential and successful to initiate change.

From what was said above, it is evident that the DRR interventions cannot be classified as M4P proper. De facto, the impression is of two separate projects (DRR and the rest) with the former applying a typical participatory community development approach.

72 Effectiveness

In the recently completed annual report for 2012, the project states that "in 2012, FARMS reached 35 villages with two or more interventions (50% of the rural population). With its vet and feeding activities it reached more than 10% of all farming households in the two rayons."[3]

The measurement plan (annual report 2012, Annex D) shows that most targets have been achieved or overachieved by the end of 2012; the likelihood that the remaining targets (direct and indirect outreach, number of farmer groups) will be achieved during the remaining part of this phase is assessed as good. The attribution discussion is part of the progress reporting and the mission did not detect unjustifiable attribution claims made by the project.

For measuring poverty impact, FARMS applied proxy indicators such as assets (size and value of the herd) and generated income in the 2010 baseline study, rather than using unreliable government statistics. According to the results of the 2012 repetition survey, on average a FARMS beneficiary today owns cattle worth more than AZN 10,000 compared to AZN 7,400 for non-beneficiaries. Beneficiaries' herds have grown by 25%; non-beneficiary herds were reduced by 10%. Women headed households continue to have herds of half the value of male headed ones.

While thus animal assets have increased, the related income has decreased according to the 2012 survey, but the decrease was less pronounced for beneficiaries than non-beneficiaries. This decrease (if the survey has indeed measured it correctly, given the well-known difficulties of obtaining accurate figures from farmers that usually do not keep perfect financial accounts) is not easy to explain. The project sees a tendency "where animals are

[3] FARMS: Annual Narrative Report (01.01.2012 – 31.12.2012), February 2013, p. 4

kept as assets, but not necessarily used for income generation, i.e. farmers have other sources like for instance remittances."[4]

The project team has internalised the core tenets of the M4P approach and today is sufficiently M4P 'savvy'. On the other hand, acknowledged deficits exist in qualified technical knowledge (for instance in dairy technology) that is difficult to bring to the remote area.

73 Efficiency

So far, the project has underspent but still largely already achieved its core targets; project efficiency is therefore rated as good. "In terms of overall efficiency, the FARMS project so far spent AZN 1.5m but can claim attribution for bigger herds, reduced animal losses, a difference in income and the additional benefits from the 34 community based DRR projects. All in all, this amounts to AZN 15m or ten times the project costs."[5]

The arrangement with a part-time international team leader is also assessed as efficient and the additional establishment costs of having AIM field teams in the different components are at reasonable levels.

The comparatively long inception phase was justified due to the fact that location, value chains and approach were new and has paid off in terms of results that have been produced in relatively short time.

74 Sustainability and impact

The successful M4P interventions in feed distribution, milk collection, and additives should be sustainable and continue to produce impact; as mentioned, untapped potential clearly lies in upscaling and mainstreaming to other actors and areas.

The sustainability of the VetNet and the vet hotline is less sure once the project will have withdrawn all support. In this sector, government action (or inaction) will be the decisive factor.

The project now must decide on which interventions have matured sufficiently to be completed in phase 1 and then should exit them.

The direct results of the DRR activities are sustainable and, provided future funding from Excom and villagers can be ensured, the community development process may also continue to bear fruit.

[4] Op. cit., p6

[5] Op. cit., p4

8 The proposed future

81 Learnings and guiding principles

Political economy and M4P

As mentioned, systemic changes in the current context are difficult to achieve and the project has experienced problems and had to abandon the AI intervention due to the unresponsive state support system. Applying a strict M4P approach is further made challenging by (i) clients who expect hand-outs due to past experiences with humanitarian projects, (ii) a government that expects infrastructure from projects, (iii) large projects that provide this infrastructure and monopolise the policy and strategy level dialogue, which (iv) makes it difficult for small projects to access higher levels that are blocking systemic change.

SDC probably underestimated these challenges, also in respect to available capacities especially in remote project areas. Consequently, the project was too ambitious at start. The team was and is small and the timeframe was short for a M4P project that needs to build trust and requires much convincing. In retrospect, the number of value chains and intervention lines should have been smaller.

Given the experiences in AI (and those of SMART in yellow onion and vegetable seed), it seems advisable not to select value chains where state structures are dominant and potential blockers. A pragmatic approach would focus on interventions that are ‘isolated’ as far as possible from political economy distortions but where scale is still possible.

Guiding principles

The review mission proposes to SDC to engage in a second and last 3-years phase and to remain within the animal husbandry sector to profit from expertise gained, contacts made, and market knowledge acquired.

However, it will be crucial to have clear exit orientation right from the start of the second phase. This implies a careful assessment where the project can be reasonably sure to have maximum and sustainable impact.

It is further argued that scale and coverage can only be achieved by mainstreaming tested and successful first phase interventions, i.e. where the ‘doability’ has been proven in the field. In other words, the project is advised to replicate what worked well on a large scale, instead of continuing to do many things on a small scale.

The mission proposes therefore (1) a **priority option** where real scale and impact potential is expected, and (2) a secondary fall back option.

SDC should take a quick decision on which option to select, as this will influence the project's strategies in the remaining months of the current phase.

82 Proposed options

Priority Option 1

Upscale dairy VC intervention

- Mainstream dairy M4P success story ('model process')
- Cover entire Aran region as main livestock area in the country
- Potential scale
  - 150 dairies
  - 75,000 animal husbandry HH
  - 350,000 people

Option 2

Deepen and widen in 2 rayons

- Remain with feed and milk (health?)
- Decide
  - what has not been tried yet
  - which are new interventions with best potential
  - (where is potential already tapped)
- Vet as core challenge for next steps

Details on priority option 1: upscaling the dairy intervention

The basic idea behind the priority option is simple and straightforward: use the last 3 years of SDC funding for a full roll-out of the best and most promising of the interventions tested in the first phase.

The intention is to not work with or through government but with the private sector. The most promising upscaling and mainstreaming potential is seen in the dairy sector, more specifically in the improved milk collection system, as the economic interests of all involved players drive it. The goal is to introduce this system in the entire Aran region, the main cattle area of the country.

FARMS will never be able to address all of the many problems in animal husbandry in three more years. Focusing on dairying is manageable, doable and has a good impact potential. The focus should be first and foremost on the milk distribution system. If a large number of farmers have a secure outlay, if middlemen can earn a living, and if dairies have an assured supply of better quality milk, real impact is achievable, and a sustainable basis for further improvements in the animal husbandry sector can be laid.

The Aran region has an estimated 150 dairies, each with an assumed five middlemen, buying from around 100 milk-producing farmers respectively. Reliable milk collection can therefore improve the economic situation of up to 75,000 farming households or approximately 350,000 people.

While placing milk collection firmly in the centre of activities, other topics like feeding, health, animal management can be added; these topics, however, should be strictly treated as transversal themes and not divert from the main focus on the milk supply system. Activities are to be based solely on emerging opportunities and, following the first experiences made with producer groups, maybe in fields like cooperating with vets, obtaining credit or jointly purchasing feed.

An obvious target group for embedded service provision are the middlemen with their daily producer contacts and direct interest in more and better quality milk.

DRR related activities, finally, could be organised for dairies, in order to improve hygiene and their conformity with the food safety law, thus producing an indirect impact on consumers of dairy products.

Option 2 adjustments

Based on experiences made during the first phase, the project will have to select new promising intervention lines. The review team did not get the impression that the team would overflow with ideas of activities that had not been tried yet, which is not surprising in the context that was described in this report.

Solid brainstorming exercises will be required to isolate 'best bets' where one can be reasonably sure to successfully start an intervention but, even more so, bring it to a sustainable end in the short period of three years. Again, a limitation to a few action lines is proposed.

During the first phase, the project has operated more or less in ‘splendid isolation’ in Agjabadi and Beylaqan. Should it continue to work in vet services in particular, increased policy dialogue at the centre is a must if systemic change is to be achieved. Interest and willingness for including FARMS components in other programmes would have to be investigated.

Given the comparatively small size of the project, this would also require a pro-active positioning of SDC in this process. Finally, teaming up and joining forces with other animal husbandry donors and projects would be advisable, including exploring possibilities for cooperation or eventual buying in from other projects.

External Review of Phase I of the Project "Facilitating Access to Animal Resources and Markets in the Districts of Agcabadi and Beylaqan in Azerbaijan (FARMS)" – Terms of Reference (International Consultant)

I. CONTEXT AND PURPOSE OF THE REVIEW

The Swiss Agency for Development and Cooperation (SDC) tendered two major rural development projects in February 2010. HEKS-EPER was one of the international organizations which obtained the right to implement one of these two projects. The organization was tasked to implement a rural development project focusing on the livestock sub-sector in the districts of Agcabadi and Beylaqan. Later the project was entitled "Facilitating Access to Animal Resources and Markets in the Districts of Agcabadi and Beylaqan (FARMS)".

According to the agreement between SDC and HEKS, the project's duration is three years (September 2010 to August 2013) with a possibility of a second phase that would last for another three years. The project used the first 6 months for an inception phase to plan the intervention during the remaining period of phase I. As a result of surveys and assessments, the project decided that it would target dairy, feed, animal breeding and animal health to facilitate markets function better for poor farmers. Later, HEKS officially applied to SDC to terminate the animal breeding component due to challenges linked with strongly monopolized markets.

So far, the project has been performing well, particularly on the components of dairy and animal health, according to partner reports. However, there is a need of an external perspective to review the achievements and trends to find out how well the project has done and how sustainable the achievements are. The findings and suggestions by the external evaluator will be used for designing phase II of the project.

II. OBJECTIVES AND SCOPE OF REVIEW

The objectives of the review are to

1) assess the relevance, effectiveness, efficiency, and sustainability of the project, its approaches and activities, and,
2) to provide suggestions for the final 2nd phase of the project.

The evaluation team shall address the following questions bearing in mind that they might propose others:

1) Assessment

a) Relevance

- Were the approaches employed by the project conducive to foster systemic changes?
- Have the project's facilitation tactics proved to be appropriate? If not, what other tactics could have been used?
- Were subsidies and grants provided to the market players relevant to the project tactics and approaches?

- Is the project set up and cooperation with the partners AIM and AAC appropriate for implementing this project? Did the PIU position itself correctly to benefit from the work of its partners to the biggest extent?
- How do key market players working in the relevant value chains assess the pertinence of, and expertise provided by, the project?
- Which particular areas should phase II tackle? Could meat production, vocational training, finances and other potential areas (to be specified by the review team) be included in the existing areas of intervention? Which areas of intervention should be dropped and why?

b) Effectiveness

- Did the project achieve the targets set in the logframe? In particular, to which extent were project objectives achieved at the output and outcome level?
- Was this project effective in contributing to reduce poverty at the local level, or if it is too early to assess is there at least evidence pointing in this direction? If not, what are the reasons?
- Has the project achieved the results they attribute to themselves?
- Which particular areas have better successes than others and why?
- Do the project staff members have the necessary understanding of the approach and long-term goal of the project?
- How effective was cooperation with the local partners AIM and AAC?

c) Efficiency

- Do the results achieved so far justify the volume of funds spent for this project?

d) Sustainability

- How sustainable are the results that were achieved in phase I?
- What can be the role of phase II in making project achievements more sustainable?

2) Recommendations for phase II

Based on the assessment of the project at this stage of phase I, the review team shall present recommendations on the future course of action in regard to the FARMS project. The evaluation team should address the following questions (inter alia):

- What are the general recommendations of the review team as to the continuation of the project?
- What are the recommendations for the scope of intervention? Should the project focus on the existing areas of intervention or should new areas be included?
- What would the team suggest about the approaches used so far? Should similar approaches be applied in the future as well, or should they be replaced with different ones? Which other approaches should be employed to ensure sustainable results in the future?
- What tactics should the project employ to achieve better crowding-in large-scale and sustainable impact and enlarge the geographical coverage of project achievements?
- What are the particular recommendations as to the work with partners? Can/should AAC become a market player on the dairy market? What should be done to achieve this?

III. PROCESS / METHODS OF WORK

The review team will consist of the following members:

- International consultant acting as team leader; and

- Local expert[1]

The team will make use of information provided by HEKS/project and SDC, the project staff in the field, beneficiaries, local authorities, international organizations, local NGOs, business entities as well as other relevant stakeholders.

The main tasks of the assignment can be summarized as follows:

a) Desk research (information collection and analysis)

   Relevant documentation includes, but is not limited to:
   - Credit proposal and project document for phase 1;
   - Annual and semi-annual reports by HEKS;
   - EDE Domain Review Report, 2012
   - Swiss Cooperation Strategy for 2008-2011 http://www.swisscoop.ge/ressources/resource_en_174563.pdf.
   - Swiss Cooperation Strategy South Caucasus 2013-2016

b) Briefing at the Swiss Cooperation Office (SCO) in Baku with the Deputy Regional Director and the National Programme Officer during the mission to Azerbaijan

c) Field trip to Agcabadi and Beylaqan districts (incl. interviews with project team, main stakeholders and beneficiaries)

d) Debriefing at the SCO in Baku

e) Debriefing at SDC Headquarters (SDC HQ) in Bern with the Desk Officer for the South Caucasus.

The consultant shall suggest a suitable methodology for the review in the inception report.

IV. DELIVERABLES / REPORTING

The international consultant is expected to produce the following deliverables:

1) Inception Report, to be delivered five days prior to departure to Azerbaijan.

2) Draft evaluation report to be submitted electronically within 15 working days after the mission in Azerbaijan to both the SCO in Baku and SDC HQ in Bern. The latter will invite the international consultant for a discussion of the draft report (debriefing);

3) Final evaluation report reflecting all aspects to be reviewed as mentioned in chapter II. It shall contain a brief description of the applied working methodology as well as separate chapters dedicated to the key findings and recommendations. The report shall be written in English (Arial 11) and not exceed 15 pages (without executive summary and annexes). This report is to be submitted no later than 14 working days after the debriefing with SDC HQ. Electronic copies of the final operational report must be submitted to both the SCO and SDC HQ. Two hard copies must be sent to the SDC HQ.

[1] In cooperation with the International Consultant, a similar TOR will be drafted for the local expert to be identified and contracted by the Swiss Cooperation Office in Baku.

Program the external SDC evaluation mission

Date	Day	Activity	Remarks
FEB 5	Tue	**Travel to Agjabedi**	Agjabedi lodging
6	Wed 9:00 - 18:00	**FARMS team/office/partners** Meeting with FARMS team, (PIU, AIM, AAC) – Presentation of PIU and each partner. – Presentation and discussion (main actors in the dairy subsector – initial assumptions of the FARMS project – present state) Presentation and discussion of outcome- specific interventions: – Veterinary services (Jeyhun Mirzaev, FARMS- PIU production/ monitoring coordinator) – Feeding (Ilkin Ibraimov, FARMS- AIM manager) – Milk supply chain (Tofiq Ibraimov, FARMS- PIU marketing coordinator) – Disaster Risk Reduction (Khayyam Ismayil, FARMS- PIU DRR coordinator) – Gender (Jeyhuna Huseynova, FARMS- PIU manager) – Good governance (Jeyhuna Huseynova, Khayyam Ismayil)	Venue: PIU All day event – in depth interactions with the team The presentation of milk supply chain eventually will be done by Mirnail Mirsalahov
7	Thu - 9:00 18:00	**Field visits to Beylegan district** 1) Vet network member – Progressive vet (Tahir Aslanov – Eyvazallar) 2) Village feed distributor - (Naiba Tehmezova – Sherg) 3) Vet department – Nizami Bayramov (combined with business lunch) 4) Fodder miller - (Edilman Hasanov – Bolsulu) 5) Dairy - (Garash Kazimov – Kebirli) 6) Disaster Risk Reduction Committee in Kebirli	Beylegan is the more remote district. We plan roundtrip, travel times between the different interviews about 20 minutes
8	Fri 9:00 18:00	**Field visits to Agjabedi district** 1) Vet network member – Progressive vet (Musa Aliyev + feldshers – Salmanbeyli) 2) Fodder miller – (Chingiz Kerimov – Hindarch) 3) Disaster Risk Reduction Committee in Imamgulubeyli and Municipality leader Murad Zeynalov) Lunch in the village 4) Meeting with Deputy of Agjabedi Ex.com – Leyla Askerova 5) Rayon Distributor - (Faig Abbasov) 6) Head of Agjabedi Vet department –Savalan Khudiyev (afternoon)	Agjabedi
9	Sat	**FARMS field/team/office** 1) Project management, monitoring, finances, donor and other project relationships, future plans, etc. 2) Clarifications of open issues from field trips	PIU
10	Sun	**Analysis of findings**	Work in PIU office is possible (WiFi)
11	Mon	**Morning: debriefing to FARMS team/HEKS** Lunch in Agjabedi Group meeting AIM field staff	Nana Topuridze (HEKS SC director) will join
19	Tue	• **Joint FARMS- SMART evaluation workshop in Baku**	